

Highlights of Enterprise Risk Management for FY 2020-21

Over a year ago, in March 2020, the WHO (World Health Organisation) declared Covid-19 a global pandemic. The unprecedented Covid-19 crisis stress-tested our Risk Management framework. The Company developed a resilient and adaptive Risk Management strategy. Key highlights of ERM are as follows:

- The Risk Management team, in close co-ordination with the Strategy team, developed an online “**MRC Covid-19 model**”, which would be updated in real-time, capturing pain points, concerns, short-term action plans, progress on those plans, evolving norms/situations etc.
- **Reviews would be held frequently** with the leadership team / business leaders on critical aspects related to safety, operations, sustainability, evolving government regulations, working capital management, cyber-incidents, HR initiatives and more.
- **We recalibrated our Risk Registers** with continuous inputs from operation teams, business leaders and Risk Management Committee members prioritising on following aspects i.e.
 - Safety, sustainability, climate change, operational continuity, cash preservation, securing cash flow, cost improvement and wastage reduction, digital infrastructure, cyber security, evolving regulations, legal issues, contracts etc.
 - Deployment of best global practices on risk management **post benchmarking** with global companies
 - **An ingrained process of learning** while managing the unprecedented scenario supported the identification of risks and barriers
 - **Stress-testing and market intelligence** of key commercial process prone to fraud
 - **Control awareness sessions** on Internal Controls Framework, Anti-Fraud and Cyber Security
 - **Organising and celebrating Risk Awareness Week** across India and global subsidiaries, a first in the history of Tata Chemicals to enhance risk understanding and promote Risk Management culture all across

Information regarding the Company's key risks and their mitigation strategies are as follows:

Sustainability Risks



1. Sustainability Risks

Failure to respond to sustainability and climate change related risks



Linkage to Capital

Natural Capital
Social and Relationship Capital

Mitigation

- Climate adaptation study done for Mithapur
 - Signed SBTi and taken absolute carbon emission reduction target
 - Emphasis on Biodiversity, Climate Change and Circular Economy
- Dedicated investment to appropriately balance environmental targets and long-term, sustainable business growth
- Regular monitoring of sustainability risks against business unit sustainability targets
- Board Level quarterly review of Sustainability Roadmap and Environmental Compliance Status
- The Company is a signatory to Responsible Care as well as CORE which guides the Company
- Committed to EPR compliance on plastic waste as per EPR action plan
- Engaging with regulatory authorities, assisting the community on various Covid-related initiatives including funding support to government, manufacture and distribution of hand sanitisers and Sodium Hypochlorite, production and distribution of masks, earmarking isolation ward at Mithapur with around 100 beds

Strategic Risks



2. Digitalisation Risks

Failure to embrace digitalisation as a key lever of Business Growth



Linkage to Capital
Intellectual Capital

Mitigation

- IT strategy and IT roadmap has been created with clear timelines
- Architecture board setup to drive cohesive enterprise level IT/Digital decision-making and solution design
- IT team has been restructured to achieve harmonisation and standardisation in terms of global digital landscape
- Various digital initiatives are undertaken to improve operations, serve the customers in a better way & collaborate with suppliers, transporters, external business partners
- All projects and initiatives are reviewed in different forums like weekly, monthly, quarterly governance reviews to ensure that timelines are met
- Annual assessment is done to assess the digital maturity level of the Company and actions are taken to improve the score



3. Product Portfolio Risk

Failure to develop a portfolio of high value products thus eroding competitive position



Linkage to Capital
Manufactured Capital,
Intellectual Capital

Mitigation

Soda Ash & Silica

- Introduction of new variants and brands with differentiated offerings
- Identification and introduction of new value-added products as downstream of existing product lines
- Identification and introduction of new high value products to substitute imports and for targeting export markets

Salt, Sodium Bicarbonate & Prebiotics

- Creation of a common customer-facing team across all product categories in Nutrition across food, pharma and feed customer segments
- Development of new value-added products through application development and formulations
- Expanding current product with new ingredients
- Entry into new segments for growth in inorganic chemistry and extraction / fermentation technology platforms
- Enhancing scientific capabilities in areas of growth and supporting customers with scientific data and claims

Crop Care and Seeds

- Enrich portfolio with new off-patent active ingredients
- Optimising product registration cycle time by fast tracking pilot plant level scale-up
- Adopting emerging technologies in breeding for optimal cycle time and outcomes
- Appropriate resourcing for tapping contract manufacturing opportunities by leveraging chemistry strength

Innovation

- Ensuring high quality innovation pipeline that fuels growth for new & existing business on continuous basis
- Ensure progress on the R&D long-term plan
- Encourage synergies between all the R&D streams, including external Collaborations with Leading Indian and Global R&D Centres
- Ensure R&D focus balancing between Business-led Science differentiation and Next Generation projects
- Build Centre of Excellence to cater the computational and analytical requirements of R&D centres and enhance their effectiveness
- Shorten registration time for Agro Chemicals and improve the robustness of traits development in Hybrid Seeds

Operational Risks



4. Cyber Risk

Loss of data & compromised operations resulting from Cyber attacks



Linkage to Capital
Manufactured Capital

Mitigation

- Best-in-class cyber-security managed services. Under this programme, we will have 24x7 monitoring of security logs of IT assets and highlighting of key risks
- We conduct regular third party VAPT assessments to check for vulnerabilities
- IT policies have been updated based on ISO & ITIL standards
- Cyber security awareness sessions for employees
- Cyber insurance policy at corporate level
- Cyber security risks are periodically reviewed by the Risk Management Committee of the Board



Financial Risks



5. Capital Allocation Risk

Failure to utilise capital efficiently and cost effectively due to indiscriminate capital allocation leading to unfavourable returns to stakeholders



Linkage to Capital
Financial Capital

Mitigation

- Continuous monitoring of cash flows with focus on the safety & liquidity of the investments
- Rigorous capital investment programme, focussing adding economic value and improving ROCE
- To evaluate and refinance the applicable loan facilities proactively by proactive use of debt and capital markets towards reducing refinance risks and to support a healthy cash flow
- Preserving cash through host of new initiatives including further focus and balanced efforts towards containment of fixed cost across plant and non-plant activities, working capital

Financial Risks



6. Debt & Unfunded Pension Risk

Managing debt and unfunded pension liabilities of overseas subsidiaries



Linkage to Capital
Financial Capital

Mitigation

Managing Debt

- Maintenance of up to date medium-term financial forecasts, to ensure early intervention and remediation of any covenant compliance risk
- Regular review of the Company debt profile and plans to manage it effectively

Unfunded pension liabilities

- The pension schemes are closed to new hires (in the US) and further accruals (in the UK)
- Utilising hedging and investment strategies, as appropriate, to manage economic risks including inflation



Regulatory and Compliance Risks



7. Government & Regulatory Risk

Government policy changes which could impact the Company's operations at large



Linkage to Capital

Social and Relationship Capital, Manufacturing Capital, Intellectual Capital and Natural Capital

Mitigation

- Ongoing dialogue, liaison meetings and conversations with regulatory authorities and the Indian public affairs, attendance at seminars, memberships with Government and Industry Bodies
- In relation to current Covid-19 situation, active monitoring and adhering to various regulatory authorities' guidelines is ensured; notifications are monitored for future adherence



Reputational Risks



8. Safety Risk

Failure to ensure containment of safety hazards

Employee Safety (Behaviour issues), Workplace Safety (Fire Safety, Asset Integrity), Process Safety & Product Safety Hazard Chemicals –Transportation



Linkage to Capital
Human Capital

Mitigation

- Safety risk mitigation plans are regularly reviewed by the Risk Management Committee of the Board
- Achieve Zero Harm by following world-class standards of SHE management systems, responsible care initiatives, good maintenance practices, enhancement strategies for the environment and prevention of pollution
- On-site and Off-site emergency plans are in place in case of failure to localise containment of hazards
- Member of Nicer Globe initiative for addressing transportation-related hazards
- Various safety improvement initiatives covering Behavioural Safety, Structural Safety, Long-term Asset Management Plan (LAMP), Mine Safety and Process Safety & Risk Management (PSRM), Management of hazardous chemicals, workplace environment improvement, preventive maintenance, aspects are continuously evaluated for effectiveness
- Hazards identified using techniques such as Job Safety Analysis (JSA), Hazard and Operability Study (HAZOP), Hazard Identification and Risk Analysis (HIRA), What-if-Analysis, Failure Mode Effect Analysis, etc. and addressed by following hierarchy of risk control. E-enabled portal 'WSO' is implemented across the operations to capture near-misses and unsafe conditions
- Migrated to ISO tankers with the GPS system for transporting bromine; for product safety and transportation of hazardous chemicals
- Support to customers by conducting safety audits in their premises (chlorine handling)
- Provision of safety kits and awareness sessions for farmers through the "You are Safe" initiative focussed on the safe use of the products
- In relation to Covid-19 situation, various actions including following are undertaken to ensure safe operations:
 - Relevant SOPs with do's and don'ts ensuring safety of employees and continuity of operations have been prepared, dedicated 24/7 helpline number to address medical related queries
 - Plants working with minimal workforce
 - Close monitoring on Government regulations and ensuring its adherence
 - All non-site offices are closed. Employees are working from home

