

## Tata Steel Europe Limited Section 172 and Corporate Governance Statements for the Financial Year 2021/2022

### Section 172 Statement

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.

During the year, and as described on page 2, the Company reorganised the management of its UK and mainland European operations. Since 1 October 2021, the principal management and decision-making of the Group has been devolved to the separate boards and management teams of the UK and MLE Businesses. With effect from this date, the Board has concentrated on oversight and assurance of the consolidated financial result of its Group. Responsibility for the direction and control of each of the UK and MLE Businesses, including responsibility for setting strategic priorities, supporting stakeholder engagement and communication with the Company's ultimate parent company in India has been assumed by TSUK and TSN and their respective management teams. The Company continues to maintain processes and controls in place to assure itself of the performance and results of its Group companies.

Until 30 September 2021, the Board delegated authority for day-to-day management of the Group to an Executive Committee, led by a Chief Executive Officer, which set, approved and managed the execution of business strategy. Following Separation on 1 October, the Executive Committee of the Company was disbanded.

Governance responsibilities in relation to audit matters are delegated to a Board committee which supports the Board in carrying out its duties. This committee comprises non-executive directors to provide appropriate external perspective and challenge. The Audit Committee provides governance and oversight for financial and other key assurance matters. Until Separation, the purpose of the TSE Remuneration Committee was to review remuneration for the Executive Committee members and executive board members.

The Board promotes high standards of corporate governance throughout the organisation and holds regular scheduled meetings to consider matters relevant to the Group. Seven Board meetings were held during the year ended 31 March 2022, with additional Committee meetings held as required. In FY22 the Board continued to meet electronically via Microsoft Teams, in compliance with applicable Covid-19 regulations, and further decisions were made by circulation where appropriate. 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 regularly refreshed and made available to all TSE directors via a Board Portal. No new directors were appointed during the financial year.

The Company has had a long-established Group Policy Framework which included delegated authority levels applicable to senior management roles across the organisation. These delegated authority levels also identified certain financial and commercial decisions reserved to the Company and TSL Boards. Following Separation, the MLE and UK Businesses adopted the Group Policy Framework and amended delegations of authority. Each Business expects to revise their policy frameworks and delegations in the coming financial year to reflect post-Separation organisational and governance structures and their respective operating models. The Board also considers guidance received from the TSL Board. The

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 Group not all decisions taken will align with all stakeholder interests. Accordingly, the Board has taken decisions in the year that it believes best support the Company's strategic objectives.

#### a) the likely consequences of any decision in the long term

The Board approved the FY22 Annual Plan for the Group and monitored its implementation throughout the year through detailed review of operational and financial performance. The Board also observes external factors, including the steel industry outlook and global and economic market conditions. For the year ended 31 March 2022, the Board has continued to consider and respond to the impact of COVID-19 on the business and Annual Plan and review assumptions throughout the year.

During the year, the Board has reviewed proposals for the allocation of capital expenditure to support the Annual Plan and future sustainability of the TSE Group. The Board has taken into consideration guidance received from its parent company, TSL, and has sought to align capital allocation within the cash flows generated while ensuring capital expenditure for safety compliance and essential maintenance received the highest priority. The Board also reviewed proposals for contracts greater than 5 years and other material items.

The Board monitored the progress and provided guidance in relation to the TSE Transformation programme which is focused on long term financial stability and sustainable value growth. As set out in the Corporate Governance statement on page 30 of the TSE Annual Report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

The Board is mindful of the Group's decarbonisation objectives and considers it in strategic decisions where relevant.

In order to secure the viability of various group entities, the Board approved a number of equity restructurings and recapitalisations during the financial year.

#### b) the interests of the Company's employees

Disclosures in relation to the Group's employees are set out in this Strategic Report and in the Corporate Governance statement on page 30 of the TSE Annual Report. The Board has regard to the interests of the Group's employees in its decision making and the Company engages, through its operating subsidiaries, with employees and employee representatives as appropriate. The Board recognises the importance of attracting, retaining and motivating employees to deliver each Value Chain's strategic objectives and prioritises the health, safety and wellbeing of its workforce. The Board also recognises that the Group's pensioner community remain important stakeholders and has supported steps to address pension risk during the year.

In 2020/21, COVID-19 resulted in a new way of working for many employees. In 2021/22, many of the Group's employees have continued to work from home, in compliance with local Covid-19 regulations, or under hybrid working arrangements. The Board and those of its subsidiary companies recognise the importance of engagement with its employees and the need to ensure that even though employees may be isolated they do not feel alone or excluded. The Company and the management teams in its separate Value Chains continue to communicate digitally with employees including by means of Senior Leadership videos, emails and online events. For instance, the UK Business launched a Mental Health Policy in February 2022 with a commitment to promote, protect and maintain the mental health and wellbeing of its employees throughout the workplace.

The Board has also had regard to the impact on employees and local communities when considering proposals for the reorganisation, divestment or closure of any part of the business or Group.

During the year, there has been restructuring of certain senior management roles to support the UK and MLE Businesses and the Group's longer term goals for sustainability and financial stability.

#### c) the need to foster the Company's business relationships with suppliers, customers and others

The Board together with the boards of companies in the Group, have oversight over all stakeholder relationships and have regard to these relationships in their decision making.

During the year, companies in the Group developed processes to manage and enhance relationships with suppliers, customers and others. These included understanding their evolving needs and new trends in order that the Group can adapt to meet those needs. The UK and MLE Businesses continue to work with key suppliers and customers and others, to understand the needs of customers and changes in the supply base in the context of Brexit, Covid-19 and other political matters which have impacted the Group's key markets and supply chains.

Further information can be found in the Strategic Report and in the Corporate Governance statement under Principle 6 on page 33 of the TSE 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 the Group operates and reviews environmental performance against the goals of the Group. A key ambition is that the Group should be carbon neutral by 2050 and the Company's UK and MLE Businesses continue to explore strategic technological solutions to achieve its objectives. In September 2021, TSN announced its intention to pursue a hydrogen steel making route and will continue its engagement with stakeholders in FY23 to further develop this route. TSE was also awarded a World Steel Association, Steelie award in October 2021 for Excellence in Sustainability for zero carbon logistics. More details of TSE's decarbonisation objective can be found in the Strategic Report on page 14 of the TSE Annual Report.

As a major employer, companies in the Group act as a cornerstone for local businesses. The Group also supports a number of community initiatives working under a "Future Generations" theme including Kids of Steel, which is one of the world's longest running triathlon series for kids. The Group further supports a Women in Steel initiative and measures to combat poverty and deprivation. Further details can be found in the Strategic Report on page 34.

#### e) [the impact of the Company's operations on the community and the environment](#)

The Board is committed to maintaining the reputation of the Company 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 30. 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.

The Group expects honesty, integrity, and transparency in all aspects of its business dealings from employees, contractors and other partners. The Board and Audit Committee reviews and approves control measures and frameworks to uphold ethical principles and high standards of corporate and personal conduct. The Group has adopted a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking and data privacy. The Group also requires senior management and relevant employees to undertake mandatory compliance training and assessments.

#### f) [the need to act fairly between members of the Company](#)

Following its acquisition by Tata Steel in 2007, Corus Group Plc reregistered as a private company and in 2010 rebranded as Tata Steel Europe. The Company is indirectly wholly owned by TSL, a listed company in India. Further details of ownership are set out on pages 45 and 87 of TSE's Annual Report. Further details of group companies are also set out on page 87 of TSE' Annual Report.

The Board includes directors holding senior positions at TSL able to communicate the views of the shareholder. The Group also has mechanisms in place for reporting to the TSL board and its committees.

## Wates Corporate Governance Statement

For the year ended 31 March 2022, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) as the appropriate framework for its corporate governance arrangements. This is the third year that they have been applied.

### *Principle 1 – Purpose and Leadership*

Until 30 September 2021 the Board continued to assume responsibility for the governance, financial oversight and performance management of the Group, including responsibility for setting and reviewing its strategic direction. As in previous financial years, day to day management of the TSE Group's affairs was assumed by the TSE Executive Committee.

As described on page 25 above, the Company separated its UK and MLE Businesses on 1 October 2021 into two 'Value Chains' with their own governance structures to allow each business to pursue different strategic paths and give them greater agility and management focus. In connection with Separation, the Group's governance arrangements have changed such that primary management and decision-making responsibility for each of the Value Chains is positioned with the boards and management teams of TSUK and TSN respectively. The Tata Steel UK Limited and Tata Steel Netherlands Annual reports contain further details with respect to their governance and policies. The role of the TSE Board has accordingly evolved into one of financial governance and oversight and providing assurance in relation to the Group's consolidated financial statements.

The Group's vision has been to strive to be the global steel industry benchmark for value creation and corporate citizenship with a mission 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. The UK and MLE Businesses continue to partner with their suppliers and customers to innovate and deliver steel products in a more sustainable way and source raw materials under their responsible Procurement Policies. The Group continues to be an innovator of carbon neutral steelmaking within its Value Chains with each investing in decarbonisation programmes demonstrating the Group's commitment to the way sustainable steel is produced and delivered.

Tata Steel has adopted five values which are shared by all Tata companies worldwide and inform expected behaviours and practices throughout the 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.

Each of the UK and MLE Value Chains communicates messages which reflect their purpose, values, vision, mission, strategy. Key messages are communicated by the Value Chains through their senior leadership via internal communications, senior manager updates and briefings and Town Hall meetings.. Further information relating to the Group's strategy and values may be accessed on the TSE website.

### *Principle 2 – Board Composition*

The TSE Board comprises four directors. The balance of skills, backgrounds, experience and knowledge for the sectors in which the TSE Group operates, remains appropriate in the context of the reshaped organisation and its governance arrangements. The TSE Board has a Chairman but following Separation there is no longer a Chief Executive Officer responsible for a single business. None of the four directors hold executive management positions in the UK or MLE Businesses but bring experience

in audit and industry matters as well as independent challenge. Three of the directors are members of the board of the ultimate parent company, TSL, two directors are also senior executive managers in TSL and one of those directors (the Chief Executive Officer of TSL) is also Chairperson of the Supervisory Board of TSN. Three are also directors of TSE's main operating company in the UK, TSUK, including the TSUK Chairperson. The size and structure of the Board is appropriate for the Company.

Up to 30 September 2021, day-to-day management of the Group's affairs was carried out by the TSE Executive Committee which for most of the period comprised of the Chief Executive Officer, Chief Financial Officer and Director Legal & Company Secretary. The Chief Executive Officer and Chief Financial Officer were also TSE Board directors during the year. As responsibility for primary management and decision-making transferred to the TSUK and TSN boards and Value Chains on 1 October, the Executive Committee was disbanded with effect from this date.

A biography of each TSE Board director can be found on the TSE website.

As a wholly owned subsidiary of TSL, TSE does not have its own Nominations Committee. TSE Board director appointments are usually recommended to the Board for consideration and approval by its ultimate parent company, TSL.

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

#### *Principle 3 – Directors responsibilities*

The Board schedules its meetings to be aligned with the meetings held by its ultimate parent company, TSL, with additional meetings convened if required. Directors' interests are reported at each Board meeting.

To support the TSE Board in carrying out its duties, there is an established Audit Committee with a terms of reference. A review will be undertaken in FY23 as to the requirement for a TSE Remuneration Committee as the Company no longer has an Executive Committee, a Chief Executive Officer nor executive directors.

Safety, Health and Environment (SHE) matters are reviewed at TSL group level by a SHE Committee chaired by a non-executive director of TSL. The TSUK and TSN boards continue to have primary responsibility for SHE matters which relate to their businesses and the TSE Board continues to review SHE matters which materially affect the Company.

During the year, the Board and Executive Committee received regular information on all material 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. 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. In addition, the internal audit and assurance function provides additional assurance on specific key risks to ensure systems and controls are operating effectively.

TSE has deployed a Group Policy Framework which sets out foundation and behavioural policies, accountability and delegated management authority levels applicable to the organisation. The delegated authority framework was reviewed and revised in April and May 2021 to reflect changes in senior management roles. At Separation, the UK and MLE Value Chains adopted the Group Policy Framework. The Frameworks are currently being reviewed and revised to reflect the change in the operating model and organisational structures.

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

During the year, the Board considered material and strategic projects, contracts and other opportunities (as defined by value and duration) in addition to monitoring the performance of the Company and the TSE Group's longer-term financial sustainability. From 1 October, the business improvement programmes of TSE's main operating subsidiaries in the UK and the Netherlands are now under the remit of the UK and TSN boards respectively. Decarbonisation continues to be a key risk and opportunity for the TSE Group and is kept under regular review by the Board and those of the UK and MLE Businesses.



The principal risks and uncertainties affecting the TSE Group and mitigating actions taken in respect of them are set out in the Strategic Report on page 3. Since 1 October, the principal activity of the Company is that of a holding company for the TSE Group of companies and to provide financial governance and oversight for the Group.

Enterprise Risk Management (ERM) frameworks have been deployed by the respective subsidiary boards for the Value Chains, in alignment with TSL's ERM framework.

TSUK's Risk Committee meets quarterly and comprises of the TSUK Chairman as its Chair and the UK Management team which is composed of cross functional senior leaders. The Risk Committee also has representation from the ultimate parent company, TSL. Its principle purpose is to assess and identify TSUK's principal and emerging risks which are aligned to TSUK's strategy and the delivery of its objectives. In addition, monthly Risk management sub-committees are held by each of TSUK's Chief Operations Officer, Chief Financial Officer and the Chief Commercial Officer.

The TSN Risk committee meets quarterly and comprises of the TSN Board of Management and the Risk officers. Its principle purpose is to assess and identify TSN's principal and emerging risks which are aligned to TSN's strategy and the delivery of its objectives. In addition, risk sub-committees have been installed within the Business Unit Tata Steel Downstream Europe and Business Unit IJmuiden, composed of cross functional senior leaders who assess emerging risks on a monthly basis and act if needed. (e.g. energy price volatility in 2021, Russia-Ukraine war in 2022).

On a quarterly basis, the risk management teams within the Value Chains discuss approach and deployment of risk management principles and share their learnings. Up to 30 September, the Company had a single Integrity & Compliance Committee (I&CC). The I&CC reviewed compliance and asset protection matters, including whistleblowing, and reported to the Executive Committee quarterly and to the TSE Audit Committee half-yearly and by exception. From 1 October, each of the UK and MLE Businesses has a Compliance and Integrity Committee which meets quarterly. There is a regular joint Committee meeting to discuss matters of common interest between the respective businesses. Reports are submitted to the respective boards and provided to the TSE Audit Committee on a six monthly basis.

#### *Principle 5 – Remuneration*

The Group has had a Remuneration Policy comprising reward and recognition principles and which sets out the criteria describing key drivers for base and variable pay. The Group has followed a reward philosophy that would 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.

During the year, the TSE Board had a Remuneration Committee comprising at least one non-executive director. As the principle objective of the Committee was to determine the remuneration policy for Executive Committee members and TSE Board executive directors. Following Separation, a review will be undertaken as to the role of the Remuneration Committee in light of the changes to composition of the Board and the absence of an Executive Committee at that level. The remuneration of non-executive directors is a matter for the TSE Chairman and for the parent company, TSL.

The Company's principal operating subsidiary in the UK, TSUK, has published its Gender Pay Gap Report for 2021, which is available on the TSE Website. Further information in relation to the Gender Pay Gap is available on page 12 of the Annual Report.

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

The Board recognises the importance of effective communication with the stakeholders of its UK and MLE Businesses in order to deliver the purpose, values, vision, mission and strategy of those businesses and ensure protection of Tata Steel's relationships, reputation and brand. The Group's stakeholders include its shareholders, customers, suppliers, employees and employee representatives, pensioners, banks, Government bodies, and the local communities in which its businesses operate.

The Board continues to consider on the health, safety and wellbeing of employees, contractors and other partners of the Group, although primary management and responsibility for these matters sits with the TSUK and TSN Boards in relation to their businesses. The TSE board has therefore regularly reviewed health and safety matters and, prior to Separation, the Executive Committee and other senior

leaders were prominent in leadership communications on this topic. Each Value Chain continues to adopt a health & safety framework which includes zero harm campaigns, leadership safety tours, and the deployment of the 5 key health and safety commitments. Through the PeopleLink system, the businesses continue to offer online learning and development courses accessible by employees, including a series of mental health modules as well as other health, safety and wellbeing training.

During the year, the Group deployed a number of strategies for employee engagement, allowing employees to receive performance updates and ask questions directly to Executive Committee and TSE board members. With many employees continuing to work from home during FY22 under COVID-19 restrictions, TSE has continued to utilise digital mediums such as live streaming events to deploy performance updates and expanded its audience of senior managers to communicate the strategy and goals for the financial year ahead. From 1 October each Value Chain has continued with TSE's employee engagement strategy and will review their strategies, as appropriate, as employees return to the office, to ensure employees and senior managers remain informed as to the Value Chain performance, health and safety matters and any other matter requiring employee engagement.

The Group regularly conducts Employee Surveys which are used to drive areas for improvement for employee engagement. TSE did not conduct an employee engagement survey in FY2021 due to the ongoing Covid-19 pandemic and organisational changes associated with Separation. Post Separation the Value Chains expect to continue to undertake regular employee engagement surveys.

The Board includes directors of the parent company, TSL. TSE is required to report to its ultimate shareholder on a number of matters in order to support the Tata Steel Limited Group's overall corporate governance requirements. Post 30 September, the TSUK and TSN boards are also expected to refer certain matters to the TSL.

During the year, Board directors, Executive Committee members and senior managers with the relevant areas of expertise have liaised with Government bodies, including regulators, as appropriate.

The Group encourages its suppliers to work with it to create value to its end customers, society and shareholders. The Group has adopted a Responsible Procurement Policy which underpins its commitment to ensuring supply chain transparency. This policy applies to all goods and services supplied to the Group 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 is in place in order to identify applicable risks and take appropriate steps to mitigate them. Further information can be found on the TSE website.

Delivering an excellent customer experience is a key strategic priority for the Group's business model and is centred around direct engagement with customers aligned to market sectors and allows for continuous feedback. The Group reviews and evaluates performance through Voice of the Customer listening activities which includes a regular Customer Satisfaction survey. The survey was carried out in 2021 and covered overall satisfaction, the Group's support of its customers during the pandemic and learning about customers sustainability priorities, with results showing an overall increase in Customer Satisfaction Index compared to the previous survey. Outcomes and learnings from the survey are being integrated into strategic improvements activities of the UK and MLE Value Streams.

As a leading steel producer, the Group is dedicated to managing its operations responsibly, sustainably and to continuous improvement to create a sustainable business in the long term, with sustainability at the heart of the Group's strategy. The Group has set out its ambition to reduce CO2 emissions by 30% by 2030 with aims to be carbon neutral by 2050 by partnering with other industries, developing breakthrough technologies and investing in new infrastructure. In 2022, TSE and TSL were recognised for the fifth consecutive year as Steel sustainability Champions by the worldsteel Association for their work in 2021, In addition, in October 2021 TSE was awarded a Steelie award for Excellence in Sustainability by worldsteel Association in relation to its zero carbon logistics.

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

During FY21/22, the Group continued to hold a number of its community events online due to the global coronavirus pandemic. Whilst there have been fewer events than in previous years, the Group has continued to promote Women in Steel and STEM (Science, Technology, Engineering and Maths) education initiatives with sessions held virtually with local partners. The Tata Kids of Steel events which are of series of inclusive and fun sports activities were cancelled due to the pandemic and are set to resume in the UK in June 2022 in partnership with the Brownlee Foundation. TSE also supports sporting community programmes and outreach programmes in the local communities in which we operate. . The “Women in Steel” podcast series interviewing TSE women senior leaders to provide insights and encouragement to wider employees, has continued throughout 2021/22..

The Group uses a confidential reporting line service which allows employees, contractors and others to report potential concerns while remaining anonymous.

A review of the Group's performance, processes and practices is carried 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 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 Company which then make recommendations for improvement. Post Separation, TSUK and TSN will each undertake an assessment which are expected to take place in 2023.

#### [Statement of engagement with suppliers, customers and others in a business relationship with the company](#)

The Company'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 33 of the Annual Report.

#### [Statement of engagement with employees](#)

The Company's engagement with employees and the workforce is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 33 of the Annual Report.

#### [Information provided in the Strategic report](#)

In accordance with section 414C of the Companies Act 2006 the directors have chosen to disclose the following information in the Group's strategic report:

- Principal risks and uncertainties (see page 3);
- Business review (see page 10);
- Factors likely to affect the Group's future development, performance and position (see page 2);
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training (see page 11);
- Details on how the Group engages with its employees (see page 33);
- Streamlined Energy & Carbon Reporting emissions information (see page 18);
- Research & development activities (see page 20); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 24)