

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.

The Tata Steel Europe (TSE) Board is responsible for control and oversight of the Group's affairs, for setting strategic priorities, supporting stakeholder engagement including communication with TSE's ultimate parent company, Tata Steel Limited (TSL), in India. As is usual with large companies, the 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. In addition, certain governance responsibilities are delegated to Board committees (Audit, Remuneration, Pensions) which support the Board in carrying out its duties. The committees comprise 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 respond to the global coronavirus pandemic.

The TSE Board promotes high standards of corporate governance throughout the organisation and holds regular scheduled meetings to consider matters relevant to the Group. 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 TSE directors. The TSE 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 TSE Group not all decisions taken will align with all stakeholder interests. Accordingly, the TSE Board has taken decisions in the year that it believes best support TSE's strategic objectives.

(a) The likely consequence of any decision in the long term

Each year, the TSE Board approves an Annual Plan for the TSE Group and monitors 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. In 2020, the Board has had to consider and respond to the impact of COVID-19 on the business and Annual Plan.

The Board reviews proposals for the allocation of capital expenditure to support the Annual Plan and future sustainability of the TSE Group. It also reviews proposals for contracts greater than 5 years. As set out in the Corporate Governance statement on page 24 of the TSE Annual Report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

As part of its strategic review, during 2019/20 the Board has monitored the progress and provided guidance in relation to a TSE Transformation programme which is focused on long term financial stability and sustainable value growth. To aid TSE's objective of long term financial independence, in September 2019, the Board approved debt restructuring including loans converted to equity and the issuance of new equity and waivers. In December 2019, the Board approved a new Senior Facilities Agreement which completed in February 2020 and in relation to which no repayment is required for 5 years.

As a governance and risk mitigation measure, in 2019, the Board endorsed a rationalisation programme to simplify the corporate structure which resulted in the members voluntary liquidation and/or dissolution of a number of entities across the Group.

(b) The interests of the company's employees

Disclosures in relation to the TSE Group's employees are set out in this Strategic Report and in the Corporate Governance statement on page 24 of the TSE Annual Report.

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

In 2020, COVID-19 resulted in a new way of working for many employees who were either furloughed or working remotely. TSE engagement with employees has increased to ensure that even though employees may be isolated they do not feel alone or excluded and there has been enhanced communication throughout the organisation including CEO videos, emails and bringing teams together online.

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

The Board reviews succession planning and development of senior management to support the long term objectives of the TSE Group and provides guidance and recommendations to the Executive Committee.

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

The Board has oversight over all stakeholder relationships and has regard to these relationships in its decision making.

Through the Chief Executive Officer, Chief Commercial Officer and Chief Procurement Officer, TSE develops strong processes to manage and enhance relationships with suppliers, customers and others. This includes understanding their evolving needs and new trends in order that TSE can adapt to meet those needs.

Further information can be found in the Strategic Report and in the Corporate Governance statement under Principle 6 on page 26 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 TSE operates and reviews environmental performance against TSE goals. A key ambition is that TSE should be carbon neutral by 2050. More details of TSE's decarbonisation objective can be found in the Strategic Report on page 15 of the TSE Annual Report.

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

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

The Board is committed to maintaining the reputation of TSE 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 24. 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.

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

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

Following its acquisition by Tata Steel in 2007, Corus re-registered as a private company and in 2010 rebranded as Tata Steel Europe. TSE is indirectly wholly owned by TSL, a listed company in India. Further details of ownership are set out on pages 2 and 80 of TSE's Annual Report. Further details of group companies are also set out on page 81 of TSE' Annual Report.

The TSE Board has parental representation amongst the directors who communicate the views of the shareholder. TSE also has mechanisms in place for reporting to the TSL board and its committees.

Corporate Governance Statement FY2019-20

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

Principle 1 – Purpose and Leadership

The TSE Board is responsible for carrying out oversight functions, setting and reviewing strategic priorities and monitoring performance. The Board delegates authority for day to day management of the TSE Group's affairs 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"*. As their purpose, 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 Group:

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

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

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

Principle 2 – Board Composition

The TSE Board comprises seven directors with an appropriate balance of skills, backgrounds, experience and knowledge for the sectors in which TSE operates. TSE has a separate Chairperson and Chief Executive Officer. Three of the directors are non-executives and bring experience in audit and industry matters. Four of the directors are members of the board of the ultimate parent company, TSL, and one of those directors is also Chairperson of the Supervisory Board of TSN. Two of the executive directors are also directors of 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 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. The Chief Executive Officer and Chief Financial Officer are also TSE Board directors.

To align the legal entity framework with the Executive Committee management of the TSE Group, all Executive Committee members are directors of TSUK. Executive Committee members are also directors of TSNH and/or Tata Steel UK Holdings Limited ("TSUKH"). A subsidiary of TSE, TSNH is the immediate parent of TSN and an indirect shareholder of TSUK. TSUKH is the immediate parent of TSNH.

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

The TSE Board has representation from different ethnic backgrounds. The TSE Board does not have any women directors although the Company Secretary is female. There is also female representation at Executive Committee level and at other senior management levels. The TSE Board and Executive Committee always bear in mind the need to take steps to further enhance the diversity of the TSE Group.

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.

Board effectiveness reviews are carried out periodically and the last evaluation took place in 2018. A further review will be undertaken in 2020.

Principle 3 – Directors responsibilities

The TSE Board has a schedule of 9 meetings which is set each financial year, with additional meetings convened if required. Directors' interests, if any, are reported at each Board meeting.

To support the TSE Board in carrying out its duties, there are established Audit, Remuneration and Pensions Board committees, each with a terms of reference. Mr O P Bhatt, non-executive director, was appointed to the TSE Board and as Chair of the TSE Audit Committee in June 2020.

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, a TSE Health, Safety and Environment Forum chaired by the Chief Technical Officer and a TSE Process Safety Committee chaired by the Chief Executive Officer reports to the Executive Committee. The TSE Board is updated on health and safety performance at each of its scheduled meetings.

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.

The TSE Board 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 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 and strategic projects, contracts and opportunities (as defined by value and duration). In 2019/20 TSE commenced a Transformation programme focusing on

long term financial stability and sustainable value growth. The TSE Board monitors the progress and implementation of the Transformation Programme.

The principal risks and uncertainties affecting the TSE 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 Company's principal and emerging risks from a top down perspective. 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 Company'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. TSE 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.

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 TSE Board Remuneration Committee, which comprises at least one non-executive director, has as a principal objective to determine the remuneration policy for Executive Committee members and TSE Board executive directors. The remuneration of 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 in 2020 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.

TSE'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 11 of the Annual Report.

Principle 6 – Stakeholder Relationships and Engagement

The TSE Board recognises the importance of effective communication with its stakeholders in order to deliver its purpose, values, vision, mission and strategy and ensure protection of TSE's relationships, reputation and brand. TSE'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 Board and Executive Committee 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, TSE 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.

TSE 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. TSE regularly conducts Employee Surveys, including pulse surveys the results of which are used to drive areas for improvement for employee engagement.

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

The TSE Board includes directors of the parent company, TSL. TSE is required to report to the shareholder 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](#)

TSE'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 26 of the Annual Report.

[Statement of engagement with employees](#)

TSE's engagement with employees and the workforce is addressed in the Strategic Report and under Corporate Governance, Principle 6 on page 26 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 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 10);
- Details on how the Group engages with its employees (see page 11);
- Streamlined Energy & Carbon Reporting emissions information (see page 13);

- Research & development activities (see page 16);
- 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 16); and
- An indication of exposure to price, credit, liquidity and cash flow risk (see page 19)