

Tata Steel Europe Limited Section 172 and Corporate Governance Statements for the Financial Year 2022/2023

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: the likely consequences of any decision in the long term;

- 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.

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 that 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 primary 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.

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.

The Board and Audit Committee promote high standards of corporate governance throughout the organisation and hold regular scheduled meetings to consider matters relevant to the Group. Six Board meetings were held during the year ended 31 March 2023, with additional Committee meetings held as required. In FY23 the Board and Audit Committee continued to meet electronically via Microsoft Teams and further decisions were made by circulation where appropriate. Any 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.

A long-established framework of policies are separately deployed in the constituent businesses of the Group. These include 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 TSL Boards. The Board typically reviews in advance any matter reserved from the constituent businesses for the attention of the TSL Board. The Board is conscious of the impact business decisions have on stakeholders as well as the wider impact on society. The Board recognises that given the complexity of the Group's operations not all decisions taken in its businesses will align with all stakeholder interests. Accordingly, in its role of assuring financial reporting and management of the its constituent businesses, the Board has supported decisions in the year that it believes best support the strategic objectives of its businesses.

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

The Board approved the FY23 Annual Plan for the Group and monitored its implementation throughout the year through regular review of operational and financial performance. The Board also took into account external factors, including the steel industry outlook and global and economic market conditions. For the year ended 31 March 2023, the Board has continued to consider and respond to the impact of global and market developments, including the effect on performance of trade and market conditions resulting from the invasion of Ukraine and energy price inflation.

Consistent with its role as a holding company for separate businesses, the Board has monitored the progress and development of key operational and sustainability issues in its constituent businesses and provided guidance in relation to the factors necessary to support long-term financial stability and sustainable value growth.

The Board is mindful of the Group's decarbonisation objectives and provides guidance and direction to its constituent businesses where relevant.

In order to optimise and maintain financing available to the Group, the Board approved new working capital and finance facilities during the year. The Board has also addressed equity restructurings and recapitalisations where required 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 31 of the TSE Annual Report. Primary responsibility for considering the interests of employees rests with the constituent businesses in their operating geographies but the Board has nevertheless had regard to the interests of the Group's employees during the period and supported engagement 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 has regularly reviewed key metrics relating to the safety of Group operations and the well-being of Group employees. The Board also recognises that the Group's pensioner community remain important stakeholders and has actively supported steps to reduce risk in relation to certain pension schemes during the year.

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.

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

The boards of the principal operating companies in the Group have oversight over many stakeholder relationships and have regard to these relationships in their decision making. In reviewing the performance of its operating subsidiaries, the Board has sought to understand and engage with matters affecting the interests of stakeholders, whether in relation to the management of spend with suppliers or in relation to the future sustainable operations of its plants. The Board has taken regular updates on matters of political relevance to the Group in its principal geographies and also sought to provide a forum for engagement between the Group's shareholder and its operational decision-making.

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 2045 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. 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 customer for local businesses. In addition, the Group contains a business which supports the economic regeneration of communities

affected by changes in the steel industry. Companies in the Group also support a number of popular community events including Kids of Steel, which is one of the world's longest running triathlon series for kids and the Tata Steel Chess Tournament in the Netherlands. Companies in the Group have also intensified their efforts to support diversity and equity with training and employee interactions centred on events such as International Women's Day.

e) the desirability of the Company maintaining a reputation for high standards of business conduct

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 31. 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 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 44 and 87 of TSE's Annual Report.

Further details of group companies are also set out on page 87 of TSE's 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.

Corporate Governance Statement

For the year ended 31 March 2023, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) as the appropriate framework for its corporate governance arrangements. These have been applied taking account of the fact that the Company no longer sets the strategic direction of its subsidiaries but concentrates on oversight and assurance of the consolidated financial result of its Group.

Principle 1 – Purpose and Leadership

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 annual reports of Tata Steel UK Limited and Tata Steel Netherlands each contain further details with respect to their respective 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 TSL 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. These

programmes have included the development and launch to the market of steel products certified to have been produced with reduced CO₂ intensity.

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. 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 there is not 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.

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.

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 Audit 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.

The separate Value Chains each apply a policy framework which set out expected behaviours, accountability and delegated management authority levels applicable to each business. The work of the audit and assurance function in each business includes reporting to the Audit Committee on matters concerning compliance with these policies.

Principle 4 – Opportunity and Risk

Since October 2021, the business improvement programmes of TSE's main operating subsidiaries in the UK and the Netherlands have been under the supervision 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 TSE Board has also regularly considered other risks and opportunities for Group businesses during the year, including the impacts on the business of cost increases and market effects following the invasion of Ukraine in February 2022.

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 2021, the principal activity of the Company has become 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 principal purpose is to assess and identify TSUK's most significant 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 risk officers. Its principal purpose is to assess and identify TSN's most significant 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 quarterly 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.

Each of the UK and MLE Businesses operate processes within which they review legal compliance and asset protection matters on a quarterly basis. There is a regular joint meeting between the two Value Chains to discuss matters of common interest between the respective businesses. Reports are submitted as required to the respective boards and provided to the TSE Audit Committee on a six-monthly basis.

Principle 5 – Remuneration

The separate businesses within the Group have a reward philosophy that would enable them each to attract, retain and motivate the people they need to deliver their objectives, are competitive in relevant markets, linked to the achievement of corporate objectives and follow the principles of being simple, objective and fair. Following Separation, supervision of these matters is carried on within each business.

The remuneration of directors of the Company, including the independent non-executive member of the Board, 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 2022, which is available on the TSE Website. Further information in relation to the Gender Pay Gap is available on page 11 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. Board and Audit Committee meetings are regularly attended by senior members of each of the UK and MLE Businesses to consider and report on these matters. The Group's stakeholders include its shareholders and the customers, suppliers, employees and employee representatives, pensioners, banks, Government bodies, and the local communities in which its businesses operate.

The Board continues to monitor regularly 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. Each business continues to adopt a health & safety framework which includes zero harm campaigns, leadership safety tours, and the deployment of five key personal health and safety commitments. Through the PeopleLink system, the businesses continue to offer online learning and development courses accessible by employees, including mental health modules as well as other health, safety and wellbeing training.

During the year, businesses in the Group deployed a number of strategies for employee engagement, including enabling employees to receive performance updates and ask questions directly to their senior leaders. Communications and Human Resources teams in each of the UK and MLE Businesses review their strategies, as appropriate, 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 Board includes directors of the parent company, TSL. The Company and each of the businesses in the Group is required to report to its ultimate shareholder on a number of matters in order to support the TSL Group's overall corporate governance requirements.

During the year, Board directors 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 businesses in the Group and their respective entire supply chains. 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's businesses review and evaluate performance through Voice of the Customer listening activities which includes regular Customer Satisfaction surveys and feedback.

As a leading steel producer, the constituent businesses of the Group are dedicated to managing their operations responsibly, sustainably and with continuous improvement to create businesses which are sustainable in the long term. The Group has set out its ambition to reduce CO2 emissions by 30% by 2030 with aims to be carbon neutral by 2045 by partnering with other industries, developing breakthrough technologies and investing in new infrastructure.

The Group is committed to its businesses working in partnership with their local communities to support their social and economic wellbeing. The constituent businesses of the Group invest in a range of sustainable Initiatives that bring benefits to large groups within local communities.

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 performance, processes and practices of businesses in the Group is periodically carried out as part of a Tata Business Excellence Model (TBEM) assessment in which assessors from other Tata group companies review the business against a set of 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.

[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.

[Post balance sheet events](#)

On 17 May 2023 the BSPS completed a final buy-in transaction with an external insurer with a value of the order of £2.7bn. The impact of this transaction which will be recognised as an actuarial loss will be determined in due course. Following this transaction the scheme has now insured all of its liabilities.

[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 9);
- Factors likely to affect the Group's future development, performance and position (see page 9);
- 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 now risk (see page 24)