

**Section 172, Companies Act 2006**

This report sets out how the directors have had regard to the matters set out 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 (TSE) and Tata Steel Limited (TSL) Groups. Oversight of the TSE Group, including TSUK, is carried out at TSE Board level which is responsible for setting strategic priorities, supporting stakeholder engagement including communication with TSUK's ultimate parent company, TSL, in India. The TSUK Board reports to and requests approval for certain reserved matters from the TSE Board, as appropriate. As is usual with large companies, the TSE Board delegates authority for day-to-day management of the TSE Group to an Executive Committee, led by the Chief Executive Officer, who set, approve and manage the execution of business strategy. To ensure alignment with the legal entity framework, all members of the TSE Executive Committee are directors of TSUK, together with the TSE Finance Director Corporate. In addition to being directors of the TSUK Board, two of the TSE Executive Committee members (Chief Executive Officer and Chief Financial Officer) are directors of the TSE Board.

Certain governance responsibilities relevant to the TSE Group, including TSUK, are delegated by the TSE Board to Board committees (Audit, Remuneration, Pensions) which support the Board in carrying out its duties. The committees comprise TSE executive and non-executive directors to provide appropriate external perspective and challenge. A TSE Board Covid-19 committee was established in April 2020 to support management response to the global coronavirus pandemic.

The TSE Group promotes high standards of corporate governance throughout the organisation and the TSUK Board upholds these standards. The TSUK Board holds meetings as and when required to consider the impact of key proposals and material matters affecting TSUK and its subsidiaries. Since March 2020, the TSUK Board has been meeting on a bi-monthly basis to review, among other things, the impact of Covid-19 on the Company.

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 Group not all decisions taken will align with all stakeholder interests. Accordingly, the TSUK Board have 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 at TSE Group level throughout the year through detailed review 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 potential divestments and restructuring. Certain decisions also require endorsement and reporting to TSE and TSL Boards. As set out in the Corporate Governance statement on pages 11 – 15 of the annual report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

During 2019/20, the TSUK Board has supported a TSE Transformation programme which is focused on long term financial stability and sustainable value growth. To aid the TSE Group's objective of long term financial independence, in September 2019, the TSUK Board approved debt restructuring including the issuance of new equity in TSUK. In December 2019, the TSUK Board approved arrangements in relation to a new Senior Facilities Agreement which completed in February 2020 and in relation to which no repayment is required for 5 years.

As a governance and risk mitigation measure, in 2019, the TSUK Board has approved a rationalisation programme to simplify the corporate structure which resulted in the members voluntary liquidation and/or dissolution of a number of TSUK subsidiaries.

*(b) The interests of the company's employees*

Disclosures in relation to TSUK's employees are set out in this Strategic Report on pages 3 - 6 and in the Corporate Governance statement on pages 11 – 15 of the annual report.

The TSUK Board has regard to the interests of TSUK employees in its decision making and TSUK engages with employees and employee representatives as appropriate. The TSUK Board recognises the importance of attracting, retaining and motivating employees to deliver TSUK's strategic objectives and prioritises the health, safety and wellbeing of its workforce. The TSUK Board also recognises that TSUK's pensioner community remain important stakeholders.

In 2020, Covid-19 resulted in a new way of working for many employees who were either furloughed or working remotely. TSUK engagement with employees has increased to ensure that even though employees may be isolated they do not feel alone or excluded and there has been enhanced communication throughout the organisation including CEO videos, emails and bringing teams together online. The TSUK Board has also had regard to the impact on employees and local communities when considering proposals for the divestment or closure of any part of the business or Group.

Succession planning and development of senior management to support the long term objectives of the TSE Group, including TSUK, is carried out at TSE Executive Committee and TSE Board level. TSUK has established processes in place for performance reviews and employee appraisals.

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

The TSUK Board has regard to stakeholder relationships in its decision making. Through the TSE Chief Executive Officer, TSE Chief Commercial Officer and TSE Chief Procurement Officer, the TSE Group, including TSUK, has developed strong processes to manage and enhance relationships with suppliers, customers and others. This includes understanding their evolving needs and new trends in order that TSE Group companies can adapt to meet those needs. Further information can be found in the Corporate Governance statement under Principle 6 on pages 11 – 15 of the Annual Report.

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

The TSUK Board is aware of the impact of steel manufacturing on the environment and the communities in which TSUK operates. Environmental performance is reviewed at TSE Group level by the TSE Executive Committee and TSE Board. A key ambition is that TSUK should be carbon neutral by 2050. This is an effort that concerns the whole of society and the steel industry needs a positive industrial climate to be able to make the large investments required to become carbon-neutral.

TSUK 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 is a leading player in the South Wales Industrial Decarbonisation Cluster, a network to make industries work together to develop shared decarbonisation infrastructure and to find mutual industrial benefits. Linked to this, the Reduced Industrial Carbon Emissions ('RICE') initiative is a £9.2 million partnership in South Wales supported by the Group. It seeks to draw on world-class expertise in order to reduce CO2 emissions from large and heavy equipment and facilities for a stronger and greener economy. Backed by £5.9m worth of EU funding, RICE is working with local supply chain companies

to test how CO<sub>2</sub> produced from heavy industrial processes can be used to make high value products and chemicals, using a range of carbon capture and utilisation ('CCU') techniques. The technologies being explored include the production of green hydrogen, which can be used to fuel cars, other modes of transport, and energy production processes.

As a major employer, TSUK acts as a cornerstone for local businesses. TSUK also supports a number of community initiatives working under a "Future Generations" theme including Kids of Steel. TSUK further supports a Women in Steel initiative and measures to combat poverty and deprivation.

*(e) The desirability of the company maintaining a reputation for high standards of business conduct*

The TSUK 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 11 – 15 of the Annual Report. In addition, the Tata Code of Conduct, which is a series of principles supporting the Tata values and ethical conduct, applies 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 at TSE Group level. TSE has in place a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking and data privacy which are applicable to TSUK. TSUK Board directors, senior management and relevant employees are required to undertake compliance training and assessments.

*(f) The need to act fairly between members of the company*

Following its acquisition by Tata Steel in 2007, Corus re-registered as a private company, and subsequently rebranded as Tata Steel Europe in 2010. 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), non-controlling minority interests in TSUK are held by Open Trustees Limited on behalf of the PPF and the BSPS Trustee on behalf of the new scheme. Following the debt restructuring in 2019 and subsequent equity issuances, this minority interest has been diluted to less than 0.01% of the rights to share in distributions. TSUK provides information to the minority shareholders in accordance with the terms of the shareholders agreement. TSUK has mechanisms in place for reporting to the Executive Committee, TSE and TSL boards.

## Tata Steel UK Limited Corporate Governance Statement FY2019-20

For the year ended 31 March 2020, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018 and available on its website). These new corporate governance reporting requirements apply to companies reporting for financial years starting on or after 1 January 2019.

### *Principle 1 – Purpose and Leadership*

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 (TSE) and Tata Steel Limited (TSL) Groups. As a material subsidiary of TSE, oversight of TSUK and other the TSE Group companies is carried out by the TSE Board, which is also responsible for setting and reviewing strategic priorities, to which TSUK aligns, and monitoring performance. The TSE Board delegates authority for day to day management of the TSE Group's affairs to the TSE Executive Committee all of which are Board directors of TSUK together with TSE Finance Director-Corporate.

The TSE Group of companies, formerly known as Corus, was acquired by TSL in 2007 in a transaction that created one of the world's largest steelmakers. Tata Steel was established in India in 1907. Sir Jamsetji Tata, founder of the Tata group, believed that "in a free enterprise, the community is not just another stakeholder in business, but is in fact the very purpose of its existence". Tata branded companies are committed to improving the quality of life of the communities they serve.

TSE's vision is striving to be the global steel industry benchmark for value creation and corporate citizenship. TSE's mission is to build the leading European steel business that is sustainable in every sense which: delivers value to its shareholder; partners with customers and suppliers to innovate, produce and deliver steel products and services in a responsible way; and empowers its people and engages with its communities.

TSE has a guiding strategic framework, approved by the TSE Board in May 2017 which sets out five key strategic priorities for the company which are Customer Focus; Value Chain Excellence; Responsible Steel; Innovation; and Leadership, People, and Culture.

TSE has five values which are shared by all Tata companies worldwide and inform expected behaviours and practices throughout the TSE Group:

- Pioneering - be bold and agile, courageously taking on challenges, using deep customer insight to develop innovative solutions.

- Responsibility - be responsible and responsive to the countries, communities and environments in which the company works, always ensuring that what comes from the people goes back to the people many times over.
- Excellence - constantly strive to achieve the highest possible standards in day-to-day work and in the quality of the goods and services the company provides.
- Unity - work cohesively with colleagues across the Group and with customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.
- Integrity: conduct business fairly, with honesty and transparency. Everything the company does must stand the test of public scrutiny.

TSE's purpose, values, vision, mission, strategy and key messages are communicated to the Group through internal communications, senior manager updates, senior leadership conferences, CEO videos and Town Hall briefings. More detailed information relating to TSE's strategy and values can be access on the TSE website <https://www.tatasteeeurope.com/en/about-us/strategy>.

#### *Principle 2 – Board Composition*

The TSUK Board comprises seven directors with an appropriate balance of skills, backgrounds, experience and knowledge for the sectors in which TSUK operates. The TSE Chief Financial Officer is the TSUK Chairperson. TSUK does not have a Chief Executive Officer as this role is carried out at TSE Group level, however, the TSE Chief Executive Officer is also a director on the TSUK Board. The TSE Chief Executive Officer and TSE Chief Financial Officer are also TSE Board directors. The size and structure of the TSUK Board is appropriate for the Company.

Day-to-day management of the TSE Group's affairs, including TSUK, is carried out by the TSE Executive Committee. A biography of each TSE Executive Committee member can be found on the TSE website at <https://www.tatasteeeurope.com/en/about-us/leadership/executive-committee>

The TSUK Board has representation from different ethnic backgrounds. The TSUK Board has one woman director and the Company Secretary is also female. There is also female representation at other senior management levels. The TSUK Board and TSE Executive Committee always bear in mind the need to take steps to further enhance the diversity of the TSE Group.

The TSE Group does not have its own Nominations Committee as this is dealt with at TSL level. On appointment to the TSE Executive Committee, members are also appointed to the TSUK Board. Any TSUK subsidiary appointments are also required to be considered by the TSE Executive Committee for management approval.

The Securities and Exchange Board of India (SEBI) monitors and regulates the corporate governance of TSL, which is a listed company in India.

A TSUK Board effectiveness review will be undertaken in 2020. Previously, effectiveness reviews have been carried out at TSE Executive Committee and TSE Board levels.

### *Principle 3 – Directors responsibilities*

The TSUK Board convenes meetings as and when required to discuss material matters affecting TSUK and its subsidiaries, including health, safety and environmental matters, pension matters, liquidity and key commercial and investment decisions. Since March 2020, the TSUK Board has been meeting bi-monthly to review the impact of Covid-19 on the Company, financial performance and any other significant items. Directors' interests, if any, are reported at each TSUK Board meeting.

Governance oversight is provided at TSE Group level and, there are established TSE Audit, Remuneration and Pensions Board committees, each with a terms of reference.

Safety, Health and Environment (SHE) matters are reviewed at TSL group level by a SHE Committee chaired by a non-executive director of TSL who is also a non-executive director of TSE. In addition, there is a TSE Health, Safety and Environment Forum and a TSE Process Safety Steering Committee both chaired by the TSE Chief Executive Officer and a TSE Occupational Health & Safety Committee chaired by the TSE Chief Technical Officer (a TSUK Board director). In April 2020, the TSE Board established a TSE Board Covid-19 Committee to facilitate and support the management of TSE during the global coronavirus pandemic. This Committee includes the TSE Chief Executive Officer and TSE Chief Financial Officer who are also TSUK directors.

The TSE Executive Committee receive regular and timely information on all key aspects of the business including health and safety statistics, operational and financial performance, strategic matters, compliance and risk matters, stakeholder engagement, commercial and technical updates and market conditions. TSUK Board papers setting out proposals are required to include background, current status, rationale and business case, alternatives, financial analysis, risk assessment and timelines to help inform directors with their decision making. The TSE internal audit function provides additional assurance to ensure systems and controls are operating effectively and that the quality and integrity of information is reliable.

In 2011, following the introduction of a new operating model, TSE deployed a Group Policy Framework which sets out foundation and behavioural policies, accountability and delegated management authority levels applicable to the organisation. Each policy is sponsored by a TSE Executive

Committee member. The TSUK Board has adopted the Group Policy Framework as amended from time to time. A review of each of the policies took place in 2019/20 and is currently ongoing.

#### *Principle 4 – Opportunity and Risk*

The TSUK Board considers for approval material and strategic projects, contracts and opportunities (as defined by value and duration). During 2019/20, the TSUK Board has supported a TSE Transformation programme focusing on long term financial stability and sustainable value growth.

The principal risks and uncertainties affecting TSUK are referred to in the Strategic Report and set out in more detail in the TSE Report and Accounts 2019/20. The TSE Executive Committee participates in a risk management workshop annually to assess and identify the Company's principal and emerging risks from a top down perspective. At TSE Group level, TSE has a Risk Review Committee (RRC) and an Integrity & Compliance Committee (I&CC) both of which comprise TSUK Board directors and cross-functional senior management and which meet on a quarterly basis. The RRC provides oversight of the Company's risk activities, identifies emerging risks, updates the risk register and reports to the TSE Executive Committee and to Tata Steel Group Risk Review Committee. Regular external assessments are undertaken to benchmark the risk maturity of the Company, with the next assessment expected in 2020/21, to continue in the alignment of risk reporting across the wider Tata Steel Group. TSUK continues to progress its ambition to become risk intelligent. The I&CC review compliance and asset protection matters, including whistleblowing, and report to the TSE Executive Committee quarterly and to the TSE Audit Committee half-yearly and by exception. In addition, TSE has a Cyber Response Team chaired by the Chief Technical Officer (a TSUK director).

#### *Principle 5 – Remuneration*

TSE has a Remuneration Policy which sets out TSUK reward and recognition principles and the criteria describing key drivers for base and variable pay. TSUK follows a reward philosophy that will enable it to attract, retain and motivate the people it needs to deliver its objectives, is competitive in relevant markets, links to the achievement of the corporate objectives and follows the principles of being simple, objective and fair. TSUK reward processes support talent management and career development.

A Remuneration Committee operates at TSE Group level, and which comprises at least one non-executive director, has as a principal objective to determine the remuneration policy for TSE Executive Committee members and TSE Board executive directors. The remuneration of TSE Board non-executive directors is a matter for the TSE Chairperson and for the parent company, TSL. The remit of the TSE Board Remuneration Committee is set out in terms of reference which are being updated in 2020 to reflect the Wates Principles. In determining remuneration packages, including any bonus or incentive arrangements, the TSE Board Remuneration Committee is required to have regard to the principles of good corporate governance. Targets are set against TSE Group performance, safety objectives and personal behaviours and performance and are cascaded by the TSE Executive Committee to senior managers in the TSE Group, including TSUK.



The Executive Director, Human Resources (a TSUK Board director and TSE Executive Committee member) is the principal source of information and internal advice for the TSE Board Remuneration Committee. External benchmarking is undertaken periodically to ensure alignment with good practice and the market.

TSUK has published its Gender Pay Gap Report for 2019, which is available on the TSE Website (<https://www.tatasteeleurope.com/en/sustainability/people>). Further information in relation to the Gender Pay Gap is available on page 5 of the 2019-20 Annual Report

#### *Principle 6 – Stakeholder Relationships and Engagement*

The TSUK Board recognises the importance of effective communication with its stakeholders in order to deliver its purpose, vision, mission and strategy and ensure protection of TSUK's relationships, reputation and brand. TSUK's stakeholders include its shareholders, customers, suppliers, employees and employee representatives, pensioners, banks, Government bodies, and the local communities in which it operates.

The TSE Group, including TSUK prioritise the health, safety and wellbeing of employees, contractors and other partners through a Health & Safety framework including zero harm and 5 key health and safety commitments. Through the PeopleLink system, TSUK offers online learning and development courses accessible by employees, including a series of mental health modules as well as other health, safety and wellbeing training.

TSUK deploys a number of strategies for employee engagement, including Town Hall briefings allowing employees to receive performance updates and ask questions directly to TSE Executive Committee members. Annual Plan cascade meetings are also held to communicate the strategy and goals for the financial year ahead. Regular Employee Surveys, including pulse surveys, are conducted the results of which are used to drive areas for improvement for employee engagement.

TSUK also engages with trade unions as appropriate. In 2019/20 TSUK has engaged with employee representatives in relation to the employment and organisation aspects of the TSE Transformation Programme. It has also engaged with the UK trade unions to agree furlough arrangements under UK Government Coronavirus Job Retention Scheme due to the global pandemic. TSUK has also liaised with trade unions in relation to business closures and divestments.

The TSUK Board includes directors of the TSE Group parent company, TSE. TSUK is also required to report to the ultimate parent company, TSL on regulatory matters and on matters referred to in the TSE Group Policy Framework and in order to support the Tata Steel Group's overall corporate governance requirements.

Following the Regulated Apportionment Arrangement in 2017, which separated the British Steel Pension Scheme from TSUK and certain affiliated companies, TSUK has minority shareholders. TSUK communicates and provides information to the minority shareholders in accordance with the reporting requirements set out in the shareholders agreement.

TSUK Board directors and senior managers with the relevant areas of expertise liaise with Government bodies, including regulators, as appropriate.

The TSE Group has a Responsible Procurement Policy which underpins TSE's commitment to ensuring supply chain transparency. This policy applies to all goods and services supplied to TSUK and their respective entire supply chains. The policy has the following principles: health and safety, fair business practices, environmental protection, human rights and local community development. A due diligence management system for the complete supply base has been implemented in order to identify applicable risks and take appropriate steps to mitigate them. Further information can be found on the TSE website.

Customer focus is a key strategic priority, the TSE Group's business model maximises direct engagement with customers which is aligned to market sectors and allows for continuous feedback. The TSE Group review and evaluate performance annually through a Customer Satisfaction survey.

As a leading steel producer, the TSE Group is dedicated to managing its operations responsibly and to continuous improvement. In October 2019, TSE received a "steelie" award for developing a Lifecycle Assessment tool to assess the sustainability of new product developments. In June 2020, TSE and TSL were recognised for the third consecutive year as Steel Sustainability Champions by the Worldsteel Association.

TSUK is committed to working in partnership with its local communities to support their social and economic wellbeing. The TSE Group's Community Partnership Programme provides investment in a range of sustainable initiatives that bring benefits to large groups within local communities.

TSUK with local partners hosts a "Girls into STEM" event giving girls aged 12-14 the opportunity to visit the steel industry and learn about engineering as a career. TSE also holds various Tata Kids of Steel events across Europe in areas it operates which are of series of inclusive and fun sports activities. In 2020, TSE introduced a "Women in Steel" podcast series interviewing TSE women senior leaders to provide insights and encouragement to wider employees.

The TSE Group has a Confidential Reporting Line which allows employees and others to report potential concerns while remaining anonymous.

A review of the TSE Group's performance, processes and practices is carried out bi-annually as part of a Tata Business Excellence Model (TBEM) assessment in which assessors from other Tata group companies review the business against a set criteria. Leadership is a key category of the assessment

model and the assessors review the operation of governance in the TSE Group. The TBEM process enhances value for all stakeholders and contributes to market place success, maximises enterprise-wide effectiveness and capabilities and delivers organisational and personal learning. At the end of the assessment, feedback is provided to the TSE Board who then make recommendations for improvement. The TSE Group is currently preparing for its next TBEM assessment with a vision and roadmap towards being recognised as an industry leader by 2025.

#### *Statement of engagement with suppliers, customers and others in a business relationship with the company*

TSUK's engagement with suppliers, customers and others with whom it is in a business relationship is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 13 of the Annual Report.

#### *Statement of engagement with employees*

TSUK's engagement with employees and the workforce is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 13 of the Annual Report.

#### *Information disclosed in the Strategic report*

The following information has been disclosed in the strategic report:

- A review of the business for the year (see page 4);
- Factors likely to affect the Company's future development, performance and position (see page 5);
- Policies on employment of disabled persons, recruitment, training, employee involvement, communication and consultation (see page 5);
- Principal risks and uncertainties (see page 5);
- Research & development activities (see page 6);
- Particulars of any events affecting the Company which have occurred since the end of the financial year (see page 6);and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 6).