Risk Management Overview

In the rapidly changing business environment, the company is exposed to several risks that could impact its businesses adversely. It is imperative to identify, analyse and address such risks and at the same time leverage opportunities for achieving our objectives.

Tata Consulting Engineers (TCE) has adopted the Enterprise Risk Management (ERM) process that recognises and seeks to address the key risks across the bid stage and execution stage for projects while also evaluating strategic, financial, operational, legal and reputational risks for Business Unit's (BU) & TCE. However, the risk management process and its elements continue to evolve and are enhanced further based on stakeholder feedback/inputs to support organisation strategy requirements.

Risk managers prepare their organisations for all types of risks, but very few would have imagined that they would one day be faced with a global Pandemic that could strike swiftly and with such a broad impact, with no predictable end date. In such a situation with multiple parameters, it is imperative to have an agile approach to business continuity and strategic risk management.

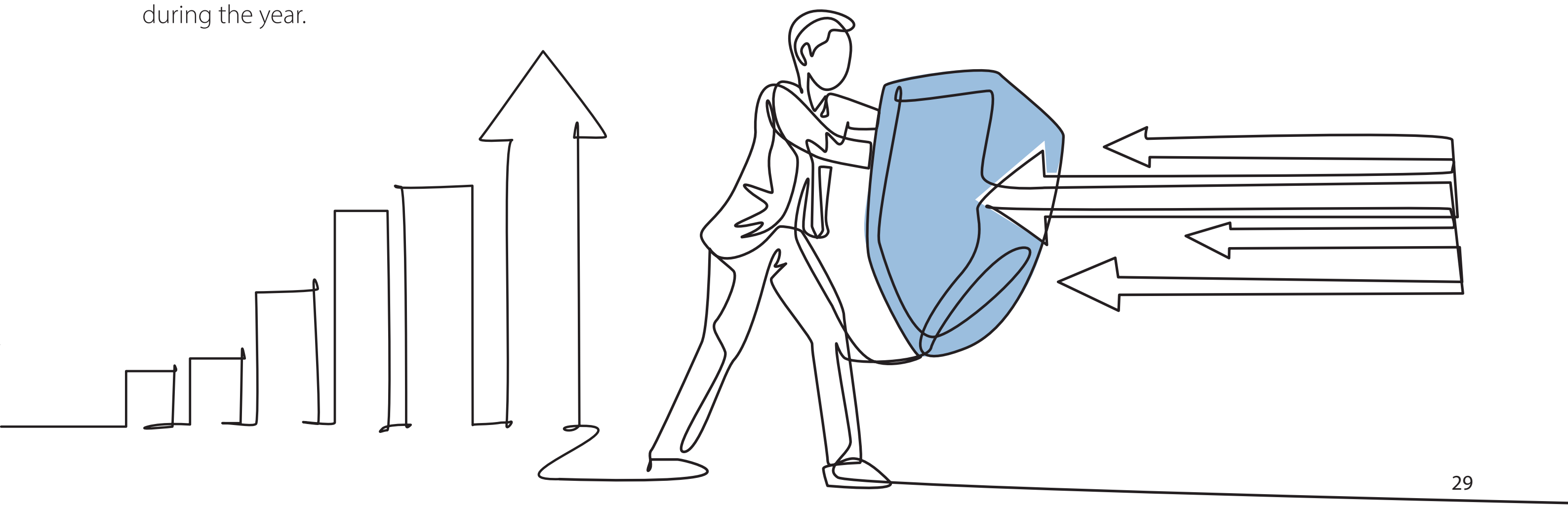
Steps taken by the company to deal with risks in these highly uncertain times are:

- We developed COVID-19 specific Addendum to our existing Business Continuity Plan. The document covered various aspects of business, like People Safety, Customer Connect, Operations, Delivery of assignments in India and overseas, Working Capital, Emerging challenges, etc.
- Risk management has been elevated to a more Strategic Management level. We have had daily management calls to deal with all kinds of risks/uncertainties that cropped up during the year.
- Various steps and initiatives were undertaken by central support functions like HR, Administration, IT, Legal, Central Resources Team to facilitate our business operations through the year.
- At the start of the year, we started examining various scenarios in this volatile environment and shared them with the management to prepare the Business Plans for the year. We also looked at multiple risks & opportunities in India and overseas markets due to the Pandemic in each of our Business Units and Sectors to provide inputs to strategy and budgeting exercise.

All of the above steps have helped in strengthening our Governance and Risk Framework to aid decision making. It has also helped increase senior executives' confidence in their decisions while assuring the Board that risks have been appropriately addressed.

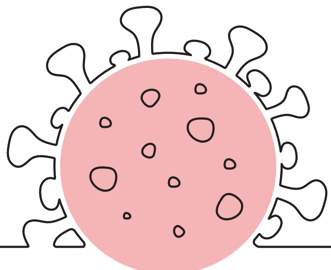
Risk Management Organisation: Chief Risk Officer primarily drives the Risk Function at the Central level with guidance from the MD and the Board. Business Unit level Risk Officers (BUROs) assist the Corporate Risk Team in deploying Risk Frameworks to embed risk process in the day to day business activities.

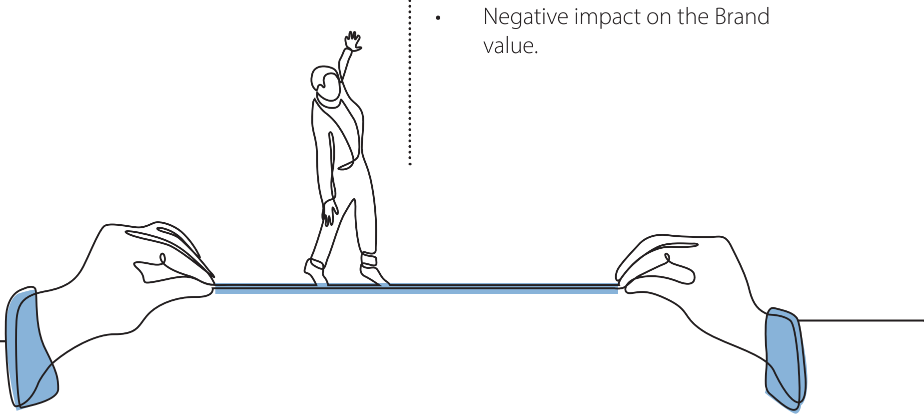
During the year, we emphasised identifying, training and handholding BUROs on live assignments with specific responsibilities towards enhancing risk culture within the individual Business Units on an ongoing basis.



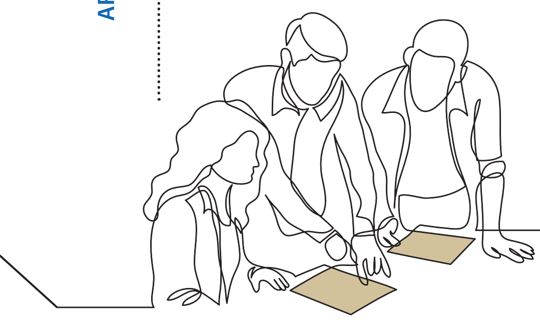
Key Risks and How We Mitigate Them

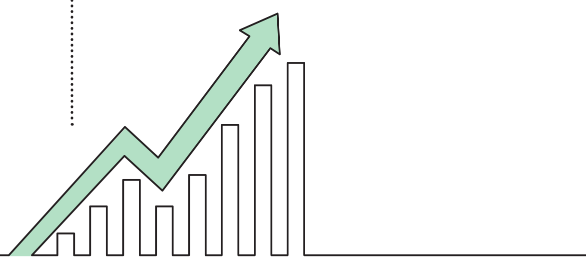
	ECONOMIC RISK	BUSINESS ACQUISITION & REVENUE FLOW	HUMAN RESOURCES
KEY RISK AREAS	• Demand for our services is mainly Capex based. Sectors in which our clients operate may get impacted by economic downturns, reductions in government or private spending, political and economic uncertainty, etc. • Uncertain global economic and political conditions on account of Pandemic may negatively impact the ability and willingness of our clients to announce or fund projects, pay our invoices in time. • Varying degree of likely growth forecasts across countries, regions, etc.	• Acquisition depends on several factors external to TCE like economic trends, risks like pandemic cycles, government policy, market conditions, etc. • Delays or reduction in new orders affects the targeted revenues. • Revenue generation could also be negatively impacted due to internal issues like lack of matching skill sets, inadequate planning, etc.	• People are our company's most important resource; hence ensuring their safety and well-being is our main priority. • During times of reduced business, the challenge would be to effectively train resources in required skill sets and utilise the available workforce profitably.
MITIGATION STRATEGIES	• TCE has multiple Business Units (BU) across sectors, making it immune to the downturn in any single industry and also enable us to capture new opportunities which can come up during the Pandemic. • Diversify business across sub-sectors, geographies, Opex vs Capex, look for adjacencies, etc. • Proper due diligence of clients, projects to ensure at bid time that viability, funding tie-up etc. are in place.	• Identify new sectors / areas / adjacencies of growth • Develop new key accounts & enter new areas through partnerships, etc. • Build customer connections & deepen the relationship, especially with key accounts. • Ensure rigorous but flexible project risk management.	• Developing specific learning and re-skilling programs. • Better and flexible workforce planning practices • Enhancing employee engagement practices.
AREAS IMPACTED	• Ability to generate new business, generate revenue out of existing business as well as make collections for current and past dues.	• Reduced revenues and profits. • Employee morale affected.	• Reduction in revenue and profits. • Quality of deliverables affected. • Negative impact on the Brand value.





	LOCKED WORKING CAPITAL AND CASHFLOW	**LOSS OF CONFIDENTIAL INFORMATION / DATA VIOLATION / BREACH**	**CONCENTRATION RISK**
KEY RISK AREAS	• Many of our contracts have milestone-based payment terms, due to which we may incur high costs before we can raise bill and receive payment. • Cash flows from projects can fluctuate significantly over the execution period depending on the delays, contingencies, etc. • Due to the current Pandemic, our clients could be severely stressed in terms of funding ability and liquidity which may negatively impact our cash flows.	• Processes are being followed to properly identify confidential information of the company & other stakeholders and prevent leakage. However, there remains a risk of loss of confidential information. The chances of data breach have increased in a Work from Home scenario.	• The loss of or a significant reduction in business from the key client(s) will harm the revenues. • Despite good relationships and performance by TCE, such client(s) may sometimes be forced to delay or cancel their contracts due to changing business scenarios.
MITIGATION STRATEGIES	• Follow-up to get the collection in line with the contract terms • Enhanced focus on contract & claims management through review rigour at various levels to ensure project delivery with profitability • Due diligence and factoring in locked capital or cash flow impact into our bid pricing. • Where possible, negotiating for favourable payment terms and granular milestones	• Training and sensitisation of employees about the importance of maintaining confidential information. • Obtaining specific NDAs / Confidentiality agreements from employees/partners. • Tightening of IT security measures.	• Conscious efforts at dependence or concentration on any single client or sector. • Develop newer key or large accounts. • Strengthen business relationships with clients at all levels.
AREAS IMPACTED	• Impact on working capital. • Higher cost of financing.	• Unexpected and huge costs. • Loss of business. • Negative impact on reputation and brand value.	• Inability to achieve acquisition and revenue targets. • Impact on profits.





	COST OVERRUN	**LIABILITIES**	**INTELLECTUAL PROPERTY (IP)**
KEY RISK AREAS	• Costs may increase in projects due to various reasons like: o Higher quantum of resources required. o Schedule delays. o Resources being unoccupied while being deployed on the project.	• Our project execution activities may result in liability as per Contract conditions. • Force Majeure conditions being activated. • We could be exposed to significant monetary damages, claims or reputation risks due to deficiencies in service, any catastrophic event at our project sites, etc.	• Although we protect our intellectual property through contractual arrangements, registration, licensing, NDAs, etc., we may not be able to prevent our IPs' infringement completely. • Our 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 to be costly.
MITIGATION STRATEGIES	• Studying 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.	• Adequate professional liability insurance at the organisation and project level. • Proper due diligence at bid time to avoid taking up significant liabilities, adhering to contract requirements and professional best practices to prevent the imposition of penalties or liabilities.	• Strengthen process, contracts & other mechanisms to safeguard our IP, confidential information & trade secrets. • Provide training to employees on the importance of respecting IPs of our company and those of other stakeholders, and the high price that we might become liable to pay in case of IP infringements.
AREAS IMPACTED	• Lower profitability. • Disputes with client.	• Unexpected and huge costs. • Negative impact on profitability. • Negative impact on reputation and brand value.	• Unexpected and huge costs. • Consumption of a significant amount of senior management's attention and time. • Negative impact on reputation and brand value.

	JOINT VENTURES (JV) / PARTNERSHIPS	INTERNATIONAL OPERATIONS
KEY RISK AREAS	• We perform certain contracts as a member of JVs, partnerships, and similar arrangements. There is a risk that our partners may not fulfil their contractual obligations to us or our clients. • We would have limited ability to control the actions of our JV partners, including non-performance, default, bankruptcy or legal compliance.	• Our international operations are exposed to additional risks and uncertainties, including unfavourable political developments and weak economies. E.g. unexpected changes in the Government policies, potential non-compliance with regulations and evolving industry standards, renegotiation or nullification of our existing contracts, social, political, and economic instability, currency fluctuations, etc.
MITIGATION STRATEGIES	• Proper due diligence of JV partner during pre-bid/bid stage, esp. on financial ability, experience and track record. • A strong back-to-back contractual arrangement to pass on liabilities and penalties to JV commensurate with their share in the partnership.	• Proper due diligence during bid time in terms of country or location risk. Avoid excessively risky, unsafe, economically unstable or weak countries or geographies. • Have systems and processes to ensure compliance to all key regulatory, Government and contractual compliances, standards, laws, etc.
AREAS IMPACTED	• Impact on quantity and quality of project deliverables. • Loss of revenue and profit. • Loss of reputation. • Legal costs and waste of time	• Loss of business. • Safety and security risk of personnel. • Impact on revenue and profits. • Impact on strategic targets of improving our global footprint.