

Tata Steel UK Group Tax Statement

This strategy specifically applies to Tata Steel Europe Limited (“TSE”), a UK registered Company and all UK entities in the TSE Group. TSE regards this document and its publication as complying with its duty under Para 19(2), Sch 19, FA16 for the Financial Year ended 31 March 2023.

Tata Steel Group Overview

The Tata Steel group is one of the world’s leading steel manufacturers, with a fully diversified and integrated global business, providing end to end services from mining to finished steel goods. It services various market segments including construction, automotive, industrial, engineering and agriculture.

The ultimate parent, Tata Steel Limited, is headquartered in Mumbai, India. The Group has a significant presence in Europe, with two main operating hubs located in Ijmuiden (Netherlands) and Port Talbot (UK) and a number of worldwide downstream operations.

TSE is the top company within the European structure. Tata Steel UK Limited (TSUK) is the main manufacturing enterprise in the UK, with further downstream operations based in the UK and worldwide.

In October 2021, the previously integrated UK and Netherland enterprises were split into separate operations, to allow both value chains to pursue their own strategic directions and operate more flexibly on a local basis, whilst still retaining the benefit of being part of a larger multinational group.

Tax principles

At Tata Steel, key business decisions are made with the aim of maximising value on a sustainable basis for our stakeholders. Tax decisions are also driven by our core values of integrity, excellence, unity, responsibility and pioneering.

We are governed by the Tata Group Code of Conduct which specifies six key principles applicable to all Group Companies in managing tax affairs across all business activities and territories of operation.

TSE conducts its affairs in a way that:

1. Is compliant with all legal and regulatory obligations and which adheres to the principles set out in the Tata Code of Conduct.
2. Is aligned with the Group’s overall business strategy and growth objectives;
3. Proactively seeks to enhance shareholder value and optimise tax cost on a sustainable basis;
4. Is governed, managed and controlled within an appropriate risk management framework;
5. Is appropriately resourced and seeks to maximise operating efficiencies through the suitable use of automation and technology-based solutions; and
6. Maintains good, open, honest and professional working relationships with tax authorities globally and seeks to take a leading role in relation to matters of governmental tax policy relevant to TSE

Comments on the application of these principles is as follows:

1. Tax compliance

We comply with all applicable tax laws and practice in all countries in which we operate, including the UK. We aim to pay the right amount of tax at the right time, on the profits we make in the territories where the underlying value has been created. TSE aims to comply with the spirit as well as the letter of the law to satisfy its global tax compliance obligations in a timely and accurate manner.

TSE Taxation manage the Group's tax position pro-actively. Where governments or fiscal authorities have introduced particular relief, credits, incentives or exemptions to stimulate certain types of economic activity (such as research and development or reducing carbon footprint), we will ensure that TSE claims the appropriate amount of benefit for which it qualifies.

2. Business alignment

TSE aligns its tax affairs with genuine organisational business activities. We do not undertake tax planning that is contrived or artificial, or not driven by a commercial rationale. We do not engage in any form of tax avoidance, and we do not use or operate offshore tax havens.

All TSE entities are located in countries where the business has significant physical and economic operations (i.e. employees, offices and revenue generating activities). We seek to ensure that all transactions between connected parties are conducted on Arm's length terms in accordance with Organisation for Economic Co-operation and Development (OECD) principles.

3. Enhancing shareholder value

The commercial needs of the Group are paramount. Key business decisions should be made with regard to the tax consequences with the aim of maximising value on a sustainable basis for our shareholders. Any tax decisions are undertaken within the context of a wider business purpose or commercial rationale and will have regard to the potential impact on our reputation, broader goals and Tata Steel core values of unity, integrity, responsibility, excellence and pioneering. We will not undertake planning which is contrived or artificial and is not derived from a commercial requirement.

Given the scale of our business, global footprint and volume of tax obligations, risks may arise from time to time in relation to the interpretation of tax law and nature of our compliance arrangements. Diligent professional care and judgement will be employed to assess tax risks in order to arrive at well-reasoned fully documented conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate advice may be sought from third parties to support the decision-making process and TSE Taxation instigate an open dialogue with HMRC and/or seek advance clearance where appropriate to mitigate uncertainty on all significant or material matters.

4. Governance and risk management

TSE Taxation work closely together with other departments across the organisation, including Finance, Legal, Treasury, Mergers and Acquisitions, Commercial, Logistics, Internal Audit and downstream operations, and fosters a cooperative working relationship with other tax colleagues located in other key territories such as Netherlands and India.

Tax risks arising within the Group are identified, assessed and managed by TSE Taxation on an ongoing basis. A log of material risks is maintained, updated and communicated on a quarterly basis to the Finance Board and our external auditors.

Our appetite for risk is low. Any significant areas of uncertainty are communicated by TSE Taxation to the relevant Board, e.g. at the level of UK, Europe or Group depending on scope of impact, with recommendations for obtaining clarity or mitigating risk. Where appropriate, tax policies and guidance are issued to influence organisational behaviours to minimise risks based on the recommendations of TSE Taxation. Risk management processes are implemented to ensure that the policies are properly followed including training relevant personal as appropriate, internal audit reviews and periodical refreshment of policies in line with emerging tax laws and practice.

As part of our Senior Officer Accounting Rules (SAO), TSE Taxation maintains a log of tax process controls, which are reviewed, prioritised and updated annually in collaboration with our internal compliance team who perform testing on an annual or biannual basis, depending on the priority. This includes a number of controls designed specifically to prevent the facilitation of tax evasion by relevant Tata Steel personnel, which are also embedded into the annual review and testing processes.

5. Tax resource

TSE Taxation has overall responsibility for the day-to-day management of TSE's tax affairs.

We employ a team of appropriately qualified and trained tax professionals (TSE Taxation) across all areas of taxation, with the right level of expertise who work closely with the business to provide advice and guidance to ensure compliance with relevant tax laws and practice.

For complex transactions such as restructuring, advice may be sought from external parties who work in collaboration with TSE Taxation to mitigate risks.

Where appropriate, we seek to implement technology-based solutions to streamline processes, optimise efficiency and manage risk.

6. Relationship with governments and authorities

We seek to foster constructive, professional and transparent relationships with tax authorities, including Her Majesty's Revenue and Customs ("HMRC"), based on the concepts of integrity, fairness, co-operation and mutual trust. We engage in full, open and early dialogue with tax authorities to discuss tax management, strategy, risks and significant transactions. Where appropriate, we provide contributions on key consultations and emerging legislation.

With the objective of minimising tax risk wherever possible we seek to resolve issues with HMRC on a real time basis and in the event that disagreements arise, we would strive to work with the tax authorities to resolve any disputed matters through pro-active and transparent discussion and negotiation. We aim to obtain advance agreements or clearances where possible and litigation would only be considered as a last resort.

This Strategy is aligned with our core values and is approved, owned and overseen by the TSE Board.