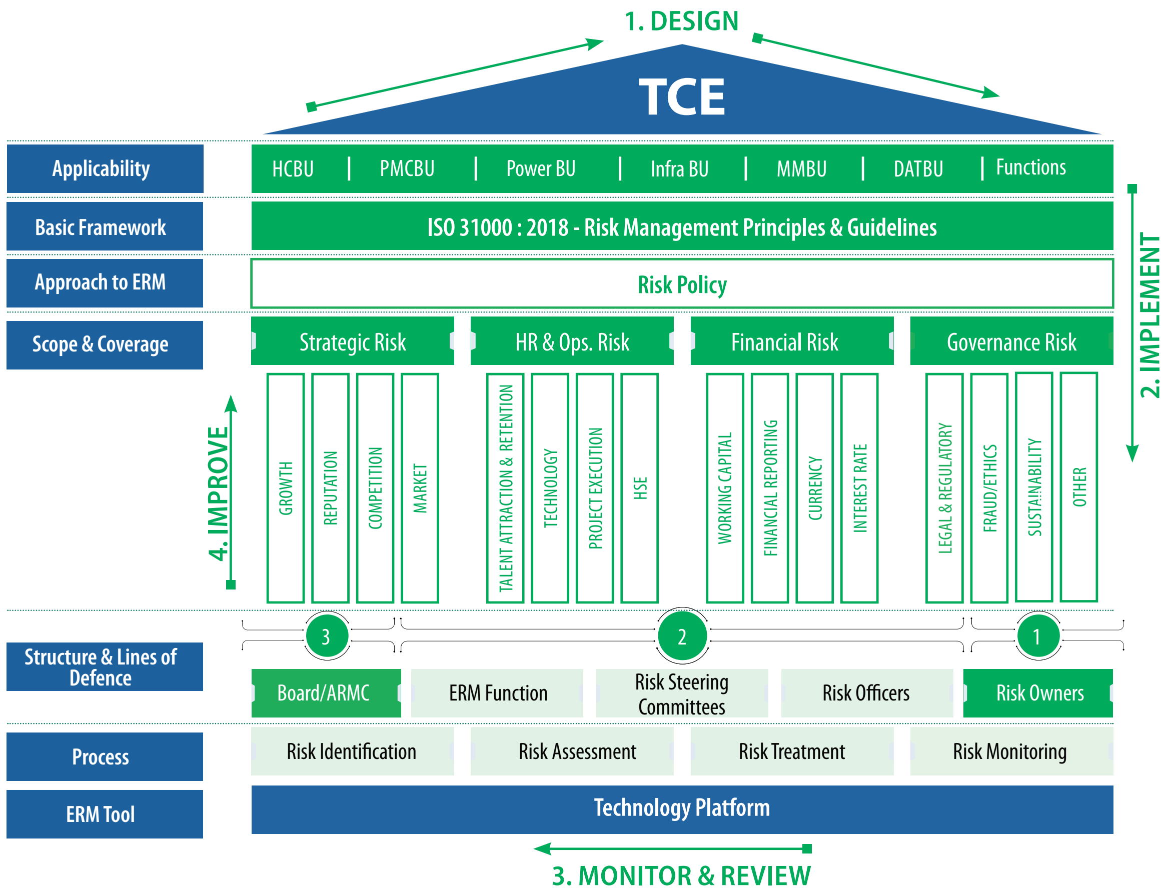
RISK RESILIENCE

Today the world is uncertain and is facing a CUVVI environment. CUVVI stands for Complex, Unpredictable, Vague, Volatile and Interlinked. Due to the complex environment, Companies across the globe need to be more prudent and continually alter their business models to adapt to such an environment to minimise the impact on the organisation's business goals. Companies will likely see increased complexity, shifting linkages and a multi-fold increase in their risk landscape. The complexity further increases for the organisations importing or exporting their goods/services or operating overseas. Many such scenarios need to be factored in by organisations while drawing their business plans. Organisations must identify and mitigate the risks they are exposed to. It may not be possible to eliminate the risks, but what matters is whether appropriate risk treatment measures are implemented to ensure the risk levels are within the risk appetite for achieving organisational objectives.

To reduce or mitigate the impact of potential risks (internal and external) on the Company's performance, Tata Consulting Engineers (TCE) has developed an Enterprise Risk Management (ERM) framework and process in line with the business value chain of the Company and best practice recommendations of standards like ISO 31000 and COSO framework. Risk scores, high-risk bids and projects and mitigation plans are some of the key parameters tracked. The Company's risk management procedure captures and evaluates risks throughout the project's lifecycle, i.e., from the bid stage till the closure of the project. The Risk Management System at the bid and execution stage captures and shares the risk data for bids and projects through various dashboards and reports to support risk reviews, risk mitigation and monitoring, risk reporting, etc.



MEASURES AND INITIATIVES TO DEAL WITH KEY RISKS INCLUDE

- A detailed review of bids based on threshold values at the bid stage and regular project reviews of key projects from each Business Unit (BU).
- Risk inputs to strategy covering business and sector-wise key updates both in terms of risks and opportunities.
- Risk challenge to the Annual Business Plan (ABP) based on the potential risks that may impact the ABP & likely impact in terms of optimistic, pessimistic and base scenarios.
- Portfolio analysis of sectors in a BU to understand the risk vs return potential of the sector within a particular BU.
- Revision of BU and Function risk registers.
- Country profiles are prepared and shared with BUs and the International Marketing Group (IMG), covering risks and opportunities for informed decision making.
- The Company is working on its Digital Risk Management approach to identify and reduce the impact of Digital Risks.
- Increased focus to strengthen risk culture in the organisation by training key stakeholders comprising BU Risk Officers, Business Development and Project Management Teams.
- Trained TCE employees using newly developed training modules – Claims Management, Risk Management system at bid and execution stage.
- The Risk Management team has also started offering its services to TCE clients.

All the above steps have helped strengthen the Company's Governance and Risk processes to aid decision making. The Enterprise Risk Management (ERM) team also presents to the Corporate Management Committee (CMC) and the Audit & Risk Management Committee (ARCM) of the Board periodically on the risk assessment and mitigation procedures adopted to enhance the effectiveness of the risk management process. TCE was awarded Masters of Risk – Real Estate and Infrastructure Sector - Mid-Cap Category at the CNBC-TV 18 India Risk Management Awards.

Risk Management Organisation: The Risk Function at the central level is primarily driven by Chief Risk Officer with guidance from the MD, COO and the Board. CRO is supported by the Corporate Risk team and Business Unit level Risk Officers (BUROs) in various initiatives related to risk management and integrating/deploying the risk frameworks in respective BUs.

KEY RISKS AREAS AND MITIGATION APPROACH

Risk Category	Key Risk Areas	Areas Impacted	Mitigation Strategies
Economic Risk	• Demand for Company's services is mainly capex based. Economic downturns, reductions in government or private spending and political & economic uncertainty may impact the Company's clients' sectors. • Uncertainties presented by the rise in inflation, Russia-Ukraine conflict and supply chain issues may impact project viability, delay the owner's capex plans, or hit their ability to make timely payments in existing projects.	• Ability to generate new business, revenue targets, revenue out of existing business, make collections for current and past dues, project delays leading to cost increase, etc.	• TCE has multiple Business Units (BU) across sectors making it less dependent on any single industry and enabling the Company to capture new opportunities. • Proper due diligence of clients, ensuring projects viability, funding tie-up etc., are in place.
Business Acquisition & Revenue Flow	• External factors like economic trends, wars, politics inflicted issues, policy changes, market conditions, geopolitical issues, pandemics etc., may impact the business acquisition. • Delays or reductions in new orders may affect the targeted revenues. • Revenue generation could also be negatively impacted due to internal issues like the inability to deploy the right workforce and inadequate planning.	• Reduced jobs in hand. • Revenues, cashflows and profits.	• Identify sectors/ geographies/business models for growth. • Develop new key accounts/customers & enter new areas through partnerships, etc. • Deepen customer connect.
Concentration Risk	• Dependency on certain key clients, types of business models, geographies or sectors may hurt revenues. • Despite good relationships and performance by TCE, client(s) may have to reduce, delay, or cancel their contracts due to changed business scenarios.	• Volatility or fluctuations in business performance. • Inability to achieve acquisition, revenue, anticipated profitability/ operational targets in case over-dependent aspect gets impacted/ faces any issues.	• Conscious efforts to reduce dependence or concentration on any single client, geography, or sector. • Develop newer key or large accounts. • Strengthen business relationships with clients at all levels.

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Loss of Confidential Information/Data Violation/Breach	• Processes are being followed to correctly identify confidential information of the Company & other stakeholders and prevent leakage. However, there remains a risk of loss of confidential information.	• Loss of sensitive information. • Negative impact on reputation and brand value. • Loss of business.	• Training and sensitisation of employees. • Obtaining specific NDAs / Confidentiality agreements from employees/partners. • Tightening IT security measures.
Human Resources	• Shortfall of key resources in case of high attrition in select BUs. • Competition and the Company's ability to attract talent in current market conditions may be challenging. • Unexpected incidents and risks like war, pandemic and climate risks may impact the Company's ability to deploy workforce at sites worldwide.	• Delay in deliverables/ projects. • Reduction in revenue and profits. • Increased workforce costs in case of any immediate hiring required for key positions.	• Enhancing employee engagement practices. • Developing specific learning and re-skilling programs by providing adequate training. • Proactive strategies to attract the right talent from various sources. • Focus on providing a safe environment and ensuring employee well-being.
Locked Working Capital and Cash Flow	• Many of the Company's contracts have milestone-based payment terms, so high costs may be incurred before billing and collection. • Cash flows from projects can fluctuate significantly over the execution period depending on the delays, contingencies, etc.	• Impact on working capital & higher cost of financing. • Negative cash flow.	• Enhanced focus on contract & claims management to ensure project delivery with profitability. • Due diligence and factoring in locked capital or cash flow impact in the bid pricing.
Cost Overrun	• Costs may increase in projects due to various reasons like: • Higher quantum of resources required. • Schedule delays. • Resources being unoccupied while being deployed on the project.	• Lower profitability. • Disputes with the client.	• Ensuring intense bid stage contractual review and study of primary/ secondary data to identify issues/risks, quantify the same and factor into the prices. • Follow project and contract management best practices to avoid cost overruns.

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Liabilities	• Company's project execution activities may result in liability as per Contract conditions. • Force Majeure conditions being activated. • Company could be exposed to monetary damages, claims or reputation risks due to deficiencies in service, any catastrophic event at the Company's project sites, etc.	• Unexpected costs to correct deficiencies. • Negative impact on profitability. • Increased litigations/ legal disputes.	• Adequate professional liability insurance at the organisational level. • Proper due diligence during bidding to avoid taking up significant liabilities, adhering to contract requirements and professional best practices to avoid imposing penalties or liabilities.
Intellectual Property (IP)	• Although the Company protects its intellectual property through contractual arrangements, registration, licensing, NDAs, etc., it may not be able to prevent infringement of IPs completely. • Company's employees could inadvertently or purposely cause an infringement of the client's or third party's IP rights. • Litigation to determine the scope of IP rights, even if ultimately successful, could prove costly.	• Unexpected and huge costs. • Consumption of a significant amount of senior management's attention and time. • Negative impact on reputation and brand value.	• Strengthen processes, contracts & other mechanisms to safeguard the Company's IP, confidential information & trade secrets. • Provide training to employees on the importance of respecting the IPs of the Company and those of other stakeholders and the high price that the Company might become liable to pay in case of IP infringements.
Joint Ventures (JVs)/Partnerships	• TCE works on certain contracts as a member of JV, in partnership and in similar arrangements. There is a risk that the Company's partners may be unable to fulfil their contractual obligations to the Company or clients. • Company would have limited ability to control the actions of the JV partners, including non-performance, default, bankruptcy, or legal compliance.	• Impact on time and quality of project deliverables. • Loss of revenue and profit. • Increased litigations and hence loss of reputation.	• Proper due diligence of JV partner during the pre-bid/bid stage, esp. on financial ability, experience and track record. • Strong back-to-back contractual arrangement to pass on liabilities and penalties to JV commensurate with their share in the partnership.

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Safety Risk	• The Company may be exposed to safety issues if the quality is not adhered to/process is not followed while formulating the design and review of safety mechanisms during the project's construction phase as per contractual terms.	• Reputational impact. • Injuries/loss of life.	• Stringent internal process checks by an independent team to ensure desired quality parameters are met. • Training on safety aspects/processes to concerned employees to ensure safety.
International Operations	• The Company's international operations pose additional risks and uncertainties, including unfavourable political developments and weak economies. E.g., unexpected changes in government policies, geopolitical issues, potential non-compliance with regulations and evolving industry standards, renegotiation or nullification of existing contracts, social, political and economic instability, currency fluctuations, etc.	• Loss of business. • Safety and security risks of the personnel. • Impact on revenue and profits. • Impact on the global footprints of the Company.	• Perform and continuously maintain country risk analysis to identify new geographies as Go/No-go. • Proper due diligence during bid time regarding country or location risk. Avoid excessively risky, unsafe, economically unstable, or vulnerable countries or geographies. • Have systems and processes to ensure compliance with all key regulatory, govt and contractual compliances, standards, laws, etc.

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