

**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.

TSUKH is a holding company in the Tata Steel Europe (TSE) Group and is the indirect parent of both Tata Steel's principal operating company in the UK, Tata Steel UK Limited (TSUK), and Tata Steel's principal operating company in the Netherlands, Tata Steel IJmuiden BV (TSIJ). TSUKH's ultimate European parent is Tata Steel Europe Limited (TSE), a UK legal entity and TSUKH's ultimate parent company is Tata Steel Limited (TSL) in India. Oversight of the TSE Group, including TSUKH, is carried out at TSE Board level which is responsible for setting strategic priorities, supporting stakeholder engagement including communication with TSUKH's ultimate parent company, TSL, in India.

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, two TSE Executive Committee members (Chief Financial Officer and Director Legal & Company Secretary) are directors on the TSUKH Board, and all six Executive Committee members are directors of TSUK. The majority of the Executive Committee sit on the board of TSUKH's immediate subsidiary, Tata Steel Netherlands Holdings BV which is the immediate parent of Tata Steel Nederland BV and indirect parent of TSIJ. In addition, two 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 TSUKH, 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.

TSUKH has mechanisms in place for reporting to the Executive Committee, TSE and TSL Boards.

The TSE Group promotes high standards of corporate governance throughout the organisation and the TSUKH Board upholds these standards.

For the year ended 31 March 2020, TSE and TSUKH 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. A corporate governance statement can be found below and on pages 26 to 29 of the annual report .

As it is a holding company, the TSUKH Board holds meetings when required to consider the impact of key proposals and material matters affecting TSUKH. These relate mostly to financial matters such as approving annual report and accounts, refinancing and equity issuances, and to administrative matters, such as appointment of new directors.

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 directors via a Board portal.

With regard to section 172(1)(a), to aid the TSE Group's objective of long term financial independence, in September 2019, the TSUKH Board approved debt restructuring including the issuance of new equity in Tulip UK Holdings (No. 3) Limited, another TSE Group holding company, and a contribution to the capital of subsidiary Tata Steel Netherlands Holdings BV. In October 2019, the TSUKH Board approved the issuance of new equity in Tulip UK Holdings (No. 3) Limited to fund repayment of external debt under the Senior Facilities Agreement. In December 2019, the TSUKH 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.

With regard to section 172(1)(b)-(f), given it is a holding company usually carrying out financial or administrative activities, TSUKH has limited stakeholders (e.g. shareholders and banks) as compared to its principal operating subsidiary TSUK or its indirect parent, TSE, who have a wider group of stakeholder interests to consider. TSE Group policies will apply to TSUKH, including compliance policies. Further disclosures with regard to direct stakeholder impact of group companies are included in the TSE Report and Accounts for the year ended 31 March 2020.

The TSUKH Board is conscious of the impact its business decisions have on its stakeholders and those of the TSE Group (including shareholders, employees, pensioners, subsidiaries, banks and Government bodies) as well as the wider impact on society. The Board recognises that given the complexity of the TSE Group not all decisions taken will align with all stakeholder interests. Accordingly, the TSUKH Board has taken decisions in the year that it believes best support TSUKH's strategic objectives.

## Corporate Governance Statement

For the year ended 31 March 2020, TSUKH, as a member of the TSE Group, has applied the Wates Corporate Governance Principles for Large Private Companies as an appropriate framework for corporate governance arrangements for its financial year starting on 1 April 2019. These corporate governance reporting requirements apply to companies reporting for the financial years starting on or after 1 January 2019. .

### Principle 1 – Purpose and Leadership

TSUKH is a holding company in the Tata Steel Europe Limited (TSE) Group is the indirect parent of both Tata Steel's principal operating company in the UK, Tata Steel UK Limited (TSUK), and Tata Steel's principal operating company in the Netherlands, Tata Steel IJmuiden BV (TSIJ). Oversight of TSUKH and other TSE Group companies is carried out by the TSE Board, which is also responsible for setting and reviewing strategic priorities and monitoring performance. The TSE Board delegates authority for day to day management of the TSE's Group's affairs, including TSUKH, to the TSE Executive Committee.

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, endorsed 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 and TSUKH Groups:

- 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 accessed on the TSE website <https://www.tatasteeleurope.com/en/about-us/strategy>.

### *Principle 2 – Board Composition*

The TSUKH Board comprises three directors with an appropriate balance of skills, backgrounds, experience and knowledge for the sectors in which TSUKH operates. Two of the directors are also directors of material operating subsidiary TSUK, including the TSUK Chairperson. The size and structure of the Board is appropriate for the Company.

Day-to-day management of the TSE Group's affairs, including TSUKH, is carried out by the TSE Executive Committee, comprising the Chief Executive Officer, Chief Financial Officer, Chief Technical Officer, Chief Commercial Officer, Executive Director Human Resources and Director Legal & Company Secretary, TSE. The Chief Financial Officer and the Director Legal & Company Secretary, TSE are also directors of TSUKH. The Chief Executive Officer and Chief Financial Officer are also TSE Board directors.

A number of Executive Committee members are also directors of subsidiary TSNH, including the Chief Financial Officer.

A biography of each TSE Board director and Executive Committee member can be found on the TSE website.

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

The TSE Group does not have its own Nominations Committee. Any proposed TSUKH Board director appointments are 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.

Board effectiveness reviews are carried out at TSE Board and TSE Executive Committee levels and will be considered for TSUKH for 2020/21.

### *Principle 3 – Directors responsibilities*

The TSUKH Board convenes when required to discuss material matters affecting the Company, mainly in relation to financial matters. Directors' interests, if any, are reported at each Board meeting.

Governance oversight is provided at TSE Group level, there are established 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 Committee both chaired by the TSE Chief Executive Officer and a TSE Occupational Health & Safety Committee chaired by the TSE Chief Technical Officer.

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 also includes the Chief Financial Officer who is also a TSUKH director.

The TSE and 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. Board papers setting out proposals are required to include background, current status, rationale and business case, alternatives, financial analysis, risk assessment, stakeholder considerations 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 an Executive Committee member. A review of each of the policies took place in 2019/20 and is currently ongoing.

### *Principle 4 – Opportunity and Risk*

The Board considers for approval material matters affecting the Company (as defined by value and duration).

The principal risks and uncertainties affecting the TSUKH Group and mitigating actions taken in respect of them are set out in the Strategic Report. The Executive Committee participates in a risk management workshop annually to assess and identify the Group'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 Executive Committee members and cross-functional senior management and which meet on a quarterly basis. The RRC provides oversight of the Group's risk activities, identifies emerging risks, updates the risk register and reports to the 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. The Group continues to progress its ambition to become risk intelligent. The I&CC review compliance and asset protection matters, including whistleblowing, and report to the 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

#### *Principle 5 – Remuneration*

TSE has a Remuneration Policy comprising reward and recognition principles and which sets out the criteria describing key drivers for base and variable pay. TSE 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. The Group's reward processes support talent management and career development.

A Remuneration Committee, operates at TSE Group level, 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 Chairman and for the parent company, TSL. The remit of the Remuneration Committee is set out in terms of reference which are being updated to reflect the Wates Principles. In determining remuneration packages, including any bonus or incentive arrangements, the 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 Executive Committee to senior managers in the TSE Group.

The Executive Director, Human Resources is the principal source of information and internal advice for the Remuneration Committee. External benchmarking is undertaken periodically to ensure alignment with good practice and the market.

TSUKH's principal operating subsidiary in the UK, 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 12 of the TSUKH annual report.

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

The TSE Board recognises the importance of effective communication with its and the Group's stakeholders in order to deliver its purpose, values, vision, mission and strategy and ensure protection of Tata Steel's relationships, reputation and brand. While TSUKH as a holding company has limited stakeholders, the Group'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 TSUKH, 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, Tata Steel 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.

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

Tata Steel also engages with trade unions and works councils as appropriate. In 2019/20 there has been engagement with employee representatives in relation to the employment and organisation aspects of TSE Transformation Programme. Tata Steel has also engaged with the UK trade unions to agree furlough arrangements under UK Government Coronavirus Job Retention Scheme due to the global pandemic.

The TSUKH Board includes a director of parent company TSE. TSE is required to report to TSL on a number of matters as required in the TSE Group Policy Framework and in order to support the Tata Steel Group's overall corporate governance requirements.

TSE Board directors, Executive Committee members 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 TSE 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, TSE's business model maximises direct engagement with customers which is aligned to market sectors and allows for continuous feedback. TSE reviews and evaluates performance annually through a Customer Satisfaction survey.

As a leading steel producer, TSE 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.

TSE is committed to working in partnership with its 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.

TSE 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.

TSE 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. TSE 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](#)

Engagement with suppliers, customers and others with whom the Group is in a business relationship is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 28 of the annual report.

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

Engagement with employees and the workforce is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 28 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 4);
- Business review (see page 10);
- Factors likely to affect the Group's future development, performance and position (see page 10);
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training (see page 12);
- Details on how the Group engages with its employees (see page 12);
- Streamlined Energy & Carbon Reporting emissions information (see page 14);
- Research & development activities (see page 17);
- Particulars of any events affecting the Company (or any of its subsidiary undertakings) which have occurred since the end of the financial year (see page 17); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 21).