

BOARD'S REPORT

To the Members,

Your Directors take pleasure in presenting the 5th Integrated Report (prepared as per the framework set forth by the International Integrated Reporting Council) and the 113th Annual Accounts on the business and operations of Tata Steel Limited ('Company'), along with the summary of standalone and consolidated financial statements for the year ended March 31, 2020.

A. Financial Results

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Revenue from operations	60,435.97	70,610.92	1,39,816.65	1,57,668.99
Total expenditure before finance cost, depreciation (net of expenditure transferred to capital)	45,574.40	50,047.98	1,22,353.59	1,28,285.65
Operating Profit	14,861.57	20,562.94	17,463.06	29,383.34
Add: Other income	404.12	2,405.08	1,843.49	1,420.58
Profit before finance cost, depreciation, exceptional items and taxes	15,265.69	22,968.02	19,306.55	30,803.92
Less: Finance costs	3,031.01	2,823.58	7,533.46	7,660.10
Profit before depreciation, exceptional items and taxes	12,234.68	20,144.44	11,773.09	23,143.82
Less: Depreciation and amortisation expenses	3,920.12	3,802.96	8,440.73	7,341.83
Profit/(Loss) before share of profit/(loss) of joint ventures & associates, exceptional items & tax	8,314.56	16,341.48	3,332.36	15,801.99
Share of profit/(loss) of Joint Ventures & Associates	-	-	187.97	224.70
Profit/(Loss) before exceptional items & tax	8,314.56	16,341.48	3,520.33	16,026.69
Add/(Less): Exceptional Items	(1,703.58)	(114.23)	(3,752.05)	(120.97)
Profit before taxes	6,610.98	16,227.25	(231.72)	15,905.72
Less: Tax Expense	(132.82)	5,694.06	(2,568.41)	6,718.43
(A) Profit/(Loss) after taxes – from Continuing operations	6,743.80	10,533.19	2,336.69	9,187.29
Profit/(loss) before tax from Discontinued operations	-	-	(1,120.74)	(98.60)
Less: Tax expense of Discontinued Operations	-	-	15.51	(9.64)
Profit/(Loss) after tax from Discontinued Operations	-	-	(1,136.25)	(88.96)
Profit/(Loss) on Disposal of Discontinued Operations	-	-	(27.98)	-
(B) Net Profit/(loss) after tax – from Discontinued operations	-	-	(1,164.23)	(88.96)
(C) Net Profit/(Loss) for the Period [A + B]	6,743.80	10,533.19	1,172.46	9,098.33
Total Profit/(Loss) for the period attributable to:				
Owners of the Company	-	-	1,556.54	10,218.33
Non-controlling interests	-	-	(384.08)	(1,120.00)
(D) Total other comprehensive income	(648.87)	(50.22)	4,482.83	7.79
(E) Total comprehensive income for the period [C + D]	6,094.93	10,482.97	5,655.29	9,106.12
Retained Earnings: Balance brought forward from the previous year	27,694.90	18,700.25	14,056.43	7,801.99
Add: Profit for the period	6,743.80	10,533.19	1,556.54	10,218.33
Less: Distribution on Hybrid perpetual securities	266.15	266.12	266.15	266.12
Add: Tax effect on distribution of Hybrid perpetual securities	66.97	92.99	66.97	92.99
Add: Other Comprehensive Income recognised in Retained Earnings	(345.18)	3.88	4,459.24	(425.92)
Add: Other movements within equity	-	1.49	40.32	(1,995.47)
Balance	33,894.34	29,065.68	19,913.35	15,425.80
Which the Directors have apportioned as under to:-				
(i) Dividend on Ordinary Shares	1,489.67	1,145.92	1,488.13	1,144.76
(ii) Tax on dividends	297.71	224.86	297.40	224.61
Total Appropriations	1,787.38	1,370.78	1,785.53	1,369.37
Retained Earnings: Balance to be carried forward	32,106.96	27,694.90	18,127.82	14,056.43

Notes:

- (1) On January 28, 2019, T S Global Holdings Pte. Ltd. ('**TSGH**') (an indirect wholly-owned subsidiary of the Company) entered into definitive agreements with HBIS Group Co. Ltd. ('**HBIS**') to divest its entire equity stake in NatSteel Holdings Pte. Ltd. ('**NSH**') and Tata Steel (Thailand) Public Company Ltd. ('**TSTH**'). During the year under review, TSGH decided not to pursue the proposed transaction with HBIS, for want of regulatory approvals.

As on March 31, 2020, active discussions and engagement with other potential buyer(s) demonstrate that the Management of the Group is committed to sell the disposal group and there is an active programme for completing the sale.

In accordance with Ind AS 105, "Non-current Assets Held for Sale and Discontinued Operations", the assets and liabilities of businesses forming part of the disposal group have been classified as held for sale.

- (2) During the year under review, exceptional items (Consolidated Accounts) primarily represent:

- a) Impairment charges ₹3,197 crore in respect of property, plant and equipment (including capital work-in-progress and capital advances, right of use assets and intangible asset) primarily at Tata Steel Europe ('**TSE**'), Global mineral entities, Tata Steel Special Economic Zone Limited, and at Tata Steel BSL Limited ('**TSBSL**') along with impairment of Goodwill at Bhubaneshwar Power Private Limited.
- b) Restructuring provisions amounting to ₹161 crore at TSE.
- c) Expenses incurred on stamp duty and registration fees for a portion of land parcels and mines acquired as part of business combination ₹27 crore and provision for coal block performance guarantee ₹134 crore at Tata Steel Long Products Limited (formerly Tata Sponge Iron Limited).
- d) Provision for impairment of doubtful capital advances amounting to ₹42 crore at TSBSL.
- e) Fair valuation loss on investment in preference shares held at one of the associate companies amounting to ₹250 crore at Tata Steel Limited (Standalone).
- f) Provision for demands and claims amounting to ₹196 crore relating to certain statutory demands and claims on environment and mining matters including ₹86 crore relating to SVLDRS - Sabka Vishwas Legal Dispute Resolution Scheme at Tata Steel Limited (Standalone).
- g) Provision for Employee Separation Scheme ('**ESS**') under Sunehere Bhavishya Ki Yojana ('**SBKY**') scheme amounting to ₹107 crore at Tata Steel Limited (Standalone).

Partly offset by,

- h) Restructuring and write back of provisions which primarily includes write-back of liabilities no longer required at Tata Steel BSL Limited ₹154 crore and settlement credit received at The Indian Steel & Wire Products Ltd. ₹18 crore.
- i) Profit on sale of subsidiaries amounting to ₹149 crore and profit on liquidation of group companies amounting to ₹41 crore at TSE.
- j) Gain on recovery of advances earlier provided for amounting to ₹1 crore at Tata Steel Limited (Standalone).

The exceptional items (Consolidated Accounts) in Financial Year 2018-19 primarily include:

- a) Provision of ₹172 crore in respect of advances with public bodies paid under protest by Tata Steel BSL Limited.
- b) Impairment charges ₹10 crore in respect of property, plant and equipment (including capital work-in-progress and capital advances) and intangible assets at TSBSL.
- c) Provision for demands and claims amounting to ₹329 crore relating to certain statutory demands and claims on environment and mining matters at Tata Steel Limited (Standalone).

- d) Provision for Employee Separation Scheme ('**ESS**') under Sunehere Bhavishya Ki Yojana ('**SBKY**') scheme amounting to ₹35 crore at Tata Steel Limited (Standalone).

Partly offset by:

- e) Profit on sale of non-current investments amounting to ₹180 crore, primarily in TRL Krosaki Refractories Limited (an associate of the Company) and certain other subsidiaries and joint ventures.
- f) Restructuring and write back of provisions amounting to ₹245 crore which primarily include write-back of liabilities no longer required at TSBSL and arbitration settlement at Tata Steel Utilities and Infrastructure Limited (formerly Jamshedpur Utilities & Services Company Limited), partly offset by charge at TSE.

1. Dividend Distribution Policy

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('**SEBI Listing Regulations**') the Board of Directors of the Company ('**the Board**') formulated and adopted the Dividend Distribution Policy ('**the Policy**'). As per the Policy, the Company, after considering various external factors that may have an impact on the business as well as internal factors such as the long-term growth strategy of the Company and the liquidity position including working capital requirements and debt servicing obligations, will endeavour to pay dividend up to 50% of profit after tax of the Company, subject to the applicable rules and regulations.

The Policy is annexed to this report (**Annexure 1**) and is also available on our website at <https://www.tatasteel.com/media/6086/dividend-policy-final.pdf>

2. Dividend

The Board has recommended a dividend of ₹10 per fully paid-up Ordinary (equity) Share on 112,64,90,211 fully paid-up Ordinary Shares of face value ₹10 each, for the year ended March 31, 2020. (Dividend for Financial Year 2018-19: ₹13 per fully paid-up Ordinary Share on 112,64,89,680 fully paid-up Ordinary Shares of face value ₹10 each).

The Board has also recommended a dividend of ₹2.504 per partly paid-up Ordinary (equity) Share on 7,76,36,788 partly paid-up Ordinary Shares of face value ₹10 (paid up ₹2.504 per share) each for the year ended March 31, 2020. [Dividend for Financial Year 2018-19: ₹3.25 per partly paid-up Ordinary Share on 7,76,36,705 partly paid-up Ordinary Shares of face value ₹10 each (paid-up ₹2.504 per share)].

The Board has recommended dividend based on the parameters laid down in the Dividend Distribution Policy and will be paid out of profits for the year.

The dividend on Ordinary Shares (fully paid-up as well as partly paid-up) is subject to the approval of the Shareholders at the Annual General Meeting ('**AGM**') scheduled to be held on Thursday, August 20, 2020.

The dividend once approved by Shareholders will be paid on and from Monday, August 24, 2020. If approved, the dividend would result in a cash outflow of ₹1,145.93 crore. The dividend on Ordinary

BOARD'S REPORT (CONTD.)

Shares (fully paid-up as well as partly paid-up) is 100% of the paid-up value of each share. The total dividend pay-out works out to 16.99% (Previous Year: 17%) of the net profit of the standalone results.

Pursuant to the Finance Act, 2020, dividend income is taxable in the hands of the shareholders effective April 1, 2020 and the Company is required to deduct tax at source from dividend paid to the Members at prescribed rates as per the Income Tax Act, 1961.

The Register of Members and Share Transfer Books of the Company (for fully paid-up as well as partly paid-up shares) will remain closed from Saturday, August 8, 2020 to Thursday, August 20, 2020 (both days inclusive) for the purpose of payment of the dividend for the Financial Year ended March 31, 2020.

3. Transfer to Reserves

The Board of Directors has decided to retain the entire amount of profit for Financial Year 2019-20 in the statement of profit and loss.

4. Capex and Liquidity

During the year under review, the Company, on a consolidated basis spent ₹10,398 crore on capital projects across India, Europe and Canada largely towards on-going projects in India (Kalinganagar plant and Tata Steel BSL Limited), essential sustenance, and replacement schemes.

The Company's liquidity position remains strong at ₹17,745 crore as on March 31, 2020, comprising ₹11,549 crore in cash and cash equivalent and balance in undrawn credit lines.

5. Management Discussion and Analysis

The Management Discussion and Analysis as required in terms of the SEBI Listing Regulations is annexed to the report (Annexure 2).

B. Integrated Report

In keeping with the Company's valued tradition of "thinking about society and not just the business", in 2016, we transitioned from compliance-based reporting to governance-based reporting by adopting the <IR> framework developed by the International Integrated Reporting Council.

We present to you our 5th Integrated Report which highlights the measures taken by the Company that contribute to long-term sustainability and value creation, while embracing different skills, continuous innovation, sustainable growth, and a better quality of life.

C. Operations and Performance

1. Tata Steel Group

During the year under review, the Tata Steel Group ('the Group') recorded total deliveries of 26.68 MnT (previous year: 26.80 MnT). The steel deliveries decreased at Tata Steel Limited by 2.9% and at Tata Steel Europe by 4%. This decrease was off-set by higher

deliveries at Tata Steel BSL Limited ('TSBSL') by 16%. The increase at TSBSL is due to ramp-up of operations. Further, in the previous Financial Year 2018-19, deliveries prior to the acquisition of TSBSL on May 18, 2018 under Insolvency and Bankruptcy Code were not included. Further, the acquisition of the steel business of Usha Martin Limited by Tata Steel Long Products Limited ('TSLP') (formerly Tata Sponge Iron Limited) on April 9, 2019, also increased the total deliveries of the Group by 0.51 MnT. The turnover for the Group was at ₹1,39,817 crore during the Financial Year 2019-20 (previous year: ₹1,57,669 crore), a decrease of 11% over the previous year due to decline in realisations across geographies along with lower deliveries. Further, the EBITDA for the Group was ₹17,735 crore during the Financial Year 2019-20 as compared to ₹29,770 crore in the previous year.

During the year under review, the Group reported a consolidated profit after tax (including discontinued operations) of ₹1,172 crore as against a profit of ₹9,098 crore in the previous year. The decrease was mainly due to lower operating profits attributable to decline in the steel prices during the year, higher exceptional charge, partly offset by lower tax expenses primarily on account of re-measurement of deferred tax liabilities based on the new lower rate of Income tax prescribed under Section 115BAA of the Income Tax Act, 1961, along with creation of deferred tax assets at some of its foreign entities.

2. India

During the year under review, total deliveries at Tata Steel Limited (Standalone) were at 12.32 MnT (previous year: 12.69 MnT), recording a decrease of 2.9% over the previous year. Turnover was ₹60,436 crore (previous year: ₹70,611 crore), decrease of 14.4% than that of the previous year. EBITDA from Tata Steel Limited (Standalone) was ₹15,096 crore (previous year: ₹20,744 crore), 27.2% lower than that of the previous year.

During the year under review, the crude steel production in India increased by 8% to 18.20 MnT with ramp up at TSBSL and acquisition of steel business of Usha Martin Limited by TSLP. TSBSL achieved best ever crude steel production and sales at 4.46 MnT and 4.14 MnT, respectively due to improved maintenance practices, higher capacity utilisations, and marketing synergies. TSLP which acquired steel making facility of Usha Martin Limited, during the year, achieved crude steel production of 0.58 MnT while deliveries stood at 0.51 MnT.

Total deliveries of Tata Steel from its Indian operations (including TSBSL and TSLP) stood at 16.97 MnT i.e. 4% higher than the previous year. The turnover and EBITDA (excluding inter-company eliminations and adjustments) was ₹82,125 crore and ₹17,650 crore, respectively.

During the year under review, Sukinda Chromite mine and Gomardih Dolomite mine leases expired on March 31, 2020, as per the mining regulations. Tata Steel Mining Limited (formerly T S Alloys Limited), a wholly-owned subsidiary of the Company, has won the Sukinda Chrome ore mines in the auction and the lease grant process is underway. Further, Tata Steel Mining Limited also signed 50 year

leases for Kamarda and Saruabil Chrome mines. With these mines, Tata Steel Mining Limited is well placed to cater to its global customer base as well as requirements of the Group.

3. Europe

During the year under review, liquid steel production from European operations was 10.26 MnT (previous year: 10.31 MnT). Deliveries from European operations decreased by 4% to 9.29 MnT primarily due to overall weakness in economic activities. Turnover from operations was ₹55,939 crore (previous year: ₹64,777 crore). The decrease in turnover was primarily due to sharp decline in European steel prices and lower deliveries, resulting in loss of ₹664 crore at the EBITDA level.

The Company is committed to make its European operations simpler, leaner, and sustainable. It has launched a transformation programme to generate savings across multiple initiatives.

4. Impact of COVID-19

The outbreak of COVID-19 pandemic has led to an unprecedented health crisis and has disrupted economic activities and global trade while weighing on consumer sentiments. Consequently, the global steel demand is expected to be sharply lower in 2020.

The Government of India had imposed a stringent nationwide lockdown with effect from March 25, 2020 which has severely impacted manufacturing activities. Though the Steel and Mining sectors were exempt from the lockdown measures, they were subject to certain guidelines. Steel demand was affected as key steel consuming sectors struggled to operate amidst weakening economic activities, working capital constraints, shortage of manpower, and logistical issues.

In Europe, the outbreak of COVID-19 has further accentuated the sustained weak steel demand. The share of steel imports to total consumption in the European Union continues to remain at elevated levels which is a cause of concern.

The risk-intelligent culture embedded across the Company has helped in developing and adopting a multi-pronged strategy to effectively respond to the evolving pandemic situation. The health and safety of our employees and the communities in which we operate continues to be the foremost priority of the Company. The Company is focussed on running operations safely and efficiently to service our customers. The operations have been aligned with the prevailing market conditions by reducing upstream operations while curtailing downstream operations. Cross-functional teams worked to manage supply chain and logistics issues within the constraints imposed by the lockdown to ensure that plant could operate as planned. With domestic markets closed due to the lockdown, there was a shift to export sales which were ramped up sharply. The Company is also focussed on liquidity management to face any future disruption in business conditions. Funds were raised to manage liquidity considering the heightened uncertainty over the extent of impact on underlying demand conditions.

D. Key Developments

Amalgamation and Joint Venture

Amalgamation of Bamnival Steel Limited and Tata Steel BSL Limited into and with Tata Steel Limited

During the year under review, the Board of Directors of the Company, at its meeting held on April 25, 2019, approved the amalgamation of Bamnival Steel Limited and Tata Steel BSL Limited, into and with the Company by way of a composite scheme of amalgamation.

The Company received a 'no objection' to the scheme from the National Stock Exchange of India Limited and BSE Limited on August 26, 2019 and has filed an application before the National Company Law Tribunal, Mumbai Bench for necessary directions. The amalgamation is subject to approval from shareholders and other regulatory authorities.

Joint Venture between Tata Steel and thyssenkrupp AG

During the year under review, the Company and thyssenkrupp AG decided not to pursue the proposed transaction to form a joint venture to combine their steel businesses in Europe. The decision was taken after careful evaluation of the viability of the proposal in light of the feedback received from the European Commission ('EC'). Thereafter, on June 11, 2019, EC formally announced its decision to prohibit the proposed joint venture.

Acquisitions & Investments

Acquisition of Bhushan Energy Limited

During the year under review, Tata Steel BSL Limited ('TSBSL'), an indirect subsidiary of the Company, completed the acquisition of controlling stake in Bhushan Energy Limited (now Angul Energy Limited) ('BEL'), pursuant to the Resolution Plan as approved by the National Company Law Tribunal (Principal Bench, New Delhi) vide its Order dated May 30, 2019, under Corporate Insolvency and Resolution Process of the Insolvency and Bankruptcy Code, 2016. Consequently, BEL became a subsidiary of TSBSL effective June 1, 2019.

Investment in Tata Steel Long Products Limited

Pursuant to the Rights Issue of Tata Steel Long Products Limited (formerly Tata Sponge Iron Limited) ('TSLP'), on July 24, 2019, the Company acquired 2,58,43,967 Equity Shares of face value of ₹10 each of TSLP at a price of ₹500 per equity share (including a premium of ₹490 per equity share) aggregating to ₹1,292.20 crore. As a result of this, the Company's holding in TSLP increased from 54.50% to 75.91%. The name change of TSLP from Tata Sponge Iron Limited to Tata Steel Long Products Limited is effective August 20, 2019.

Divestments

NatSteel Holdings Pte. Ltd. ('NSH') and Tata Steel (Thailand) Public Company Ltd. ('TSTH')

During the year under review, T S Global Holdings Pte. Ltd. ('TSGH'), an indirect wholly-owned subsidiary of the Company, for want of regulatory approvals, decided not to pursue the proposed

transaction with HBIS Group Co. Ltd. ('HBIS'), to divest its entire equity stake in NSH (100%) and TSTH (67.9%) to a company in which 70% equity stake would be held by an entity controlled by HBIS and the balance 30% by TSGH.

The Company is in discussions with other investor(s) in continuation of its strategy to find a partner for the South-East Asian business.

Financing

Issuances of Debt Securities

During the Financial Year 2019-20 and till date of the report, the Company has allotted the following Unsecured, Rated, Listed, Redeemable, Non-Convertible Debentures ('NCDs') of face value of ₹10,00,000 each to identified investors on private placement basis:

Particulars of Allotment	Date of Allotment	Tenure	Date of Maturity
6,700 – 7.70% NCDs aggregating to ₹670 crore	March 13, 2020	5 years	March 13, 2025
10,250 – 7.85% NCDs aggregating to ₹1,025 crore	April 17, 2020	3 years	April 17, 2023
5,100 – 7.85% NCDs aggregating to ₹510 crore	April 22, 2020	3 years	April 21, 2023
10,000 – 7.70% NCDs (floating coupon) aggregating to ₹1,000 crore	April 27, 2020	3 years	April 27, 2023
Series A: 5,000 – 7.85% NCDs (floating coupon) aggregating to ₹500 crore; Series B: 5,000 – 7.95% NCDs aggregating to ₹500 crore	April 30, 2020	3 years 3 years 6 months	April 28, 2023 October 30, 2023
10,000 – 8.25% NCDs aggregating to ₹1,000 crore	May 20, 2020	3 years	May 19, 2023
4,000 – 8.08% NCDs (floating coupon) aggregating to ₹400 crore	June 3, 2020	3 years	June 2, 2023

Refinancing at Tata Steel Netherlands

During the year under review, Tata Steel Netherlands Holdings B.V. ('TSNHBV'), an indirect wholly-owned subsidiary of the Company, executed agreements for the refinancing of its bank debt. TSNHBV has raised term loan facilities of EUR 1.75 billion. This represents a reduction of EUR 500 million versus the external debt outstanding in Tata Steel Europe as of March 2019, enabling the standalone European business to have a more robust balance sheet while it is also putting in significant efforts at restructuring and improving its operating performance.

Credit Rating

In April 2020, S&P Global Ratings ('S&P') revised the issuer credit rating of the Company as well as the long-term foreign currency issuer credit rating for ABJA Investment Co. Pte. Ltd., a wholly-owned subsidiary of the Company, from 'BB-/Outlook: Stable' to 'B+/Outlook: Negative'. S&P also revised the issuer credit rating of Tata Steel UK Holdings Ltd., an indirect subsidiary of the Company from 'B+/Outlook: Stable' to 'B-/Outlook: Negative'. The revision in ratings was primarily on account of COVID-19 pandemic related disruptions and the consequent economic effects.

Similarly, in April 2020, Moody's Investor Service ('Moody's') revised the outlook for the Company's Corporate Family Rating from Stable to Review for Downgrade and affirmed the rating 'Ba2'. Moody's has also revised the Corporate Family Rating of Tata Steel UK Holdings Ltd. from 'B2/Outlook: Stable' to 'B3/Outlook: Review for Downgrade'. The revision was also triggered in anticipation that the Company would face challenges due to the COVID-19 pandemic led economic downturn coupled with the weak credit profile of the Company.

E. Sustainability

The Company is committed to steel production using the most efficient routes, minimising waste generation and mitigating impact on natural capital. The sustainability approach of the Company emphasises integrated thinking and balances the impact and outcome of six capitals viz. Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural. Aspirations of taking our carbon emissions to <2 tCO₂/tcs, attaining zero waste, reducing specific water consumption to <3 m³/tcs, and doubling our CSR reach by 2025 are significant facets of this strategy.

New initiatives undertaken by the Company in the Financial Year 2019-20 find their genesis in our aspiration of minimising the carbon footprint. The Company undertook third party studies which helped in identifying a renewable energy potential of ~180 MW across locations. This will help the Company in increasing the proportion of the renewable energy in its power mix.

The Company is a signatory to the Task Force of Climate Related Financial Disclosure for climate change and is in the process of identifying transition risks to decarbonise its operations over a period. Several transition risks and opportunities have been identified as part of this assessment. Specific mitigation and contingency plans for each of the identified risks are being integrated with Company's long-term strategy.

The Company is committed to serve its customers through a portfolio of eco-friendly products and disclosure of the impact of the products on environment by using Life Cycle Assessment ('LCA') methodology. In Europe, almost entire product range of the European operations is certified to be at the BES 6001 sustainable sourcing standard. During the year under review,

Tata Steel Europe received a ‘Steelie’ award from World Steel Association for ‘Excellence in Life Cycle Assessment’ in recognition of its development of a sustainability development tool for use in the new product development processes in its European operations. Tata Steel Europe has also published Environmental Product Declarations (‘EPD’), setting out the environmental characteristics of products throughout their life-cycle, for a large number of its products manufactured in Europe. Further, the Company will strive to maintain its global leadership by publishing EPDs on an increased proportion of its global product offering.

The Company identified supply chain sustainability as a key material issue in the materiality exercise conducted in the Financial Year 2018-19. In order to take this forward, the Tata Steel Responsible Supply Chain Policy was adopted in February 2020. The expectations with respect to sustainability from supply chain partners, viz. vendors, Steel Processing Centres and distributors, as well as the way the Company would engage with them on the subject have been laid down in the aforesaid policy.

In order to augment the effort of the Company towards conservation of biodiversity at its operational sites, the Company constituted a Centre of Excellence for Biodiversity Management to strategically formulate and implement Biodiversity Management Plan. During the year under review, more than 4 lakh trees were planted across locations using eco-restoration methodology and Miyawaki plantation techniques.

The continued focus on ‘Sustainability’ has helped the operations of the Company, in India as well as Europe, to be recognised as two of the six Sustainability Champions by World Steel Association for three consecutive years. Also, the Jamshedpur Works was awarded the ‘GreenCo Star Performer’ award for sustained excellence in environmental management and the Global Wires division of the Company was awarded the ‘GreenCo Gold Rating’ for excellence in environmental management, by the CII Green Business Centre.

Environment

The Company is committed to responsible use and protection of environment through resource conservation, pollution control, and sustainable practices for waste management. The Company focusses on operational excellence through “Prevent, Minimise, Recover, Reuse and Recycle” approach. The Company continues its pursuit of establishing best-in-class facilities and channelising its investment to upgrade manufacturing and distribution facilities to improve operational and environmental performance.

The Company has implemented environmental management systems in accordance with international standard ISO 14001, which provides the necessary framework for managing compliance and improving environmental performance. The Company maintains accredited laboratories for environmental performance assessment.

The Safety, Health, & Environment Committee of the Board provides oversight and necessary guidance on environmental matters. The Company has dedicated Environment Management teams at all its

operating locations. The Company endeavours to practice responsible advocacy on regulatory issues and actively participates in World Steel Association Environment Policy Committee, World Economic Forum, Central Pollution Control Board’s National Taskforce in India, Eurofer (the European Confederation of Iron and Steel Producers), and various other organisations. The Company engages with various organisations such as Confederation of Indian Industry-Centre of Excellence for Sustainable Development, Confederation of Indian Industry-Sohrabji Godrej Green Business Centre, the Indian Institute of Metals, The Energy and Resources Institute, The Federation of Indian Chambers of Commerce and Industry, Federation of Indian Mineral Industries, and Insolvency and Bankruptcy Board of India amongst others on diverse issues.

Climate Change

Climate change is one of the most pressing issues the world faces today and the Company recognises its obligation to work towards mitigation of climate change related risks and strives to address the challenges of transitioning to a lower carbon regime. The Company firmly believes that, steel is an integral part of the solution for transitioning to lower carbon economy because of its unique property of infinite recyclability.

The Company aspires to achieve global benchmark levels of < 2 tCO₂/tcs emissions by 2025 for Indian operations and to become carbon neutral by 2050 in Europe. The Company’s site in IJmuiden in the Netherlands is one of the most carbon efficient integrated steelworks in the world while, the Company’s integrated steelworks at Jamshedpur is the most efficient steel plant in India. The Company has established Energy Efficiency and Carbon Reduction programmes at all its Steel Plants in the Netherlands, UK, and India to pursue short-term energy efficiency initiative and to work on long-term decarbonisation initiatives. The Research & Development team is collaborating with technology companies and academia to work on wide range technologies which, *inter alia*, includes carbon capture, use and storage (‘CCUS’), hydrogen-based steelmaking and new smelting technologies. The Company has set up a Steel Recycling business in an endeavour to bring good practices in Indian scrap market and make more scrap available for conversion to steel.

The Company continues to work on developing Hlsarna, a new smelting reduction technology to produce steel without the need for coke making or agglomeration processes, thereby improving efficiency, reducing energy consumption and reducing CO₂ emissions. The pilot plant is located at the Company’s IJmuiden site in the Netherlands. The Company is exploring to scale up Hlsarna in India to pursue the development of a strategic roadmap to achieve quantum reduction over 2030 and 2050 horizons.

Health and Safety

Health and Safety Management remains the Company’s foremost priority and we are committed to achieve ‘Zero Harm’ by 2025. In pursuit of this objective, the Company has been working on six strategies viz. build safety leadership capability at all levels to achieve zero harm, achieve zero harm to contract employees

BOARD'S REPORT (CONTD.)

by strengthening deployment of contractor safety management standard, improve competency and capability for hazard identification & risk management, improve road & rail safety across the Company, excellence in process safety management, and establish industrial hygiene and improve occupational health.

During the year under review, the Company undertook several initiatives to improve the health and safety standards of its employees, including rolling out a reward and recognition policy for Indian operations to encourage positive safety behaviour among employees, commissioning a 'safety leadership development centre' to enhance the competency of the workforce and provide safety induction training, and establishing 'Tactical Centre' for business continuity management during emergency situations. Group companies including Tata Steel Europe formed HSE Performance Improvement Teams to improve safety at workplace through learning and sharing of best practices.

A focussed effort was also made to improve the deployment of competent contract workforce in high hazard operations. For effective learning and deployment of Safety Standard across organisation, ten Safety Standards were simplified and e-learning modules were developed.

Contractor employee's fatality remains the topmost safety concern for the Company. It is with deep regret that the Company reports three fatalities in India involving our contractor partners. During the year under review, three distinct Safety campaigns viz. 'Zero Harm', ECAUP (Elimination of Commonly Accepted Unsafe Practice) and 'Fall from Height' were launched across locations to address gaps and improve safety awareness. Monthly review of red risk incidents by the Senior Leadership helped in achieving ~44% reduction of high potential incidents vis-à-vis previous year. Further, the initiative to roll out Process Safety through 'Centre of Excellence' methodology gained momentum. Currently, the process safety has been rolled out to 46 departments and the balance departments will be covered in the Financial Year 2020-21. The Company has been awarded for the best practice on 'Managing Process Safety Critical Equipment for Barrier Effectiveness' at the World Steel Safety and Health Recognition function held at Mexico in 2019.

The Company is leveraging digital technology through usage of Smart Safety Wearable' developed in-house, in collaboration with Tata Communications, for online tracking of health parameters of workers who are in isolated workplaces at Jamshedpur. In order to improve safe behaviour on road, a video analytic system was installed at Jamshedpur including the first Automatic Number Plate Recognition ('ANPR') system. Further to strengthen CCTV visualisation, local command centres were established across various locations.

Towards Occupational Health, the Company has implemented Industrial Hygiene hazard control measures to minimise the exposure level at Jamshedpur. Theme based health awareness campaigns on heat stress, hypertension, diabetes, and obesity were organised

across India covering 15,000 employees and contract employees. In order to develop competency in first-aid and Cardiopulmonary resuscitation (CPR) ~7,600 employees were trained across India. High risk cases of about 52%, relating to life style diseases, have been transformed to moderate or low risk category.

During the year under review, the Company has also undertaken other initiatives such as leadership coaching and site interventions at both integrated sites, putting in place new governance and review structures, accelerating the deployment of standards and codes of practices around coil banding, and initiative towards a more digital approach to support site health and safety teams and the development of management systems in line with ISO 45001.

At Tata Steel Europe, Health and safety continues to be of utmost priority. It is with deep regret that the Company reports two fatalities in Europe during the year. In consultation with the senior leadership, several measures including a health and safety transformation plan which focusses upon five key areas viz. transformational leadership, collaborative development and deployment, digitally enabled, company wide support, standards and integration, and workforce engagement, have been developed.

Research and Development

In line with the aspiration to be amongst the top five innovation driven steel companies globally, the Company has ushered in Technology Leadership Areas ('TLAs'). Cross-functional teams have been constituted and projects have commenced based on TLAs. During the year under review, the Research and Development ('R&D') conducted by the Company has demonstrated a process at lab scale for rapid heating of non-coking coal to coke, through microwave energy. The Company also targets to upscale the technology for continuous coke making. Further, with an aim to create 'Value from Waste', the Company established a process for using water-cooled and air-cooled ferrochrome slag material in applications such as bitumen road, concrete, and fly ash slag bricks.

Conservation of the environment and sustainability has always been an important area for the Company. Accordingly, the Company has installed a pilot plant of the scale 5 Tonnes per Day (TPD) at one of our steelmaking plants to capture CO₂ from Blast Furnace gas. Further, the Company has also developed an advance oxidation process for cyanide removal and the fabrication and installation of the commercial plant of the capacity @ 100 m³/hr is under progress. Amongst the notable customer collaborations, the Company has worked jointly with a leading automotive player in designing the tipper body using a new grade of high strength steel which has resulted in reduction of the weight of the tipper body by 200 kg without compromising on its strength.

In Europe, R&D has contributed to various new products and implementation of new process control models and other process improvements. The Company has introduced the Valast range

of abrasion resistant grades, the new Cr6+ free TCCT (Trivalent Chromium Coating Technology) as replacement for ECCS (Electrolytic Chrome Coated Steel) and CFP (Chromium Free Passivation Alternative) products for packaging, and MagiZinc full finish. The Company also worked towards continuously optimising coal blending, improving safety and preventing damage by prediction of coiling through a new model CISCA (Cooling Induced Shape Change Algorithm), and automatically detecting of stickers in the casters at an early stage. Further, R&D has also been vital in getting many potential new products to reach higher Technology Readiness Levels throughout the year and to support the customer interactions on a technical level.

R&D continues to help the Company in its drive to become more sustainable and environmentally friendly. The Hlsarna project has demonstrated its potential to solve certain issues faced by the steel industry in dealing with circularity and climate change. R&D will continue to support this development and be heavily involved in the technical discussions for upscaling the process in India and IJmuiden.

New Product Development

During the year under review, the Company developed 155 new products in India, which *inter alia* include the JSH440WN & JSH590RN grades and S420MC for high strength automotive structural applications. The new grades of steel are targeted to be used in upcoming automotive models. The Company was awarded the "Innovative Supplier of the year 2019" for its customer centric approach and innovation in the product development.

In the long products segment, the Company commercialised high strength, high ductility rebar grade – Fe600HD. Further, the Company also developed low N2 Steel grade [WR3M] wire rod for welding electrode wire application through Electric Arc Furnace (EAF) route.

In Europe, 22 new products were launched during the year. These launches include major developments for engineering, automotive and construction markets. A notable example of product launch includes the Valast®450, XPF®800 Tubes and Celsius®460. Valast®450 hot rolled abrasion resistant product offers the widest strip product with superior surface quality, guaranteed impact strength and flexible length sheets at a competitive price to the yellow goods and heavy vehicles market. The XPF®800 Tubes, offers customers a cost-effective alternative for manufacturing automotive components such as twist beams. The Celsius®460 NH Tube is the strongest hot formed structural hollow section ever produced by the Company, offering customers up to 20% weight saving with no weldability penalty. Further, Packaging department has further developed and commercialised its already launched polymer laminated steel Protact® range of products.

Customer Relationship

During the year under review, the Company continued to enhance its relationship with automotive manufacturers and their large value chain partners. In addition, the Company also revived its

Customer Service Team ('CST') approach of nurturing relationships with automotive manufacturers and continued to provide value upliftment across the Original Equipment Manufacturers ('OEM') supply chain ecosystem. The Company also extended its Early Vendor Involvement ('EVI') partnership for the upcoming models of the OEMs. The Company has offered solutions on weight reduction, crash worthiness, and vehicular design from material perspective to its customers through its equipped Research and Development setup. In addition, the Company continued to roll out its Value Analysis & Value Engineering ('VAVE') module and advanced material data for existing models and in-production support.

During the year under review, 'Tata Tiscon', the Company's rebar brand, increased its footprint in the rural hinterland through active engagement with Mason Community under the MITR programme. The programme has over 25,000 Active Masons in the Community who contribute to more than 25% volume for the brand. The Company, through Tata Tiscon's Innovative Discovery programme, engaged with over 7,500 architects and engineers. These engagements were aimed at enhancing the Individual House Building construction ecosystem of the country.

During the year under review, Tata Shaktee, the Company's flagship brand in the field of galvanised corrugated sheets, completed 20 years. The Company reached out to almost 2,00,000 people across more than 4,000 villages across 16 states and 65 districts of rural India, through its on-ground bike campaign 'Gaon Gaon Shaktee Ki Chaon'. The campaign, aimed at category conversion of 'Kachcha House' owners to Tata Shaktee GC Sheets, and garnered over 1,500 leads and registrations of over 55,000 people. Tata Shaktee reached out to over 5,000 farmers across 120 districts in India via 127 Kisan Meets conducted on the occasion of Kisan Diwas. This programme also helped the Company to enhance its relationship with the fabricator community via Shakteeman, the digital Fabricator Loyalty Scheme. The Company has introduced a reward based programme with the aim to increase the fabricator loyalty for Tata Shaktee.

The Company's e-selling platform 'Aashiyana' which caters to multiple B2C brands crossed a turnover of ₹316 crore as against ₹100 crore in the previous year. B2ECA (Business to Emerging Corporate Accounts) consisting of brands such as Tata Astrum (HR), Tata Steelium (CRCA) and Galvano (coated) is a ~4 MnTPA business and continues to grow. During the year under review, the Company partnered with various institutions to bring together various thought leaders and ECAs to understand the upcoming technologies in the microsegments we serve. Collaborative Reform with ECA for Advanced Technical Enhancement ('CREATE') was conducted with over 25 ECA customers to generate cost and weight savings ideas via redesigning of components. A knowledge sharing platform ECA-Talks was conceptualised where the senior leadership team of key ECA customers shared current trends and future expectations for their respective micro-segments. Further, under the Skilling India Initiative, training programmes were organised for the workforce of

BOARD'S REPORT (CONTD.)

ECA customers to develop technical capabilities. Fabricators were identified as key influencers to scale up Tata Astrum Super (unique laser marked Hot Rolled coils) and several fabricator meets were conducted to strengthen brand awareness. Both, COMPASS a digital supply chain visibility solution rolled for B2B and DigEca, an initiative that captures lead management for ECAs received traction from distributors & customers. DigEca has been rolled out to all ECAs to drive supply chain agility and improve visibility to customers. The Company has also completed digital analytics based projects named Paras, Amrit, and Ascend pertaining to a digital method of market demand assessment and improvement in product value realisation.

In the B2B sector, the Company has launched #Converse to Construct-Conversations that builds Tomorrow – a platform to interact and share ideas with different stakeholders of the construction sector that would enable adoption of faster, sustainable and modern construction practices in line with global benchmarks. The Company has also collaborated with the World Steel Association (through ConstructSteel forum) and Indian Steel Association to support them in their efforts to improve steel intensity in construction in India. In the Engineering Segment (Pre-Engineered Building, Lifting & Excavation, Construction & Projects and Oil & Gas), 'Building India Together' was rolled out to drive customer engagement initiatives such as CST, VAVE, Technology Day and Joint Milestones celebration across key customer accounts across India.

During the year under review, the Company's "Tata Pravesh Pioneers" programme was launched to capture customer testimonials encapsulating their experiences with the products and service. The Company also launched 'Griha Pravesh', an Influencer Management Programme, to build a web of influencers such as architects, interior designers, civil and structural engineers and to create Tata Pravesh footprint across India.

The Company appointed dedicated Key Account Managers for Nest-in offerings, for repeat customers in order to understand and meet customised requirements, as well as receive and implement their feedback. The Company has installed over 1,800 EzyNest (modular toilets) units for repeat customers as part of their CSR initiatives across India with an AMC contract for many of them. Further, the Company has also received AquaNest (water ATMs) orders from such customers. Nest-In effectively uses demo units and open house visits to clear any customer concerns on quality and guide them on the aesthetics of Nestudio – a premium prefabricated living solution. The Company has listed all Nest-In offerings on the Government e-Marketplace portal where procurements are made by Government Officers.

In Europe, the Company partners with customers to help them excel in their market, co-creating more sustainable value throughout the entire value chain. As part of its Transformation Programme, the Company has integrated its existing initiatives on 'Customer Excellence' and 'Future Value Chain' and undertaken initiatives to optimise the mix, and identify and capture additional opportunities

in the market. 'Commercial Excellence' improvements have been acknowledged in the Tata Business Excellence Model assessment. The Company also has a value chain transformation programme previously known as 'Future Value Chain' which focusses on driving service and quality improvements. European operations are increasing its focus on business development to achieve a balanced portfolio in terms of both products and customer setup. The Company maintains its differentiation strategy, which aims to increase the proportion of high margin differentiated products. As part of the strategy, the Company has launched 22 new products in Europe during the year. These launches include major developments for the engineering, automotive, packaging, and construction markets. Along with products, the Company also offers services such as Electronic Data Interchange, Track and Trace, Early Vendor Involvement, Design and Engineering support, Building Information Modelling, Life Cycle Analysis, and Technical Support.

Corporate Social Responsibility

The objective of the Company's Corporate Social Responsibility ('CSR') initiatives is to improve the quality of life of communities through long-term value creation for all stakeholders. The Company has in place a CSR policy which provides guidelines to conduct CSR activities of the Company. The CSR policy is available on the website of the Company at <https://www.tatasteel.com/media/11804/tata-steel-csr-policy-latest-2019.pdf>

For decades, the Company has pioneered various CSR initiatives. The Company continues to remain focussed on improving the quality of life. During the year under review, the Company addressed key development challenges faced by communities we serve, thus reaching out to the lives of over 1.4 million people through innovative initiatives in health, drinking water, education, livelihood, sports, infrastructure development, amongst others. The Company's signature CSR programmes have been recognised as models of positive change that address critical development issues at a greater scale in areas of school education, maternal and neonatal health, tribal identity, and building of a multi thematic corridor of well-being connecting its areas of operations in Jharkhand and Odisha. The Company is working closely with tribal communities in its areas of operation in India. The Company has partnered with the State Governments of Jharkhand and Odisha and with various reputed national and international development organisations in delivering its programmes.

The Company's CSR efforts have been recognised through various awards conferred on it. The most significant achievement has been the Maternal And Newborn Survival Initiative receiving recognition in the inaugural National CSR Awards instituted by the Ministry of Corporate Affairs, Government of India at New Delhi. During the year under review, the Company spent ₹192.99 crore on CSR activities. The Annual Report on CSR activities, in terms of Section 135 of the

Companies Act, 2013 ('the Act') and the Rules framed thereunder, is annexed to this report (**Annexure 3**).

Tata Steel Europe conducts regular dialogues with local communities to understand and address their concerns relating to their activities and its impact on the environment as well as our sustainability goals and improvement targets. Local communities are part of the sustainable economy, as we help each other to coexist and collaborate successfully with a good understanding of the mutual benefits that we provide to one another. The Company runs regular programmes to invite the community to see our work as well as enjoy and see the important wildlife and flora that flourish on its sites. The Company sponsors local activities and support charities. In Ilmond, the Company celebrated the annual Tata Steel Chess Tournament that attracts thousands of players and spectators and boosts the local tourism economy in the off-season in January. The Company also sponsors local sports teams and children's events, most notably in recent years the Tata Kids of Steel® triathlons that enthuse kids to be physically proactive. The Company also engages with communities as an existing and potential workforce, running programmes to involve young people, and girls in particular, so that they can discover the interesting career opportunities that our organisation offers.

F. Corporate Governance

At Tata Steel, we ensure that we evolve and follow the corporate governance guidelines and best practices diligently, not just to boost long-term shareholder value, but also to respect the interests of the minority. We consider it our inherent responsibility to disclose timely and accurate information regarding the operations and performance, leadership, and governance of the Company.

In accordance with our Vision, the Group aspires to be the global steel industry benchmark for value creation and corporate citizenship. The Group expects to realise its Vision by taking such actions, as may be necessary in order to achieve its goals of value creation, safety, environment and people.

Pursuant to the SEBI Listing Regulations, the Corporate Governance Report along with the Certificate from a Practising Company Secretary, certifying compliance with conditions of Corporate Governance, is annexed to this report (**Annexure 4**).

Meetings of the Board and Committees of the Board

The Board met five times during the year under review. The intervening gap between the meetings was within the period prescribed under the Act and the SEBI Listing Regulations. The Committees of the Board usually meet the day before or on the day of the formal Board meeting, or whenever the need arises for transacting business. Details of composition of the Board and its Committees as well as details of Board and Committee meetings held during the year under review are given in the Corporate Governance Report.

Selection of New Directors and Board Membership Criteria

The Nomination and Remuneration Committee ('NRC') works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole as well as for its individual members with the objective of having a Board with diverse backgrounds and experience in business, finance, governance, and public service. Characteristics expected of all Directors include independence, integrity, high personal and professional ethics, sound business judgement, ability to participate constructively in deliberations, and willingness to exercise authority in a collective manner. The Company has in place a Policy on appointment & removal of Directors ('Policy').

The salient features of the Policy are:

- It acts as a guideline for matters relating to appointment and re-appointment of directors
- It contains guidelines for determining qualifications, positive attributes of directors, and independence of a Director
- It lays down the criteria for Board Membership
- It sets out the approach of the Company on board diversity
- It lays down the criteria for determining independence of a director, in case of appointment of an Independent Director

During the year under review, there has been no change to the Policy. The Policy is available on the website of the Company at <https://www.tatasteel.com/media/6816/policy-on-appointment-and-removal-of-directors.pdf>

Familiarisation Programme for Directors

As a practice, all new Directors (including Independent Directors) inducted to the Board go through a structured orientation programme. Presentations are made by the Senior Management giving an overview of the operations, to familiarise the new Directors with the Company's business operations. The new Directors are given an orientation on the products of the business, group structure and subsidiaries, Board constitution and procedures, matters reserved for the Board, and the major risks and risk management strategy of the Company. Visits to plant and mining locations are organised for the new Directors to enable them to understand the business better.

During the year under review, no new Independent Directors were inducted to the Board. Details of orientation given to the existing independent directors in the areas of strategy, operations & governance, safety, health and environment, and industry trends, are available on the website of the Company at <https://www.tatasteel.com/investors/corporate-governance/compliance/>

Evaluation

The Board evaluated the effectiveness of its functioning, that of the Committees and of individual Directors, pursuant to the provisions of the Act and SEBI Listing Regulations.

The Board sought the feedback of Directors on various parameters including:

- Degree of fulfillment of key responsibilities towards stakeholders (by way of monitoring corporate governance practices, participation in the long-term strategic planning, etc.);
- Structure, composition, and role clarity of the Board and Committees;
- Extent of co-ordination and cohesiveness between the Board and its Committees;
- Effectiveness of the deliberations and process management;
- Board/Committee culture and dynamics; and
- Quality of relationship between Board Members and the Management.

The above criteria are broadly based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India on January 5, 2017.

The Chairman of the Board had one-on-one meetings with each Independent Director and the Chairman of NRC had one-on-one meetings with each Executive and Non-Executive, Non-Independent Directors. These meetings were intended to obtain Directors' inputs on effectiveness of the Board/Committee processes.

In a separate meeting of Independent Directors, performance of Non-Independent Directors, the Board as a whole, and the Chairman of the Company was evaluated, taking into account the views of Executive Directors and Non-Executive Directors.

The Nomination and Remuneration Committee reviewed the performance of the individual directors and the Board as a whole.

In the Board meeting that followed the meeting of the independent directors and the meeting of Nomination and Remuneration Committee, the performance of the Board, its committees, and individual directors was discussed.

The evaluation process endorsed the Board Members' confidence in the ethical standards of the Company, the resilience of the Board and the Management in navigating the Company during challenging times, cohesiveness amongst the Board Members, constructive relationship between the Board and the Management, and the openness of the Management in sharing strategic information to enable Board Members to discharge their responsibilities and fiduciary duties.

In the coming year, the Board intends to enhance focus on sustainability and digital interventions.

Remuneration Policy for the Board and Senior Management

Based on the recommendations of NRC, the Board has approved the Remuneration Policy for Directors, Key Managerial Personnel ('KMPs'), and all other employees of the Company. As part of the policy, the Company strives to ensure that:

- the level and composition of remuneration is reasonable and sufficient to attract, retain, and motivate Directors of the quality required to run the Company successfully;
- relationship between remuneration and performance is clear and meets appropriate performance benchmarks; and
- remuneration to Directors, KMPs, and Senior Management involves a balance between fixed and incentive pay, reflecting short, medium, and long-term performance objectives appropriate to the working of the Company and its goals.

The salient features of the Policy are:

- It lays down the parameters based on which payment of remuneration (including sitting fees and remuneration) should be made to Independent Directors and Non-Executive Directors.
- It lays down the parameters based on which remuneration (including fixed salary, benefits and perquisites, bonus/performance linked incentive, commission, retirement benefits) should be given to whole-time directors, KMPs, and rest of the employees.
- It lays down the parameters for remuneration payable to Director for services rendered in other capacity

During the year under review, there has been no change to the Policy. The Policy is available on the website of the Company at <https://www.tatasteel.com/media/6817/remuneration-policy-of-directors-etc.pdf>

Particulars of Employees

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this report (**Annexure 5**).

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of employees drawing remuneration in excess of the limits set out in the said Rules forms part of this report.

Directors

Re-appointments of Independent Directors

The shareholders of the Company at the AGM held on July 19, 2019, approved the re-appointment of Ms. Mallika Srinivasan (DIN:00037022) as Independent Director of the Company, to hold office for a second term effective August 14, 2019 through May 20, 2022. At the said AGM, the shareholders also approved the

re-appointment of Mr. O. P. Bhatt (DIN:00548091) as Independent Director of the Company, to hold office for a second term effective August 14, 2019 through June 9, 2023.

Re-appointment of Director retiring by rotation

In terms of the provisions of the Act, Mr. N. Chandrasekaran (DIN:00121863), Director of the Company, retires at the ensuing AGM and being eligible, seeks re-appointment.

The necessary resolution for re-appointment of Mr. N. Chandrasekaran forms part of the Notice convening the ensuing AGM scheduled to be held on August 20, 2020.

The profile and particulars of experience, attributes, and skills that qualify Mr. Chandrasekaran for Board membership, are disclosed in the said Notice.

Independent Directors’ Declaration

The Company has received the necessary declaration from each Independent Director in accordance with Section 149(7) of the Act and Regulations 16(1)(b) and 25(8) of the SEBI Listing Regulations, that he/she meets the criteria of independence as laid out in Section 149(6) of the Act and Regulations 16(1)(b) of the SEBI Listing Regulations.

In the opinion of the Board, there has been no change in the circumstances which may affect their status as independent directors of the Company and the Board is satisfied of the integrity, expertise, and experience (including proficiency in terms of Section 150(1) of the Act and applicable rules thereunder) of all Independent Directors on the Board. In terms of Section 150 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, Independent Directors of the Company have undertaken requisite steps towards the inclusion of their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs.

Key Managerial Personnel

In terms of Section 203 of the Act, the Key Managerial Personnel of the Company are Mr. T. V. Narendran, Chief Executive Officer & Managing Director, Mr. Koushik Chatterjee, Executive Director & Chief Financial Officer, and Mr. Parvatheesam Kanchinadham, Company Secretary & Chief Legal Officer (Corporate & Compliance). During the year under review, there was no change in the Key Managerial Personnel.

Audit Committee

The Audit Committee was constituted in the year 1986. The Committee has adopted a Charter for its functioning. The primary objective of the Committee is to monitor and provide effective supervision of the Management’s financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting.

The Committee comprises Mr. O. P. Bhatt (Chairman), Mr. Aman Mehta, Dr. Peter Blauwhoff, Mr. Saurabh Agrawal, and Mr. Deepak Kapoor. The Committee met 7 times during the year under review, the details of which are given in the Corporate Governance Report.

During the year under review, there were no instances when the recommendations of the Audit Committee were not accepted by the Board.

Internal Control Systems

The Company’s internal control systems are commensurate with the nature of its business, the size, and complexity of its operations and such internal financial controls with reference to the Financial Statements are adequate.

Risk Management

The Enterprise Risk Management (‘ERM’) process, which is based on international standards such as Committee of Sponsoring Organisation of the Treadway Commission (‘COSO’) and ISO 31000, is an integral part of the Company’s strategy. The ERM framework includes identification of risks and risk owners for regular tracking, mitigation, and reporting of risks to help the Company meet its business objectives. Communication and training is an essential part of the framework. The framework also requires an integrated approach towards managing risks.

Risk governance is driven by the Board of Directors through the Risk Management Committee (‘RMC’) of the Board. The RMC is responsible for reviewing and strengthening the risk management policies and processes adopted by the Company. It also reviews the potential risks facing the Company and the progress of the mitigation plans. The Company has also set up a management committee called the Group Risk Review Committee (‘GRRC’) which is responsible for the implementation of ERM process across the Company. The GRRC is focussed on enhancing the risk culture within the Company and driving the mitigation of identified risks in an optimal manner.

A dedicated ERM team has been set up to ensure deployment of the ERM process across the organisation, including Tata Steel Group Companies. The ERM team is led by Group Head – Corporate Finance & Risk Management who acts as the Chief Risk Officer (‘CRO’) of the Company. The CRO regularly reports to the RMC and the GRRC on the progress of the implementation of ERM and the status of the potential risks based on the assessment of risks and the mitigation strategies.

The Company has adopted a bottom up and top-down approach to drive enterprise risk management. The bottom-up process includes identification and regular assessment of risks by respective business units and cross-functional teams across the Company and planning of mitigation strategies in a structured manner. This is complemented by a top-down approach where the senior management identifies and assesses long-term, strategic and macro risks for the Company. Risks

BOARD'S REPORT (CONTD.)

are consolidated under major risk themes at the organisational level to create focus areas and prioritise mitigation strategies. The ERM process is integrated with core processes such as Corporate Audit, Corporate Strategy and Planning, and Capital Allocation. Regular training and communication is carried out across the Company to develop a uniform understanding of the risk process and risk terminology. An in-house built IT system has been deployed across the organisation to enable recording and review of risks through live dashboards and real-time monitoring of data. The ERM process has matured over the years and is today embedded across the Company.

Over the years, Tata Steel has made significant progress in its journey towards risk intelligence. We are pleased to report that the Company has been adjudged 'Firm of the Year - Metals & Mining' at the 6th CNBC-TV18 India Risk Management Awards.

Vigil Mechanism

The Company has a Vigil Mechanism that provides a formal channel for all its Directors, employees, and vendors to approach the Chairman of the Audit Committee and make protected disclosures about the unethical behaviour, actual or suspected fraud or violation of the Tata Code of Conduct ('**TCoC**'). No person is denied access to the Chairman of the Audit Committee. In addition, Directors, employees, and vendors, may approach the Chief Ethics Counsellor to make any such protected disclosure.

The Vigil Mechanism includes policies viz. the Whistle-blower Policy for Directors & Employees, the Whistle-blower Policy for Business Associates, the Whistle-blower Protection Policy for Business Associates (vendors/customers), the Policy for Receipts of Gift and Hospitality, the Conflict of Interest Policy for Employees, the Anti-Bribery & Anti-Corruption ('**ABAC**') policy, and Anti-Money Laundering ('**AML**') policy.

The Whistle-blower Policies for Directors & Employees and Business Associates are an extension of the TCoC that encourage every Director, employee, and Business Associate to promptly report any actual or possible violation of the TCoC or any event that he or she becomes aware of that could affect the business or reputation of the Company. During the year under review, the Company revised the Whistle-blower policy for Directors and Employees to include 'reporting of incidents of leak or suspected leak of Unpublished Price Sensitive Information (UPSI)' as required in terms of the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended.

The Whistle-blower Protection Policy for Business Associates including vendors and customers provides protection to Business Associates from any victimisation or unfair trade practices by the Company.

During the year under review, ABAC and AML policies were adopted. The key elements of the policies are risk assessment, third party due diligence, training & awareness, and audit & reporting.

The Policy for Receipts of Gift and Hospitality requires its employees to take the right decisions when they are offered gifts or hospitality while conducting business or official transactions on behalf of the Company. The Policy is in consonance with ABAC and AML policies.

The Company has also adopted a Conflict of Interest policy that requires employees to act in the best interest of the Company without any conflicts and declare conflicts, if any (real, potential or perceived).

The Whistle-blower Reward and Recognition Guidelines for employees has been implemented to encourage employees to genuinely blow the whistle on any misconduct or unethical activity taking place in the Company. The disclosures reported are addressed in the manner and within the time frames prescribed in the Whistle-blower Policy.

During the year under review, the Company undertook a series of communication and training programmes for internal stakeholders and vendors, with the aim to create awareness amongst them about the Company's values, TCoC and other ethical practices of the Company. An e-learning module on ABAC Policy was launched by the Company in February, 2020 to sensitise the employees on the relevant laws and policies. The Company also introduced a structured yet informal platform "Stay in Touch" for its employees to interact with Chief Ethics Counsellor to understand the issues and integrate employees with the Company's Culture through an open discussion. The Company also undertook various theme based campaigns, town hall, and departmental events. 'Neeti Katha' i.e. story-telling through snippet series on scenarios of 'The ethics of travel' and 'Prevention of Sexual Harassment' were mailed to employees as part of the awareness campaign. The Company also celebrates the month of July as Ethics Month with all communication and programmes centered around the theme "Integrity Matters". This practice has helped in reinforcing employee involvement in driving the Management of Business Ethics.

The Company has developed a robust system to raise concerns on unethical behaviour, taken efforts to make stakeholders aware of such systems as well as of their responsibility to report such concerns and practice non-retaliation. The strong mechanism to address such concerns instills in our stakeholders the confidence to report ethical violations. The Company has also leveraged digitalisation for training and communication, thereby resulting in greater clarity on the subject and system amongst the stakeholders.

The Company takes pride in winning the World's Most Ethical Companies ('**WME**') award for the 9th time.

During the year under review, the Company received 881 whistle-blower complaints of which as on March 31, 2020, 602 complaints were investigated and appropriate actions were taken and investigations were underway for the remaining 279 complaints.

Disclosure as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has zero tolerance towards sexual harassment at the workplace. The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder.

The Company has complied with the provisions relating to the constitution of the Internal Complaints Committee as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year under review, the Company received 34 complaints of sexual harassment, of which 26 complaints have been resolved by taking appropriate actions and 8 complaints are under investigation.

Related Party Transactions

In line with the requirements of the Act and the SEBI Listing Regulations, the Company has formulated a Policy on Related Party Transactions and the same can be accessed on the Company’s website at <https://www.tatasteel.com/media/5891/policy-on-related-party-transactions.pdf>

During the year under review, all related party transactions entered into by the Company, were approved by the Audit Committee and were at arm’s length and in the ordinary course of business. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and on an arm’s length basis. The Company did not have any contracts or arrangements with related parties in terms of Section 188(1) of the Act. Also, there were no material related party contracts entered into by the Company. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Act in Form AOC-2 is not applicable to the Company for FY 2019-20 and hence does not form part of this report.

Details of related party transactions entered into by the Company, in terms of Ind AS-24 are disclosed in notes to the standalone/consolidated financial statements forming part of this Integrated Report.

Directors’ Responsibility Statement

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost, and secretarial auditors and external agencies including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company’s internal financial controls were adequate and effective during Financial Year 2019-20.

Accordingly, pursuant to Section 134(5) of the Act, the Board of Directors, to the best of its knowledge and ability confirms that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit of the Company for that period;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they have prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively;
- f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Business Responsibility Report

The Securities and Exchange Board of India (‘SEBI’) requires companies to prepare and present to stakeholders a Business Responsibility Report (‘BRR’) in the prescribed format. SEBI, however, allows companies to follow an internationally recognised framework to report on the initiatives undertaken by the Company on environmental, social, and governance perspective. Further, SEBI has on February 6, 2017, advised companies that are required to prepare BRR to transition towards an Integrated Report.

As stated earlier in the Report, the Company has followed the <IR> framework of the International Integrated Reporting Council to report on all the six capitals that are used to create long-term stakeholder value. Our Integrated Report has been assessed and KPMG has provided the required assurance. We have also provided the requisite mapping of principles between the Integrated Report, the Global Reporting Initiative (‘GRI’) and the BRR as prescribed by SEBI. The same is available on our website www.tatasteel.com

Subsidiaries, Joint Ventures and Associates

We have 220 subsidiaries and 50 associate companies (including 28 joint ventures) as on March 31, 2020. During the year under review, the Board of Directors reviewed the affairs of material subsidiaries.

BOARD'S REPORT (CONTD.)

We have, in accordance with Section 129(3) of the Act prepared Consolidated Financial Statements of the Company and all its subsidiaries, which form part of the Integrated Report. Further, the report on the performance and financial position of each subsidiary, associate, and joint venture and salient features of their Financial Statements in the prescribed Form AOC-1 is annexed to this report (**Annexure 6**).

In accordance with the provisions of Section 136 of the Act and the amendments thereto, and the SEBI Listing Regulations the audited Financial Statements, including the consolidated financial statements and related information of the Company and financial statements of the subsidiary companies are available on our website www.tatasteel.com

The names of companies that have become or ceased to be subsidiaries, joint ventures and associates during the year under review are disclosed in an annexure to this report (**Annexure 7**).

Auditors**Statutory Auditors**

Members of the Company at the AGM held on August 8, 2017, approved the appointment of Price Waterhouse & Co Chartered Accountants LLP (Registration No. 304026E/E300009), Chartered Accountants, as the statutory auditors of the Company for a period of five years commencing from the conclusion of the 110th AGM held on August 8, 2017 until the conclusion of 115th AGM of the Company to be held in the year 2022.

In terms of the provisions relating to statutory auditors forming part of the Companies Amendment Act, 2017, notified on May 7, 2018, ratification of appointment of Statutory Auditors at every AGM is no more a legal requirement. Accordingly, the Notice convening the ensuing AGM does not carry any resolution on ratification of appointment of Statutory Auditors.

The report of the Statutory Auditor forms part of the Integrated Report and Annual Accounts 2019-20. The said report does not contain any qualification, reservation, adverse remark or disclaimer. During the year under review, the Auditors did not report any matter under Section 143(12) of the Act, therefore no detail is required to be disclosed under Section 134(3)(ca) of the Act.

Cost Auditors

In terms of Section 148 of the Act, the Company is required to maintain cost records and have the audit of its cost records conducted by a Cost Accountant. Cost records are prepared and maintained by the Company as required under Section 148(1) of the Act. The Cost Audit Report of the Company for the Financial Year ended March 31, 2019 was filed by the Company in XBRL mode, on August 30, 2019.

The Board of Directors of the Company has, on the recommendation of the Audit Committee, approved the appointment of M/s. Shome & Banerjee as the cost auditors of the Company (Firm Registration No. 000001) for the year ending March 31, 2021.

M/s. Shome & Banerjee have vast experience in the field of cost audit and have been conducting the audit of the cost records of the Company for the past several years.

In accordance with the provisions of Section 148(3) of the Act read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and approved by the Board has to be ratified by the Members of the Company. Accordingly, appropriate resolution forms part of the Notice convening the AGM. We seek your support in ratifying the proposed remuneration of ₹20 lakh plus applicable taxes and reimbursement of out-of-pocket expenses payable to the Cost Auditors for the Financial Year ending March 31, 2021.

Secretarial Auditors

Section 204 of the Act *inter alia* requires every listed company to annex to its Board's report, a Secretarial Audit Report, given in the prescribed form, by a Company Secretary in practice.

The Board had appointed Parikh & Associates, (Registration No. P1988MH009800) Practising Company Secretaries, as the Secretarial Auditor to conduct Secretarial Audit of the Company for the Financial Year 2019-20 and their report is annexed to this report (**Annexure 8**). There are no qualifications, observations, adverse remark or disclaimer in the said Report.

Extract of Annual Return

The extract of the Annual Return in Form MGT-9, as per provisions of the Act and Rules thereto, is annexed to this report (**Annexure 9**).

The extract of Annual Return in Form MGT-9 as per provisions of the Act and Rules thereto is also available on the Company's website at <https://www.tatasteel.com/media/12336/mgt-9.pdf>

Significant and Material Orders passed by the Regulators or Courts

There has been no significant and material order passed by the regulators or courts or tribunals impacting the going concern status and the Company's future operations. However, Members' attention is drawn to the statement on contingent liabilities, commitments in the notes forming part of the Financial Statements.

Particulars of Loans, Guarantees or Investments

Particulars of loans, guarantees given, and investments made during the year under review in accordance with Section 186 of the Act is annexed to this report (**Annexure 10**).

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

Details of the energy conservation, technology absorption and foreign exchange earnings and outgo are annexed to this report (**Annexure 11**).

Deposits

During the year under review, the Company has not accepted any deposits from public in terms of the Act. Further, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

Secretarial Standards

The Company has in place proper systems to ensure compliance with the provisions of the applicable Secretarial Standards issued by The Institute of Company Secretaries of India and such systems are adequate and operating effectively.

G. Acknowledgements

We thank our customers, vendors, dealers, investors, business associates, and bankers for their continued support during the year. We place on record our appreciation of the contribution made by employees at all levels. Our resilience to meet challenges was made possible by their hard work, solidarity, co-operation and support.

We thank the Government of India, the State Governments, and the Governments in the countries where we have operations and other regulatory authorities and government agencies for their support and look forward to their continued support in the future.

On behalf of the Board of Directors

Mumbai
June 29, 2020

sd/-
N. CHANDRASEKARAN
Chairman
DIN: 00121863

