

Section 172, Companies Act 2006 Statement

This report sets out how the Directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006. This requires directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to:

- a) The likely consequences of any decision in the long term;
- b) The interests of the Company's employees;
- c) The need to foster the Company's business relationships with suppliers, customers and others;
- d) The impact of the Company's operations on the community and the environment;
- e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) The need to act fairly as between members of the Company.

Tata Steel UK Limited (TSUK) is Tata Steel's principal operating company in the UK and an indirect material subsidiary of the Tata Steel Europe Limited (TSE) and Tata Steel Limited (TSL) Groups. Until 30 September 2021, primary management and strategic direction of the TSE Group was carried out at TSE level. As described on page 26 of the TSUK Annual Report and Accounts, during the year TSE restructured its principal operating business in the UK and mainland Europe, into two Value Chains with the Separation becoming effective on 1st October 2021. Since then, the UK Value Chain has adopted new governance arrangements appropriate for the size and scope of the Company. Further information in relation to these governance arrangements is contained in the Corporate Governance report on pages 26 to 30 of this annual report.

Following Separation, executive management is no longer conducted at a TSE Group level and the TSE Board is accordingly focused on financial governance and oversight of the consolidated results of the TSE Group. Day-to-day management of TSUK's operations now rests with a management team in the UK reporting to the Board of TSUK.

The TSUK board promotes high standards of corporate governance throughout the UK Value Chain. The TSUK Board holds regular meetings to consider key proposals and material matters affecting TSUK and its subsidiaries. During the year the TSUK board has met 12 times and considered matters via circulation where it is deemed appropriate to do so.

New directors inducted into the Company are made aware of their directors' duties, including section 172(1) of the Companies Act, 2006. Induction materials are refreshed and made available to all TSUK directors via a Board portal. The TSUK Board is conscious of the impact its business decisions have on stakeholders as well as the wider impact on society. The Board recognises that given the complexity of the TSUK and TSE Groups not all decisions taken will align with all stakeholder interests. Accordingly, the TSUK Board has taken decisions in the year that it believes best support TSUK's strategic objectives.

(a) The likely consequence of any decision in the long term

Each year, the TSUK Board approves an Annual Plan for the TSUK Group. Annual Plan and capital allocation are monitored throughout the year through detailed reviews of operational and financial performance.

The Board reviews proposals for key matters affecting TSUK and its subsidiaries, for example, health, safety and environmental matters, pensions matters, liquidity and funding, potential divestments and restructuring. Certain decisions also require endorsement and reporting to the TSE and TSL Boards. As set out in the Corporate Governance statement from pages 26 to 30 of the annual report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

During 2021/22, the TSUK Management Team under the supervision of the Board has continued to support the TSE Group's Transformation Programme, which is focused on the longer term financial stability and sustainability of the UK Value Chain and continues to monitor and assess liquidity in the shorter term. The Board has also considered proposals with respect to the Company's plans for decarbonisation, equity restructurings, financing arrangements and capital investments, all of which best support the Company in the longer term. The Board has also considered the Separation of the UK and Mainland Europe businesses and approved new governance arrangements, including new delegations of authority within its policy framework for the UK Value Chain. A further review of the policy framework is planned for 2022/23.

(b) The interests of the company's employees

Disclosures in relation to TSUK's employees are set out in this Strategic Report on page 10 and in the Corporate Governance statement on page 28 of the annual report.

The Board has regard to the interests of the Company's employees in its decision-making and the Company engages with employees and employee representatives as appropriate. The TSUK Board recognises the importance of attracting, retaining and motivating employees to enable TSUK to deliver its strategic objectives and prioritises the health, safety and wellbeing of its workforce and those partners who work at TSUK's sites. Health and safety performance is considered at each Board meeting and features prominently in communications from senior management with employees to reinforce that health and safety is and remains a core value of the Company. The Board also recognises that TSUK's pensioner community remain important stakeholders and has considered pension matters during the year.

The Board has also had regard to the impact on employees and local communities when considering proposals for business restructuring, including Separation.

The Company has established processes in place for performance reviews and employee appraisals, which are undertaken on an annual basis with an interim half yearly review.

(c) The need to foster the company's business relationships with suppliers, customers and others

The Board has regard to a range of stakeholder relationships in its decision making. Relationships with suppliers and customers are principally managed through the engagement of the procurement and commercial functions within the Company which are now represented in the Board through the Chief Operations Officer and Chief Commercial Officer. The Company also has regard to its relations with UK Government and Directors have participated in discussions with members of UK Government during the year. Further information can be found in the Corporate Governance statement under Principle 6 on page 28 of the Annual Report.

(d) The impact of the company's operations on the community and the environment

The Board is aware of the impact of steel manufacturing on the environment and the communities in which TSUK operates. Environmental performance is regularly reviewed

and a key ambition is that TSUK should be carbon neutral by 2050. During the year, the Board has considered the decarbonisation strategy of the Company and receives regular updates as to the implementation of TSUK's decarbonisation objectives. The Board is also conscious that this is an effort that concerns the whole of society and will require positive industrial policy interventions to enable the steel industry to make the very substantial investments required to become carbon neutral.

The Company is committed to minimising the environmental impact of its operations through the systematic implementation of environmental control and through continuous improvement in environmental performance. All TSUK's manufacturing operations are independently certified as meeting the international environmental management system standard, ISO 14001:2015. Furthermore, almost all products manufactured in the UK are independently certified as meeting the requirements of the sustainable sourcing standard, BES6001.

TSUK continues to be a participant in the South Wales Industrial Decarbonisation Cluster, a network of industries in South Wales working together to develop shared decarbonisation infrastructure and drive net zero carbon in heavy industry in South Wales. More information with regards to TSUK's sustainability objectives can be found in TSUK's sustainability report.

As a major employer in the areas of its operations, TSUK acts as a cornerstone for local businesses. TSUK also supports a number of community initiatives along with its contracting partners, more information is available in the Corporate Governance report on page 30.

[\(e\) The desirability of the company maintaining a reputation for high standards of business conduct](#)

The Board is committed to maintaining the reputation of TSUK and high standards of business conduct in all its business dealings. The five Tata values are set out in the Corporate Governance statement on page 26 of the Annual Report. In addition, the Tata Code of Conduct, which is a series of principles supporting the Tata values and ethical conduct, is expected to apply to all Tata branded companies. TSUK expects honesty, integrity, and transparency in all aspects of its business dealings from employees, contractors and other partners. Control measures and frameworks to uphold ethical principles and high standards of corporate and personal conduct are reviewed and approved by the TSUK board. The Company has a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking and data privacy. Board directors, senior management and relevant employees are required to undertake regular compliance training and assessments.

[\(f\) The need to act fairly between members of the company](#)

TSUK's ultimate parent company is TSL, a listed company in India.

Following a Regulated Apportionment Arrangement in 2017, in respect of which the British Steel Pension Scheme (BSPS) separated from TSUK and a number of affiliated companies, and a further exercise in which all BSPS members could opt to transfer to a new scheme or remain in the BSPS and transfer to the Pension Protection Fund (PPF), a non-controlling minority interest in TSUK is held by the BSPS Trustee on behalf of the new scheme. Following debt restructuring and subsequent equity issuances, this minority interest has been diluted to less than 0.001 % of the rights to share in distributions. Notwithstanding this dilution, the Company continues to provide information to the minority shareholders and otherwise act in accordance with the terms of the shareholders' agreement. TSUK has mechanisms in place for reporting to the TSE and TSL boards.