

## Risk management

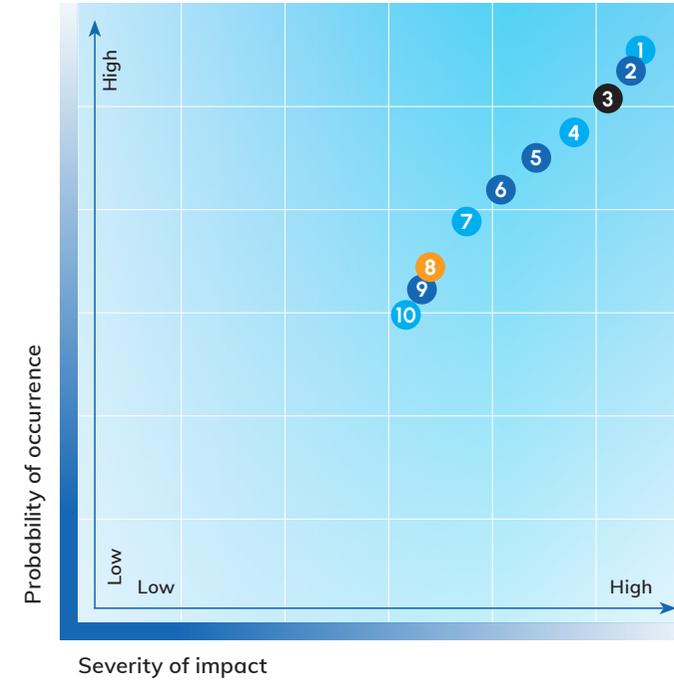
# Steering a steady course through dynamic risk evaluation

At Tata Motors, we monitor the external environment to capitalise on emerging opportunities and proactively undertake measures to mitigate associated risks. We have established a robust risk governance framework that not only evaluates the nature of risks, but also dynamically assesses their likelihood and significance on our value creation abilities.

### Our Enterprise Risk Management Framework

At Tata Motors, we have a strong enterprise risk management framework for identifying, assessing, managing, and monitoring principal risks that could affect our business.

#### Governance Framework



- Operational :** 1, 4, 7, 10
- Strategic :** 2, 5, 6, 9
- Financial :** 3
- Legal & Compliance :** 8

Operational	Strategic	Financial	Legal & Compliance
1 Supply chain disruptions & commodity inflation	2 Global economic and geopolitical environment, COVID-19 pandemic and manufacturing operations	3 Growth strategy and competitive business efficiency	8 Environmental regulations and compliance
4 Distribution channels, retailer network and customer service delivery	5 Brand Positioning, innovation and rapid technology change		
7 IT Systems and Security	6 Jaguar Land Rover electrification transformation		
10 Human Capital	9 Climate change		

Principal risks	Description	Consequences	Mitigations and opportunities
<p><b>1</b></p> <p><b>Supply chain disruptions &amp; commodity inflation</b></p>	<p>Our ability to supply components to our manufacturing operations at the required time is of paramount importance in achieving production schedules and meeting consumer demand. We are also witnessing disruptions on account of recent COVID-19 lockdowns in China.</p> <p>Recently commodity prices, especially precious metals have experienced significant volatility. Steel, which is a principle component for commercial vehicles, has witnessed exponential price increases.</p>	<p>Supply chain disruptions, if not managed, could have an adverse effect on production volume, revenue and profitability, customer satisfaction and reputation. In addition to the disruption caused by the pandemic, associated supply constraints of semiconductors have impacted many industries including automotive. As the transition to electrified vehicles continues the skills, processes and technologies required to ensure continuity of supply will change, so securing these supply chains is business critical.</p> <p>Raw materials comprise almost 65% of our total costs. If we are unable to find substitutes for such raw materials or pass price increases on to customers by raising prices, or to safeguard the supply of scarce raw materials, our vehicle production, business and results from operations could be materially affected.</p>	<p>An effective supply chain risk management framework enables early, proactive, engagement with our suppliers to identify and mitigate potential disruptions. A key component of Jaguar Land Rover's Refocus Transformation programme focuses specifically on the resilience of its supply chain and the efficiency of launching its models to market. We work closely with our suppliers to define inventory maintenance norms, build safety stocks, explore localisation and alternative sources, among others.</p> <p>We have taken several initiatives to mitigate semiconductor crisis, including by engaging with suppliers and chip manufacturers, optimising chips, deploy altering designs and using premium freight services to replenish the inventories, among others. We continue to maintain and develop strong partnerships with key strategic suppliers, including for electrification to ensure a stable future supply of components.</p> <p>We have been taking steps to find substitutes, protect volatility by way of hedging and taking price increases in a calibrated way to somehow mitigate the impact of price rise.</p>
<p><b>2</b></p> <p><b>Global economic and geopolitical environment, COVID-19 pandemic and manufacturing operations</b></p>	<p>We are exposed to changes in the global economic and geopolitical environment, as well as other external factors including but not limited to trade tensions, protectionism, wars, terrorism, natural disasters, humanitarian challenges and pandemics that may adversely impact our business.</p> <p>Manufacturing operations are at the heart of our value chain, and any losses to scheduled production will have a detrimental effect on both financial performance, customer delivery and satisfaction. The COVID-19 pandemic and Brexit have increased our production continuity risk exposure.</p>	<p>We rely on certain key markets, including the United Kingdom, China, North America, India and continental Europe, from which we derive a substantial portion of our revenues. A decline in demand for our vehicles in these major markets may significantly impair our business, financial condition and results of operations.</p> <p>Our international presence and global sales profile means that our business could be significantly impacted by in the external environment, globally or locally. Our global supply chain could also be negatively affected by disruption caused by external factors in the future. As a result, our business could be adversely affected through lower sales in each region. Any disruptions to our manufacturing operations and losses in vehicle production could result.</p>	<p>We continue to closely monitor, and risk assess global developments, implementing mitigation plans as necessary and we continue to maintain a balanced sales profile across our key sales regions. Our diverse global customer base gives us the flexibility to react to regional changes in demand by adjusting our sales mix into other markets while we may adjust product features or content should we face supply challenges in the future.</p> <p>Manufacturing works closely with the Purchasing and Supply Chain functions to monitor and manage suppliers that pose part supply risks to production. Data analytics tools and integrated S&amp;OP tools have been set up to monitor volatile demand and managing inventories efficiently.</p> <p>Multiple response measures have been implemented to ensure our sites are COVID-19 safe working environments. There has been extensive engagement with labour unions and several steps and welfare measures have been taken to ensure safety and well-being of employees.</p>

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<p><b>3</b></p> <p><b>Growth strategy and competitive business efficiency</b></p>	<p>Delivering on our business and strategic objectives, including electrification transformation for Jaguar Land Rover and sustaining the turnaround journey and achieving a structural transformation is key to realising our planned future profitability and cash generation through return on our investments.</p>	<p>If our business is unable to compete effectively on cost we may experience lower than expected returns on our future investments which may make us unable to deliver on our financial objectives in the future. This may limit our ability to reduce net debt in the future as planned which could reduce our ability to raise new debt and invest further in new products in the future.</p> <p>We are also expanding our growth in domestic business with a focus on large scale fleet under pay-per-use model. Such large contracts come with execution risks. If we are unable to comply with various terms of agreement or fulfill the necessary specifications and timelines, it would adversely damage our reputation and also significantly impact our financial performance and results of operations.</p>	<p>Jaguar Land Rover Reimagine strategy delivers three platforms which includes a pure BEV for the Jaguar brand, a native BEV for EMA and a flex for MLA, enabling an acceleration of its electrification transformation and its journey towards net zero carbon emissions target in 2039.</p> <p>Jaguar Land Rover has launched Refocus programme to support the delivery of its Reimagine objectives. This operational transformation programme includes focus on ensuring timely new product delivery to market, and management of the cost base of the business while also ensuring that we maximise profitability on our sales. We maintain strong liquidity in the business to ensure that we can navigate any funding challenges may arise in the future.</p> <p>Appropriate business model / financial structuring is being worked upon to address risks for execution of large scale contracts, including contracts entered according to pay-per-use model.</p>
<p><b>4</b></p> <p><b>Distribution channels, retailer network and customer service delivery</b></p>	<p>Every customer must receive a seamless and consistent hassle-free experience. Customers must be delighted at every step. Our retailer partners reflect our brand strategy and vision, and must effectively communicate our values, with trained and capable representatives, to continue to successfully appeal to new and existing customers, and driving high customer satisfaction and retention, both for Sales and Services.</p>	<p>Inconsistent customer experience impacts the satisfaction and retention of existing customers, and the attraction of new customers. Failure to deliver an exceptional sales and service experience through on-line and physical retailer channels will lead to a weakening in our competitive positioning, potentially impacting our business and financial performance as a result.</p> <p>We may be compelled to invest newer evolving distribution models such as D2C, and we need to constantly evolve and meet consumer preferences and new market trends.</p>	<p>Significant steps have been taken to improve dealer profitability and financial health. Online channels have been simplified to enhance the customer online experience. Retailer systems and tools have been enhanced, supporting retailer sales, service and technician representatives to deliver a seamless and consistent hassle-free customer experience, increasing our Sales and Service customer satisfaction. Furthermore, other several other initiatives have been undertaken in past years for hassle free sales and improved after sales experience (e.g., SOTA - Software Over the Air and FOTA and Features Over The Air services now in development), Fleet Edge, Sampoorna Seva, Uptime guarantee.</p>

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<p><b>5</b> <b>Brand positioning, innovation and rapid technology change</b></p>	<p>Brand positioning is becoming increasingly challenging in a dynamic automotive market with more intense competition from existing OEMs and new disruptive entrants, particularly the electric vehicle segment. Our future success depends on our ability to stay attuned to evolving automotive trends and to satisfy changing customer demands by offering innovative products in a timely manner and maintaining product competitiveness and quality.</p>	<p>Our potential inability to successfully position, maintain and articulate the strength of our brands as well as failing to develop new products and technologies that meet customer preferences, or not being able to sufficiently invest in brand building, could impact demand for our products.</p> <p>Delays in the launch of technologically intensive products, or the relative obsolescence of existing technology in our products could impact sales as customers may choose to purchase products from competitors and/or the sale of our products could be prohibited in certain markets.</p>	<p>Our approach of taking 'Every regulatory change as an opportunity to enhance value to customer and increase competitiveness' helped us establish superiority of our BSVI range with improvement in market share. Passenger vehicles business has witnessed significant turnaround and perception change in past 2 years. We have stepped up product launches, sustainable mobility solutions, new business avenues and have been front-runners in EV's in India.</p> <p>Under the Reimagine strategy both of Jaguar Land Rover brands continue its Modern Luxury vision to support its brand position in the market, with Jaguar relaunching as an all-electric brand from 2025 targeting a more premium segment of the market. As part of the Reimagine strategy Jaguar Land Rover is increasing collaboration and partnerships both within the Tata Group and with external organisations in a number of areas to ensure we can meet our customer expectations.</p>
<p><b>6</b> <b>JLR's electrification transformation</b></p>	<p>Jaguar Land Rover electrification transformation is fundamental to its Reimagine strategy and sustainable future. It's vitally important to ensure that the product, business and service related aspects are cohesive, timely and relevant in the dynamic external environment.</p>	<p>Potential inability to ensure a robust and effective transition towards electrification, could result in non-compliance with environmental regulations, an uncompetitive product portfolio and a deterioration in financial performance</p>	<p>Jaguar Land Rover Reimagine strategy will deliver three platforms, including a pure BEV for the Jaguar brand, a native BEV for EMA and a flex platform for MLA, enabling an acceleration of its electrification transformation and its journey towards net zero carbon emissions target in 2039. Strategic options for its battery requirements, services and software have been evaluated and are in the process of being integrated into delivery plans.</p>
<p><b>7</b> <b>IT Systems and Security</b></p>	<p>We are a global enterprise with an enviable reputation and are undergoing radical transformation. As technology is increasingly central to our business, safeguarding our information assets, ensuring privacy and reducing human risk are paramount. Like other organisations, we are operating in a perilous cyber climate, making it a constant target for cyber-crime. We strive to reduce information cyber security risks and continue to deliver great experiences for our customers and value for our shareholders.</p>	<p>Successful cyber-attacks could cause significant business disruption to us, affecting our ability to deliver products and services for our customers. In extreme situations this could affect the personal safety of our customers and colleagues. Regulatory and statutory requirements are increasing, and failure to meet these obligations, such as privacy and data protection law, could result in enforcement action, fines, reputational and financial damage.</p>	<p>Information risk and cyber security are managed strategically, through a cohesive programme of initiatives, to improve risk and maturity of cyber capabilities. Jaguar Land Rover significant investment is driving measurable improvements in cyber defence and other core security capabilities (e.g., security ecosystem, supply chain security, risk governance and cultural change).</p>

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<p><b>8</b> <b>Environmental regulations and compliance</b></p>	<p>We are subject to a continually evolving regulatory landscape with its associated laws, regulations and policies that have an influence on our products and operations.</p>	<p>We may face reputational damage, which could materially impact our brands and sales, if we fail to maintain the mandated environmental compliances.</p>	<p>Robust mechanism for ensuring proactive compliance and continual compliance evaluation.</p> <p>Culture of compliance is embedded by educating employees and creating systems that ensure compliance requirements are met on a continuous and proactive basis.</p>
<p><b>9</b> <b>Climate Change</b></p>	<p>Climate Change poses acute and chronic physical risks to our operations and our value chain.</p> <p>Climate Change also poses transition risks to our business which include technological advances in products and evolving market and policy landscape changes.</p>	<p>Extreme weather events may disrupt supply chain and our operations adversely affecting our ability to fulfil demand.</p> <p>Evolving customer choices leading to increased demand for low-carbon vehicles.</p> <p>Policy direction requiring us to adopt low carbon manufacturing.</p> <p>Carbon pricing mandates may potentially enhance transition risk.</p>	<p>Simulate climate change physical risks, baseline and develop long-term transition roadmap.</p> <p>Transition to low-carbon products in a planned and systematic manner across passenger and commercial vehicles.</p> <p>Build resilience into the value chain and integrate low-carbon agenda into business strategy.</p>
<p><b>10</b> <b>Human Capital</b></p>	<p>Our business requires an engaged workforce with core capabilities in new and emerging skill areas and a collaborative, innovative and inclusive culture for our transformation to be successful. The safety, wellbeing and engagement of our employees is paramount and needs to be maintained in the face of a challenging external environment and through the transformation of our organisation.</p>	<p>If we fail to attract, retain, engage and develop a diverse workforce with critical skills and capabilities our ability to deliver innovative products and services will be constrained and we will be prevented from deploying the agility and speed of delivery that is essential within the dynamic automotive industry.</p>	<p>A key aspect of our strategy is to develop an agile, capable organisation and culture through changes to ways of working, significant ACES upskilling, and the introduction of a new business purpose and supporting behaviours. Our four culture pillars for Tata Motors-be bold, owning it, solving together, being empathetic focus on these aspects. Leveraging the digital capability and solutions through In Digital, as part of Jaguar Land Rover refocus program enables a more efficient, focused and productive workforce. Our diversity and inclusion strategy will make the most of the uniting power of our differences and the unique qualities that each of our workforce brings.</p>

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