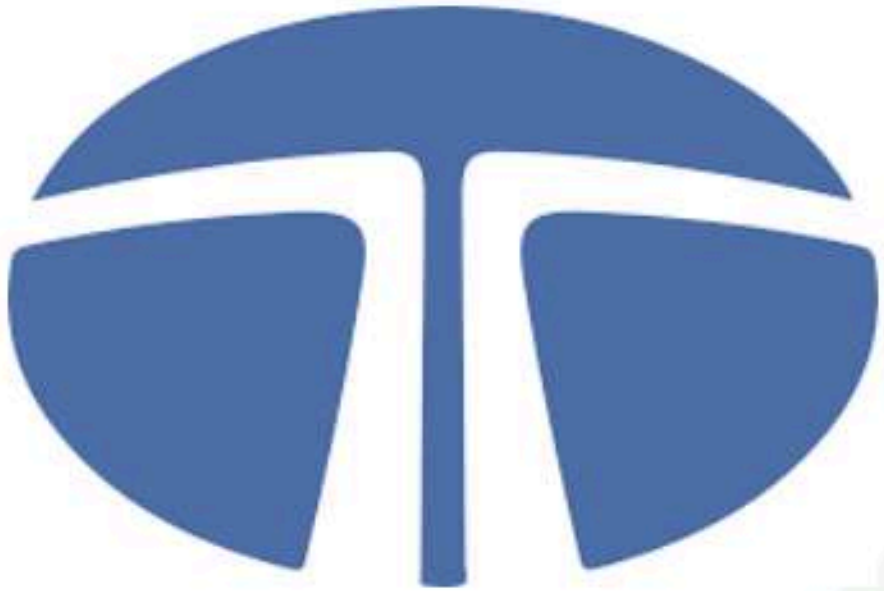
TATA STEEL – CSRD ANALYSIS



Tata Steel is one of the most diversified integrated steel producers in the world, with an annual crude steel production capacity of 35 MTPA. The Company's manufacturing assets are spread across India, the Netherlands, the UK, and Thailand.

India

Jamshedpur	*Kalinganagar*
11 MTPA	4 MTPA
Meramandali	*Gamharia*
5.6 MTPA	1 MTPA

Netherlands

IJmuiden

7 MTPA

United Kingdom

Port Talbot

5 MTPA

Thailand

Saraburi, Rayong, and Chonburi

1.7 MTPA

FINANCIAL CAPITAL

Tata Steel efficiently manages its financial resources to invest in future growth, sustainability, and business continuity to generate long-term stakeholder value.

€127,94 Billion
Turnover

€3,47 Billion
EBITDA

€14,27 Billion
Cash flow from operations

MANUFACTURED CAPITAL

The Company is on an unprecedented trajectory of capacity expansion while ensuring efficiency, reliability, safety, and sustainability by adopting innovative processes and technologies across the value chain.

20.12 MT
Production

19.91 MT
Deliveries

8%
Steel scrap recycling

INTELLECTUAL CAPITAL

To meet strategic goals, the Company aims for global technology leadership in the steel industry. The Company invests in sustainable products and explore new materials beyond steel. Through digital transformation and strategic partnerships, Tata Steel seeks to drive innovation and sustainable practices across the business.

₹285 crore
R&D expenditure

395
Patents granted

86
New products developed

HUMAN CAPITAL

Tata Steel's human resources, aligned with its values and strategic objectives, are essential to achieve its ambitious goals. Tata Steel is committed to cultivating a future-ready culture that prioritises safety and embraces diversity, equity, and inclusion.

900 tcs/employee/year
Employee productivity

19.2%
Workforce diversity

589 thousand person-days
Employee training

SOCIAL AND RELATIONSHIP CAPITAL

Tata Steel believes in continuous stakeholder engagement for business growth and sustenance. Its long-term relationships with customers, suppliers, and communities is key to the Company's business sustainability and core strategy. The Company nurtures these relationships through long-established and constantly evolving forums.

4.4 million
Lives impacted through CSR

1,341
Suppliers trained through the Vendor Capability Advancement Programme (VCAP)

86.1
Customer Satisfaction Index (Steel) (Score out of 100)

NATURAL CAPITAL

Operating in a resource-intensive sector, the Company consciously invests in environmental management and resource optimisation projects across the geographies to manage its ecological footprint. The Company is committed to be Net Zero by 2045.

2.43 tCO_2/tcs
CO_2 emission intensity

0.32 m^3/tcs
Effluent discharge intensity

0.35 kg/tcs
Stack dust emission intensity

2.53 m^3/tcs
Specific freshwater consumption

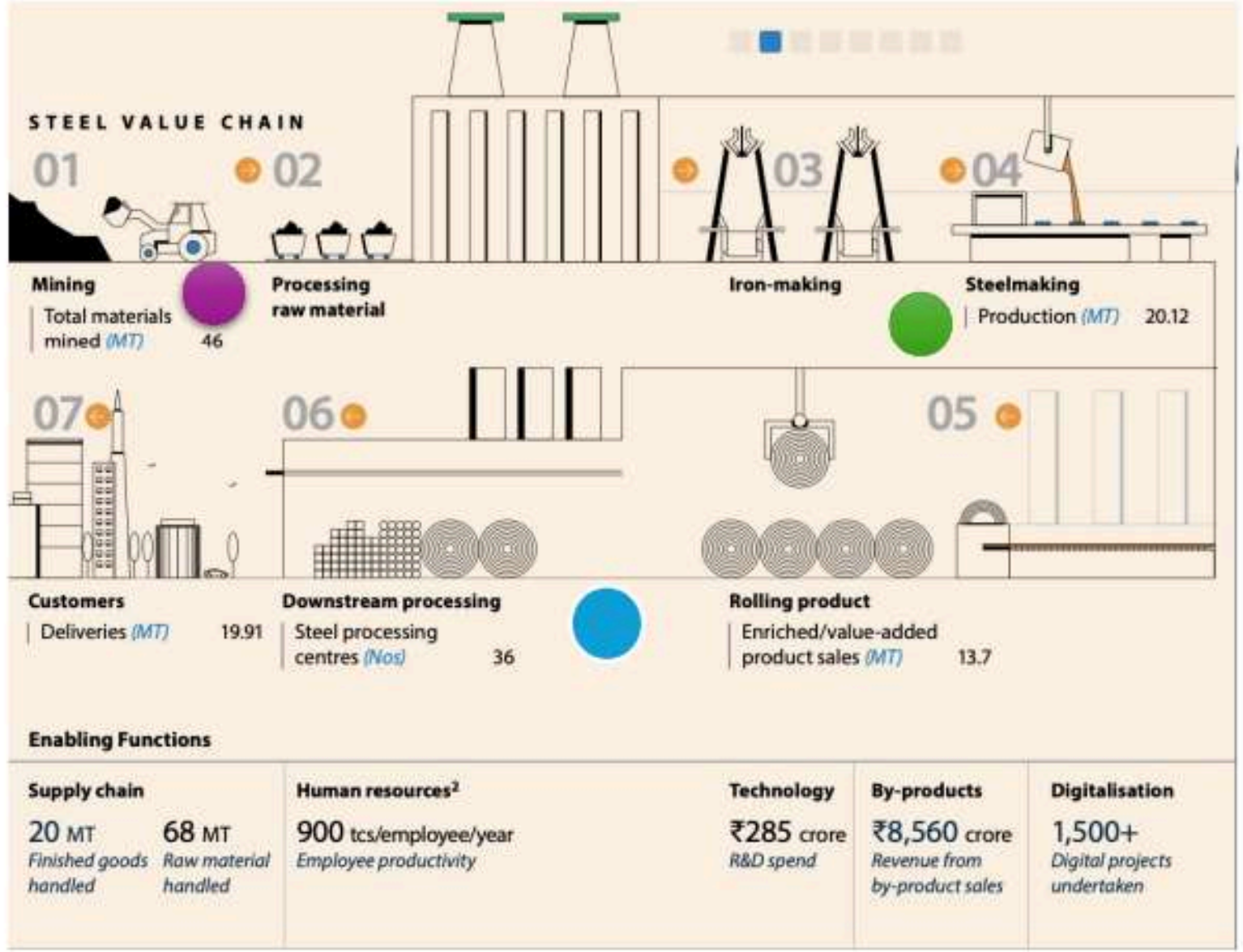
Value Chain Analysis

Understand the value chain

ESRS E3, E4, S2, S3

ESRS E1,E2,E5, S1

ESRS E1, E5



Brief highlight of metrics we don’t have

ESRS E4
BIODIVERSITY

ESRS S2
WORKERS in Supply chain

ESRS S3
Social effects

ESRS E3
WATER Management

Double Materiality Assessement

Double Materiality Assessment

Impact Materiality

Environmental impact of steel production:

1. CO2 intensity: 2.43 t CO2/tcs
2. Freshwater consumption: 2.53 m^3/tcs
3. Biodiversity and dependence on natural capital
4. Land use and deforestation
5. Waste management and circular economy

Social impact of corporate activities:

- Community initiatives reached 4.4 million lives
- Education
- Healthcare
- Livelihodd generation

Double Materiality Assessment

Finance Impact:

- Transition Costs to Low-Carbon Steel: £1.25 Billion for UK Operations
- Consumer Demand for Green Steel Driving Innovation
- Legal and Regulatory Risks
- Access to Sustainable Financing

Datapoint Gap Analysis

Datapoints Gap Analysis – Environmental

Strenghts

- **Climate Commitment:**
The company's ambition to achieve Net Zero by 2045 demonstrates forward-thinking. Adoption of cutting-edge technologies Electric Arc Furnace and green hydrogen reduces carbon intensity in production processes.
- **Water Management:**
Notable efforts in wastewater recycling and water-saving initiatives in water-stressed regions, contribute to sustainable water use - Efforts to recycle up to 80% of wastewater in water-stressed region
- **Afforestation:**
Large-scale mine rehabilitation projects and afforestation initiatives help restore natural ecosystems and combat deforestation.

Gap to adress

- **Transition Plan:**
The company lacks a detailed regional strategy for its Net Zero target
The absence of explicit alignment with the 1.5°C global warming
- **Climate and Energy Data:**
No quantifiable data on capital expenditures (CapEx) or operational expenditures (OpEx) for climate initiatives
Emissions inventory for Scope 1, 2, and 3 is not broken down regionally
- **Biodiversity:**
Poor on metrics related to biodiversity loss or conservation efforts.
Systemic risk assessments for ecosystems and their services.

Recommendations

- Publish **detailed** and **quantified data** on emissions, energy consumption, CapEx, and OpEx.
- **Include interim targets** for 2025/2030 to track incremental progress towards Net Zero.
- Develop and disclose specific KPIs for biodiversity, especially in high-risk and ecologically sensitive areas.

Datapoints Gap Analysis – Social

Strenghts

- **Community Engagement:** Investments in education, healthcare, and climate resilience projects indicate a commitment to community well-being. For example, educational programs in rural areas empower local youth - €10 millions investment

- **Employee Safety:** Strong focus on safety protocols and regular training sessions ensures workplace safety as a top priority - Reports indicate a 30% reduction in workplace accidents over the past five years

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Gap to adress

- **Community Consultations:** Limited engagement with local communities on biodiversity-related issues
No evidence of transparent stakeholder participation processes to address concerns.

- **Social Indicators:** Absence of comprehensive data on social impacts across the supply chain, such as labor practices.
Inequities in resource access for vulnerable populations in operating regions are not measured

- **Social Risk Monitoring:** Lack of a structured framework to regularly assess and ongoing social risks

Recommendations

- **Introduce transparent and inclusive community consultation** frameworks, focusing on biodiversity and climate-related impacts.

- **Expand reporting on social metrics**, including supply chain labor practices and resource access equity.

- **Develop a dynamic social risk monitoring system** to identify and mitigate issues proactively.

Datapoints Gap Analysis – Governance

Strenghts

- **Clear Structure**:
The company has a clearly defined governance structure, with board and senior management roles explicitly aligned with ESG objectives - 25% board diversity
- **Strategic Alignment**:
ESG initiatives are mapped to UN Sustainable Development Goals (SDGs), particularly SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).
- **Accountability**:
Direct involvement of top leadership, including the CEO and CFO, ensures ESG is integrated into core strategic decisions.

Gap to adress

- **Decision-Making Processes:**
No clear mechanisms to integrate stakeholder feedback into governance decisions.
- **Policy Transparency:**
Weak alignment with European regulations, such as Fit for 55 or CSRD
Reporting lacks details on how ESG policies are implemented regionally.
- **Interim Goals**:
No interim targets for 2025/2030 to demonstrate short-term progress towards long-term goals.
Financial indicators linked to ESG initiatives, such as return on investment (ROI), are not disclosed.

Recommendations

- **Develop a robust ESG review process**, ensuring stakeholder feedback is systematically incorporated into decision-making.
- **Align reporting with key regulatory frameworks** (e.g., CSRD, Paris Agreement) and highlight regional implementation strategies.
- **Define and communicate interim targets**, supported by financial metrics, to track progress and accountability.

2020-2021

Risk landscape and mitigation measures

Macroeconomic and Market risks

COVID-19 induced restrictions may affect demand and supply chains thereby impacting sales.

Steel demand is also affected by trade barriers and protectionist policies. Fast-paced technological changes and shifting customer preferences may necessitate adoption of newer grades of steel and/or alternate materials.

Mitigation strategies

As domestic steel demand plunged due to COVID-19 induced lockdowns in Q1FY2021, sales were diverted for exports. New international markets were explored which provided better net realisations. Support was provided to distributors impacted by liquidity crunch. To support the fight against the pandemic, we designed and launched isolation and quarantine units using Nest-In and NMB solutions. During the lockdown, focus was on generating and conserving cash for exigencies.

The implementation of unlock measures in June 2020, resulted in faster than expected recovery for steel-intensive sectors. Initially the focus was on sales in non-containment zones and subsequently in improving domestic availability by reducing exports. With the improvement in demand for steel globally, the realisations improved sharply. We remain vigilant of the evolving pandemic situation and its impact on steel-intensive sectors.

In our endeavour to enhance footprint in India, we have built a diversified portfolio of product offerings for customers from a range of industries to counter slowdown in any one sector, region or segment. Dedicated marketing and sales teams service customers and build deep customer engagement by customising products, improving reliability and providing value added services. Tata Steel has invested in building a strong marketing franchise with well-regarded brands and a large network of dealers and retailers across the country. This helps in increasing the stickiness of sales and reducing the exposure to business cycles. It has also built distribution channels internationally to enable exports as and when desired.

Steel is a cyclical industry and the only way to beat this cyclicality is by offering solutions. We have forayed into ready-to-use steel for construction industry and introduced products such as steel doors and windows, furniture to enhance our retail customer base. Sustainable solutions (coated products) such as GalvaRoS and Colormova and customised solutions for the agriculture sector like Agronest have been introduced. We are also diversifying our product offering beyond steel by introducing new materials like composites, Fibre Reinforced Products, etc.

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Mitigation str...

There is a significant co-relation between raw material and steel prices (sometimes with a lag). The balance risk is addressed through matching the sales tenure with the procurement tenure (e.g. annual fixed price steel contract to have an underlying fixed price iron ore) either through physical contracts or through use of hedging instruments. We have also developed a predictive analytics tool to have advance information on price direction so as to optimise buying decisions. The captive/domestic raw materials provide another avenue to guard against volatility as they have relatively stable cost/price.

Tata Steel has undertaken risk assessment to assess the capability of key vendors. We proactively engage on assessing the risk of single geography sourcing and mitigations have been put in place to diversify sourcing and/or find alternate materials.

SO1 Leadership in India	• Increase capacity of India operations through organic and inorganic growth • Attain and retain leadership in chosen segments (current and new)	• Crude steel capacity • Market share	• 35-40 MnT Capacity by 2030 • Enter new segments and sustain #1 position in existing chosen segments
SO2 Consolidate position as global cost leader	• Continue to invest in raw material security • Cost improvement and value enhancement through structural interventions and Shikhar25 continuous improvement programmes	• Captive coal (%) • Captive iron ore (%) • Value accrual	• Maintain cost leadership at market price of raw materials • Cost reduction and value enhancement
SO3 Attain leadership position in adjacent businesses	• New Materials Business • Services and Solutions • Commercial mining	• Revenues	• Enhance revenue from adjacent businesses
SO4 Leadership in sustainability	• Benchmark in CO_2 emissions • Benchmark in water management • Value creation using circular economy business models	• CO_2 Emission Intensity: tCO_2/tcs • Specific fresh water consumption: m^3/tcs • Capacity of Steel Recycling Business (SRB): MnTPA	• <1.8tCO_2/tcs by 2030 • <1.5 m^3/tcs by 2030 • Aim for water neutrality by 2030 • > 5 MnT by 2030 • Increase IBMD EBITDA

2024

Tata Steel aligns its operations and CSR with the *UN Sustainable Development Goals* to ensure a better future.

The Sustainable Development Goals (SDGs) are a universal call to action for people, planet, and prosperity, fostering collaborative efforts among all stakeholders. The 2030 agenda aims to strengthen universal peace and offers a common vision for peaceful societies. Tata Steel leads in sustainability through its business processes and diverse community welfare initiatives as part of Corporate Social Responsibility.

Aligning the SDGs with the Integrated Reporting (<IR>) framework creates value for shareholders and enhances the entire value chain, promoting long-term organisational sustainability. This approach fosters innovation in reporting and strengthens accountability for the six capitals. Sustainability is central to Tata Steel's plans, prioritising 68 out of 169 targets across 15 relevant goals.

Financial Capital | Manufactured Capital | Intellectual Capital | Human Capital | Social & Relationship Capital | Natural Capital

Relevant targets 3/7 | **IR Capital linkages** | **TSL SD/SE linkages** (SE4)

1.1 *Agriculture and allied activities*

Households impacted through agriculture and allied activities (nos.)

FY22 48,420
FY23 61,698
FY24 90,918

802 *Households covered under protected cultivation*
8,371 *Households leveraging government schemes*
10,779 *Households adopting soil testing and have soil health card*

Average increase in household income (₹)

FY22 86,248

1.2 *Community Enterprises*

Women engaged in micro enterprises (nos.)

FY22 271
FY23 1,182
FY24 3,092

282 *Artisans engaged*
31.33% *Increase in the income of artisans*

Increase in additional income of women entrepreneurs (₹)

FY22 29,000
FY23 36,000
FY24 40,339

₹80.95 lakh *annual turnover of*

1.3 *Skill Development*

Trainees placed/self-employed through long and short-term courses (nos.)

FY22 382
FY23 779
FY24 3,176

Lives impacted through Model Career Centre (nos.)

FY22 4,939
FY23 7,004
FY24 10,191

1.4 *Urban Habitat*

Note: New project initiated in FY2023-24

Relevant targets 4/8 | **IR Capital linkages** | **TSL SD/SE linkages** (SE4)

2.1 *Nutrition Garden*

Lives impacted (nos.)

FY23 61,625
FY24 49,269

Focused on health screening processes for existing beneficiaries and therefore developed less no. of new gardens in FY2023-24, leading to lesser no. of new beneficiaries.

Household nutrition gardens (nos.)

FY23 14,413
FY24 10,671

2 community gardens developed
0.8 acres of fallow land converted to nutrition gardens

2.2 *Agriculture and allied activities*

Harvested major crop yield (quintal/acre)

FY22 22.86
FY23 21.15
FY24 21

Decreased due to climate change and adverse impact on agricultural productivity.

5,248 *Households engaged in agriculture value chain process*
10,779 *Households adopting soil testing and have soil health card*
23,317 *Households have access of weather and agro-based advisories*
6,589 *Households adopting water efficient technologies (drip irrigation, rain pipe-based irrigation, DRI, sprinkler, mulching, etc.)*
1,561 *Households adopted Solar energy-based initiatives*

2.3 *ANMD+*

Sick children under 5 years age (including infants and high risk cases) who were suffering from Severe Acture Malnutrition (SAM), childhood diseases and/or ailments and have been stabilised (%)

FY23 50%
FY24 84%

Note: Outcome KPI tracking initiated in FY2022-23

5% (2,786 out of 56,037) *under-5 children across the Kolhan division, Jharkhand identified with Severe Acute Malnutrition (SAM)*

Severe Acute Malnutrition (SAM) children taken out of SAM identified (%)

FY23 58%
FY24 81%

Note: Outcome KPI tracking initiated in FY2022-23

Relevant targets 4/13 | **IR Capital linkages** | **TSL SD/SE linkages** (SE4)

3.1 *Public Health*

Adolescents trained on Adolescent Reproduction and Sexual Health (ARSH) and Life skill education (nos.)

FY22 3,170
FY23 22,355
FY24 56,826

Incidence of malaria per 1,000 population reduced to 0.4
15,559 *TB patients consented and supported with Monthly Food Basket under Nikshaya Mitra project*

3.2 *Maternal and Newborn Survival Initiative*

39,762 *High risk pregnant women prevented from maternal mortality out of total identified women, who have completed 42 days post delivery or died within same period*

2,504 *Health care workers trained in prevention of non-communicable diseases*
91,683 *Eligible women trained on breast self-examination*
Adolescent Fertility Rate (AFR) reduced to 12.56
Child marriage prevalence reduced to 0.73%

CSRD Readiness

Tata Steel has made significant strides in preparing for CSRD compliance by enhancing transparency and sustainability management practices. However, to achieve full alignment, the company must continue refining its reporting processes, providing more detailed data, and ensuring greater transparency, particularly in the following areas:

- Regional Analysis
- Supply Chain Transparency
- Enhanced Metrics for Reporting
- Progress Tracking

2021 VS 2024

- **2021**: Sustainability governance was focused on high-level strategic goals, such as Net Zero by 2045, with limited disclosures on the integration of sustainability into decision-making at the board and executive levels.
- **2024**: Governance has been strengthened, with clear roles for ESG committees and the integration of sustainability into strategic planning. However, specific governance pr such as linking executive remuneration to climate goals, remain underreported.