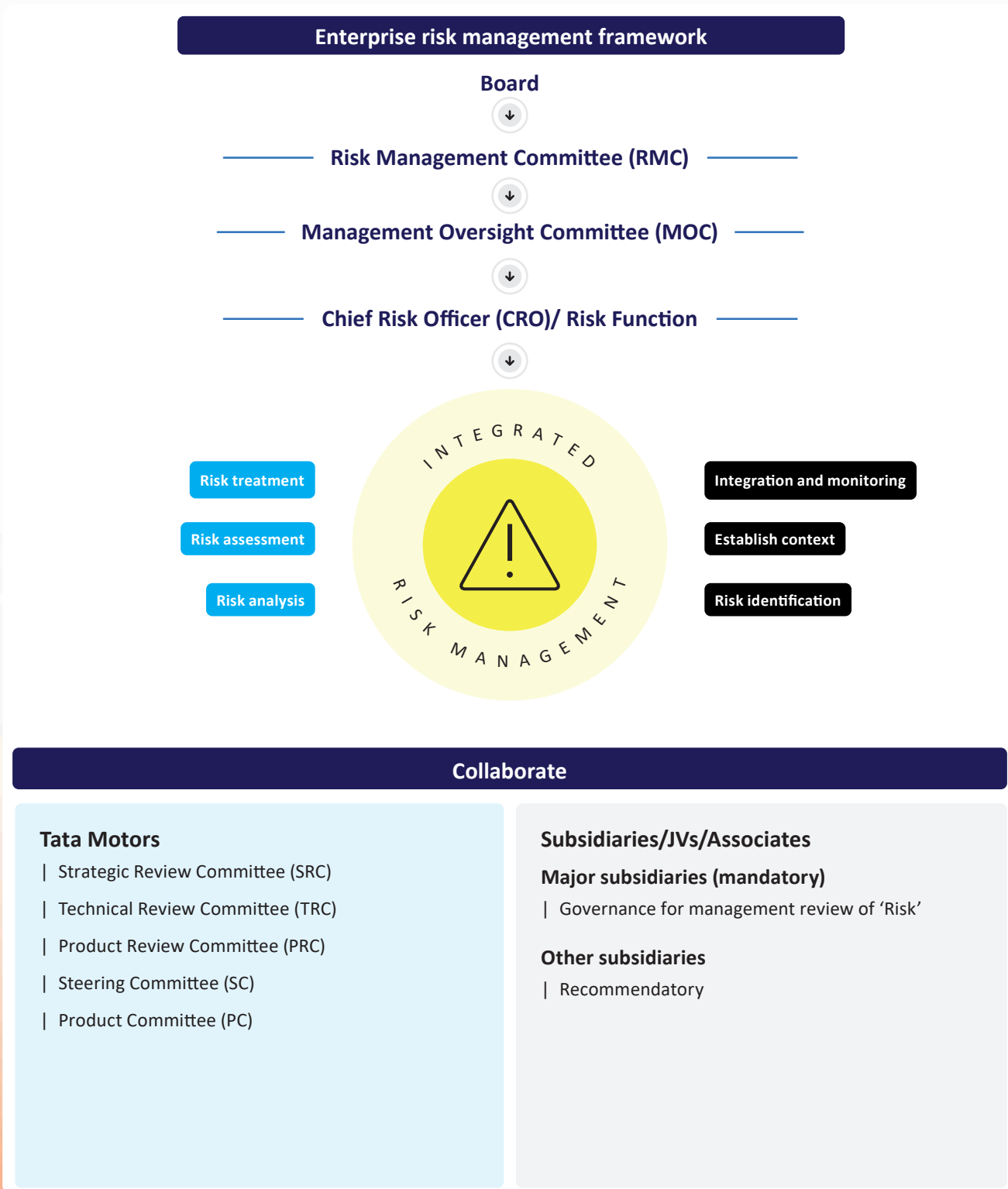


Risk management

At Tata Motors, our well-defined Enterprise Risk Management (ERM) framework helps us effectively manage key risks and evaluate their likelihood and impact on our value-creation abilities.



Principal risks

1 Supply chain disruptions and commodity inflation

Operational

Description

The timely supply of components to manufacturing operations is crucial for meeting production schedules and satisfying consumer demand. Global geopolitical tensions and more frequent extreme weather events are posing challenges to supply chains, leading to disruptions in logistics and increased production costs and lead times. The rising demand for EVs may cause price volatility and availability issues for raw materials in the supply chain. Additionally, fluctuations in commodity prices can significantly impact cost competitiveness and overall profitability.

Consequences

Failure to manage supply chain disruptions could negatively impact production volume, revenue, profitability, customer satisfaction and reputation. The global economy has been significantly affected by the Russia-Ukraine conflict, causing high inflation. Red Sea shipping issues have resulted in ships being re-routed, impacting transport timings for materials and vehicles. Raw materials account for 62% of our revenue from operations. If we cannot find substitutes, pass price increases to customers, or secure supplies of scarce raw materials, our vehicle production, business and operational results may be significantly affected.

Mitigations and opportunities

The industrialisation of JLR's risk management framework has improved its time to recover from events impacting its global value chains as well as communication. JLR's Secure 23 and Secure 24 programmes ensure pipeline alignment for our future semiconductor supplies. The successful Refocus 2.0 Transformation programme has been extended with greater focus on long-term supply chain resilience. We are diversifying sourcing, driving localisation of critical components, closely collaborating with suppliers and building a buffer stock, exercising financial instruments such as futures or options contracts for hedging against price increases and negotiating long-term contracts, wherever necessary. Material cost reduction through Value Analysis and Value Engineering (VAVE) is also part of our strategy.



2 Global economic and geopolitical environment

Strategic

Description

We face exposure to changes in the global economic and geopolitical environment, along with other external factors such as trade tensions, recession, protectionism, wars, terrorism, natural disasters, humanitarian challenges, and pandemics, which could adversely affect our business. Recently, we have observed heightened geopolitical tensions globally.

Consequences

We rely on key markets such as the UK, China, North America, India, and continental Europe for a significant portion of our revenues. A decrease in demand in these markets could harm our business, financial health and operations. We are also susceptible to cyclical fluctuations in demand for our CV business. Our global presence and sales profile make us sensitive to external factors, whether on a global or local scale. Potential repercussions of such tensions, such as cross-border restrictions, sanctions, trade barriers, tariff imposition and shipping constraints could negatively impact our supply chains and consequently disrupt production schedules.

Mitigations and opportunities

We maintain vigilant monitoring and risk assessment of global developments, implementing mitigation plans as needed, and ensuring a balanced sales profile across key regions. Our diverse global customer base provides flexibility to respond to regional demand changes by adjusting sales mix or modifying product features/content during supply challenges, informed by our enhanced supply chain risk management framework.



Capitals impacted

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital



Risk management

Principal risks

3 IT systems, information security and data management

Operational

Description

We face IT risks due to the crucial role of our operations, including manufacturing and engineering design processes. As our vehicles become increasingly technologically advanced and connected, they may be vulnerable to unauthorised access. We also encounter risks associated with legacy IT systems and system migration projects. As data and digitisation progress within our products and services, safeguarding information assets and ensuring secure information services become vital enablers for enterprise success.

Consequences

Successful cyber-attacks pose a significant risk of business disruption, impacting our product and service delivery to customers. In extreme cases, this could even jeopardise the personal safety of our customers and colleagues. Compliance requirements are growing, and failing to meet obligations such as privacy and data protection laws may lead to enforcement actions, fines and damage to reputation and finances.

Delays or unsatisfactory outcomes in IT system migrations can materially harm our operations, financial performance, and reputation.

Mitigations and opportunities

Data Management provides the foundations for operational excellence that enables us to deliver new digital services and sustainable innovations for our customers. Information risk is managed strategically and operationally, through a comprehensive programme of initiatives. This is delivering measurable and prioritised improvements in enterprise information risk, enabled by stronger security foundations, capability maturity and complemented by continuous assurance. We continue to drive measurable improvements in cyber defence and other core security capabilities (e.g., security ecosystem, supply chain security, risk governance and cultural change). With appropriate awareness we can maximise our ability to exploit new technologies and use AI safely and responsibly.



4 Growth strategy and competitive business efficiency

Financial

Description

Delivering on our business and strategic objectives, including the electric transformation of JLR, sustaining the turnaround journey and achieving a structural transformation are key to realising our planned future profitability and cash generation through return on our investments. The pace at which electrification picks up and EV infrastructure develops will impact the business growth strategy.

Consequences

If our business fails to compete effectively on costs, it could lead to lower-than-expected returns on future investments, hindering our financial objectives and limiting our ability to reduce net debt and invest in new products. Failure to execute JLR's Reimagine plans would significantly impact our business, prospects, financial condition and operational results.

In the CV business, we are minimising discounting and focusing on retail market share. However, if consumers cannot absorb price increases or competitors continue aggressive discounting with better operating efficiencies, we will be affected. We are also growing our domestic business with large-scale fleet contracts under the pay-per-use model, but any failure to meet contract terms or specifications could harm our reputation and financial performance.

Our lead in EV adoption carries risks too. If EV adoption stalls or competitors offer superior technology, features, range and cost, it could severely impact us.

Mitigations and opportunities

JLR has launched the Refocus 2.0 programme to support the delivery of its Reimagine objectives. This operational transformation programme, alongside the strengthening of our existing programme governance, includes a 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.

In commercial vehicle segment our demand-pull strategy has led to double-digit EBITDA margins, driven by improved retail market share through our superior product range. Digital solutions are becoming integral to our offerings, poised for scalability. We are developing appropriate business models and financial structures to manage risks in executing large-scale contracts, including pay-per-use models, with the establishment of payment security mechanisms.

In the Passenger and EV business, performance is improving due to successful facelifts, new launches, and strong demand. In EVs, MoUs have been signed to set up over 22,000 public chargers to boost adoption.

Our strong liquidity position allows us to navigate potential funding challenges in the future.



5 Human capital

Operational

Description

An engaged workforce with core capabilities in new and emerging skill areas, coupled with a collaborative, innovative and inclusive culture, is crucial for the success of our transformation efforts. Ensuring the safety, well-being and engagement of our employees is paramount, especially in the midst of a challenging external environment.

Consequences

Failing to attract, retain, engage, and develop a diverse workforce with critical skills and capabilities will limit our ability to deliver innovative products and services. This constraint will hinder our ability to deploy the agility and speed of delivery necessary within the dynamic automotive industry.

Mitigations and opportunities

An essential part of our strategy is to cultivate an agile and capable organisation and culture through changes in our work methods, significant upskilling in ACES (Autonomous, Connected, Electric, Shared), and introducing a new business purpose and supporting behaviours. Our culture is built on four pillars: Be Bold, Own It, Solve Together and Being Empathetic.

Our diversity and inclusion strategy harnesses the unifying power of our differences and values the unique qualities of each member of our workforce.

Utilising digital capabilities and solutions through In Digital, as part of JLR's Refocus 2.0 programme, empowers a more efficient, focused, and productive workforce.

We also continue to respond to the rapidly evolving technological landscape where through our early careers, talent attraction and talent upskilling programmes we ensure our people have the skills and capabilities we need.



6 Distribution channels, retailer network and client service delivery

Operational

Description

Our goal is to ensure every customer experiences a seamless and consistent hassle-free journey, delighting them at every interaction. Retailer partners play a crucial role in reflecting our brand strategy and vision, effectively communicating our values through trained and capable representatives. This approach aims to successfully appeal to new and existing customers, driving high customer satisfaction and retention levels, in both sales and services.

Consequences

Inconsistent customer experiences affect existing customer satisfaction and retention while also hindering the attraction of new customers. Failing to provide exceptional sales and service experiences online and offline can weaken our competitive position, potentially impacting business and financial performance. This situation may necessitate investments in evolving distribution models like D2C to meet evolving consumer preferences and market trends continuously.

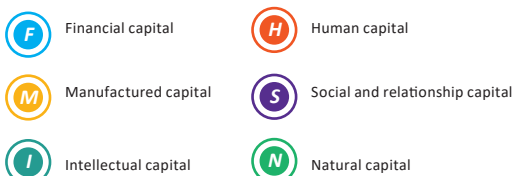
Mitigations and opportunities

We have taken significant steps to improve dealer profitability and financial health. Simplifications have been made to online channels to enhance the customer experience. Retailer systems and tools have been enhanced to support sales, service, and technician representatives, ensuring a seamless customer experience. Other initiatives such as SOTA (Software Over the Air) and FOTA (Features Over The Air) services, Fleet Edge, Sampoorna Seva 2.0, and Uptime guarantee have been implemented to improve sales and after-sales experiences.

Additionally, exclusive Tata.ev stores have been inaugurated in Gurugram, providing an immersive experience to the EV community.



Capitals impacted



Principal risks

7 Brand positioning, innovation and rapid technology change

Strategic

Description

Staying competitive in the dynamic automotive market is increasingly challenging due to intensified competition from existing OEMs and new disruptive entrants, especially in the EV segment. Our ability to succeed in the future relies on staying abreast of evolving automotive trends, meeting changing customer demands through timely innovation and maintaining product competitiveness and quality.

Consequences

Failure to effectively position, maintain and communicate the strength of our brands, develop new products meeting customer preferences, or invest adequately in brand building, may impact product demand. Delays in launching technologically advanced products or the obsolescence of existing technology could lead customers to choose competitors or face sales restrictions in specific markets.

Mitigations and opportunities

Our proactive approach to viewing every regulatory change as an opportunity to enhance customer value and competitiveness has led to the success of our BSVI range, establishing its superiority. We are leading the development of LNG, battery electric and hydrogen-powered vehicles, leveraging our brand strength in the CV business.

In the PV business, we are increasing volumes through new product launches, multiple powertrain options and innovative features. Our twin-cylinder CNG products have gained significant traction. Recently, TPDM entered into an agreement with JLR for developing the 'Avinya' series of premium pure electric vehicles on the EMA platform. We unveiled the new brand identity 'Tata.ev', embodying sustainability, community and technology values.

JLR has unveiled a new corporate identity as part of transitioning to a House of Brands organisation, highlighting the unique DNA of each brand – Range Rover, Defender, Discovery and Jaguar. Jaguar is relaunching as an all-electric brand from 2025, targeting a more premium segment, aligning with our vision to be 'Proud Creators of Modern Luxury'.

JLR is prioritising the development of software defined vehicles; autonomous, connected, electrified and shared technologies, which is inherently sustainable. JLR delivers modernist design philosophy and authentically build desirability and emotional engagement for its brands. It means we create inspirational, exclusive and exceptional experiences for our clients.



8 Environmental regulations and compliance

Legal and Compliance

Description

The regulatory landscape is rapidly evolving, encompassing laws, regulations and policies that affect our facilities and vehicles. The shift from traditional fossil fuels to renewable energy sources, accelerating in pace, presents compliance challenges. Notably, tailpipe emissions for automotive companies and broader compliance requirements for carbon emissions during manufacturing and other operations are key considerations.

Consequences

To avoid significant civil and regulatory penalties, we may need to bear additional compliance costs. Competitors gaining advantages by adopting emissions-reducing and fuel-efficient technologies before us is a risk. Failure to maintain environmental compliance could lead to significant reputational damage, impacting our brands and sales materially. Additionally, regulatory and governmental policy changes may introduce additional operational costs such as carbon pricing and taxation.

Mitigations and opportunities

We are proactive in meeting environmental regulations and compliance, seeing each regulatory change as an opportunity to enhance product value and meet stakeholder aspirations.

We see opportunity to continuously develop and expand into low-carbon business models and services to support our future clients.



9 Climate change

Strategic

Description

Climate change presents both acute and chronic physical risks to our operations and value chain. It poses transition risks to our business, including technological advancements in products and changes in the market and policy landscape.

Consequences

The rising frequency of extreme weather events such as storms, floods, and heatwaves can directly and indirectly impact our supply chain and operations, potentially hindering our ability to meet demand. Changing customer preferences may drive increased demand for low-carbon vehicles, while policy directions may necessitate adopting low-carbon manufacturing practices. Mandates related to carbon pricing could also amplify transition risks for our business.

Mitigations and opportunities

Tata Motors acknowledges the short, medium and long-term physical and transition risks associated with climate change. We have set ambitious goals to achieve net zero GHG emissions by 2045 in the CV business and by 2040 in the PV business. Our intermediate targets include achieving RE100 before the end of this decade and we are committed to establishing interim Science-Based Targets. Our operational and product roadmaps are fully aligned with our ambitions and intermediate targets.

JLR has pledged to achieve approved Science-Based Targets as part of its carbon reduction strategy, aiming for net zero carbon emissions across its supply chain, products and operations by 2039.



10 Litigation Regulatory

Legal and Compliance

Description

The litigation process is uncertain, and the outcome of individual matters cannot be predicted with certainty. The Company is facing various legal proceedings, claims and governmental investigations covering topics such as vehicle safety, defective components or systems, emissions and fuel economy, competition issues, alleged legal violations, labour disputes, contractual relationships with dealers and suppliers, intellectual property rights, product warranties and environmental matters.

Consequences

Non-compliance with laws and regulations may subject us to civil and/or criminal actions, resulting in damages, product recalls, regulatory measures, fines, and/or criminal sanctions, all of which could negatively impact our corporate reputation.

Mitigations and opportunities

We are dedicated to adhering to the laws and regulations in all countries where we conduct business. Our specialist teams diligently monitor legal and regulatory developments, establish detailed standards, and ensure awareness and compliance with these standards.



Capitals impacted

