Directors' Report

To the Members,

Your Directors take pleasure in presenting the 3rd Integrated Report (prepared as per the framework set forth by the International Integrated Reporting Council) and the 111th Annual Accounts on the business and operations of your Company, along with the summary of standalone and consolidated financial statements for the year ended March 31, 2018.

A. Financial Results

(₹ crore)

Particulars	Tata Steel Standalone		Tata Steel Group	
	2017-18	2016-17	2017-18	2016-17
Gross revenue from operations	60,519.37	53,260.96	1,33,016.27	1,17,419.94
Total expenditure before finance cost, depreciation (net of expenditure transferred to capital)	44,740.41	41,385.01	1,11,125.84	1,00,412.12
Operating Profit	15,778.96	11,875.95	21,890.53	17,007.82
Add: Other income	763.66	414.46	909.45	527.47
Profit before finance cost, depreciation, exceptional items and taxes	16,542.62	12,290.41	22,799.98	17,535.29
Less: Finance costs	2,810.62	2,688.55	5,501.79	5,072.20
Profit before depreciation, exceptional items and taxes	13,732.00	9,601.86	17,298.19	12,463.09
Less: Depreciation	3,727.46	3,541.55	5,961.66	5,672.88
Profit/(Loss) before share of profit/(loss) of joint ventures & associates, exceptional items & tax	10,004.54	6,060.31	11,336.53	6,790.21
Share of profit/(loss) of Joint Ventures & Associates	-	-	174.10	7.65
Profit/(Loss) before exceptional items & tax	10,004.54	6,060.31	11,510.63	6,797.86
Add/(Less): Exceptional Items	(3,366.29)	(703.38)	9,599.12	(4,324.23)
Profit before taxes	6,638.25	5,356.93	21,109.75	2,473.63
Less: Tax Expense	2,468.70	1,912.38	3,405.39	2,778.01
(A) Profit/(Loss) after taxes – from Continuing operations	4,169.55	3,444.55	17,704.36	(304.38)
Profit/(loss) before tax from Discontinued operations	-	-	53.30	(770.86)
Less: Tax expense of Discontinued Operations	-	-	-	8.01
Profit/(Loss) after tax from Discontinued Operations	-	-	53.30	(778.87)
Profit/(Loss) on Disposal of Discontinued Operations	-	-	5.15	(3,085.32)
(B) Net Profit/(loss) after tax – from Discontinued operations	-	-	58.45	(3,864.19)
(C) Net Profit/(Loss) for the Period [A + B]	4,169.55	3,444.55	17,762.81	(4,168.57)
Total Profit/(Loss) for the period attributable to:				
Owners of the Company	-	-	13,434.33	(4,240.80)
Non-controlling interests	-	-	4,328.48	72.23
(D) Total other comprehensive income	(61.12)	675.79	(3,078.01)	(563.06)
(E) Total comprehensive income for the period [C + D]	4,108.43	4,120.34	14,684.80	(4,731.63)
Retained Earnings: Balance brought forward from the previous year	12,280.91	10,075.75	(11,447.01)	(2,415.49)
Add: Profit for the period	4,169.55	3,444.55	13,434.33	(4,240.80)
Less: Distribution on Hybrid perpetual securities	266.13	266.10	266.13	266.10
Add: Tax effect on distribution of Hybrid perpetual securities	92.70	92.09	92.70	92.09
Add: Other Comprehensive Income recognised in Retained Earnings	155.39	(142.42)	(2,780.05)	(3,549.43)
Add: Other movements within equity	3,427.46	1.75	9,926.37	(142.57)
Balance	19,859.88	13,205.62	8,960.21	(10,522.30)
Which the Directors have apportioned as under to:-				
(i) Dividend on Ordinary Shares	971.22	776.97	970.05	776.97
(ii) Tax on dividends	188.41	147.74	188.17	147.74
Total Appropriations	**1,159.63**	**924.71**	**1,158.22**	**924.71**
Retained Earnings: Balance to be carried forward	18,700.25	12,280.91	7,801.99	(11,447.01)

Notes:

During the year, the exceptional items primarily include:

a) Provision of (₹3,214) crore in respect of certain statutory demands and claims, net of liability towards district mining fund no longer required, written back and provision for advances paid for repurchase of equity shares in Tata Teleservices Ltd. from NTT DoCoMo Inc. (₹27 crore) at Tata Steel India.

b) Charge on account of Employee Separation Scheme ('**ESS**') under Sunhere Bhavishya Ki Yojana ('**SBKY**') scheme (₹108 crore) mainly at Tata Steel India and at Jamshedpur Utilities & Services Company Limited.

c) Restructuring and other provisions of ₹13,851 crore represents gains arising out of modification in benefit structure for members of the new pension scheme ('**NBSPS**') versus their benefits under Tata Steel Europe's British Steel Pension Scheme ('**BSPS**'), offset by settlement charges for those members who did not join the **NBSPS** and one-off costs at Tata Steel Europe.

d) Impairment charges (₹903 crore) in respect of property, plant and equipment (including Capital Work-in-Progress) and intangible assets relating to global mineral entities.

The exceptional items in Financial Year 2016-17 primarily include:

a) Provision for demands and claims (₹218 crore), charge on account of Employee Separation Scheme ('**ESS**') under Sunhere Bhavishya Ki Yojana ('**SBKY**') scheme (₹207 crore), provision for advances given for repurchase of Equity shares in Tata Teleservices Ltd. from NTT DoCoMo Inc. (₹125 crore) at Tata Steel India

b) Impairment charges (₹268 crore) in respect of property, plant and equipment (including CWIP) and intangible assets mainly relating to European & South-East Asian operations.

c) Restructuring and other provisions (₹3,614 crore) primarily include curtailment charge relating to closure of Tata Steel Europe's British Steel Pension Scheme ('**BSPS**') to future accrual.

d) Profit on sale of investments in subsidiaries, associates and joint ventures ₹23 crore and profit on sale of assets of a subsidiary in South-East Asia on liquidation ₹86 crore.

1. Dividend Distribution Policy

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('**Listing Regulations**') the Board of Directors of the Company has formulated and adopted the Dividend Distribution Policy ('**the Policy**'). As per the Policy, the Company endeavours 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 www.tatasteel.com

2. Dividend

The Board of Directors of the Company ('**the Board**') has recommended a dividend of ₹10 per Fully Paid Ordinary Share on 112,64,84,815 Ordinary Shares of Face Value ₹10 each for the year ended March 31, 2018. (Dividend for Financial Year 2016-17: ₹10 per Ordinary Share on 97,12,15,889 Ordinary Shares of ₹10 each).

The Board has recommended a dividend of ₹2.504 per Partly Paid Ordinary Share on 7,76,34,625 Ordinary Shares of Face Value ₹10 (paid-up ₹2.504 per share) each for the year ended March 31, 2018.

The Board has recommended dividend based on the parameters laid down in the Dividend Distribution Policy.

The dividend on Ordinary (fully paid as well as partly paid) Shares is subject to the approval of the Shareholders at the ensuing Annual General Meeting ('**AGM**') scheduled to be held on Friday, July 20, 2018. The dividend once approved by Shareholders will be paid on and from Monday, July 23, 2018. The total dividend pay-out works out to 33% (Previous Year: 34%) of the net profit for the standalone results.

The Register of Members and Share Transfer Books of the Company (for fully paid as well as partly paid shares) will remain closed from Saturday, July 7, 2018 to Friday, July 20, 2018 (both days inclusive) for the purpose of payment of dividend for the Financial Year ended March 31, 2018 and the AGM.

3. Transfer to Reserves

The Board of Directors has decided to retain the entire amount of profits in the profit and loss account.

4. Capex and Liquidity

During the year, the Company on a consolidated basis spent ₹7,479 crore on capital projects across India, Europe, South-East Asia, and Canada. The spend was largely towards essential sustenance, replacement and on-growth projects in India and Netherlands. Despite this significant spend, the Company was able to keep the gross debt level stable during the year.

The Company's liquidity position remains strong at ₹36,320 crore as on March 31, 2018, which includes undrawn lines.

5. Management Discussion and Analysis

The Management Discussion and Analysis as required in terms of the Listing Regulations is annexed to the report (**Annexure 2**) and is incorporated herein by reference and forms an integral part of this report.

B. Integrated Report

Commitment to society has always been at the forefront in the Company. In furtherance to this commitment, in 2016, the Company transitioned from compliance based reporting to governance based reporting and adopted the <IR> framework developed by the International Integrated Reporting Council. Our Integrated Report for Financial Year 2016-17 has been recognised as Asia's Best Integrated Report by Asia Sustainability Reporting Awards ('**ASRA**'), the highest regional recognition for sustainability and integrated reporting.

In continuation with our efforts towards enhancing stakeholder value, we are happy to present to you our 3rd Integrated Report which endeavours to articulate the measures undertaken by the Company in the journey towards long-term sustainability and value creation.

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C. External Environment

1. Macroeconomic Condition

During the Financial Year 2017-18, the global economy continued its broad-based momentum and registered a growth of 3.8%, its strongest level since 2011, as more than half of the world's economies registered growth. Global manufacturing activity continued to grow on account of favourable financing conditions globally, accommodative policies, rising investor confidence and increase in commodity prices.

Global economy was aided by rebound in global trade, investment recovery in advanced economies and continued growth in emerging Asia. Growth in advanced economies was driven by strong domestic demand and improved labour markets while emerging markets witnessed strong consumption and trade momentum. The United States of America ('**US**') witnessed a growth of 2.3% on the back of strong external demand, private investment and a weaker dollar. Demand was positively affected by the overhaul of the tax code in 30 years - the corporate income tax rate was slashed to 21% from 35% and taxes for households were also lowered. Strong domestic demand is also a recurring theme in Europe and Asia. Euro area registered a growth of 2.4%, which is almost 0.6% higher than previous year. Policy stimulus and strengthening global demand has contributed to this increase in growth. In Japan, strong domestic demand aided by recovery in consumer spending and investment helped achieve growth of 1.7%. Among the emerging and developing economies, China continued to maintain its growth rate at approximately 7%, aided by policy support and recovery in trade. Growth in India was 6.7% owing to consumption led growth influenced by Government policies and investments. Growth in Middle-East and sub-Saharan Africa was impacted by geo-political/domestic conflicts. Overall, improved growth in US, Europe and other key regions more than offset the lower growth in other regions and helped sustain growth momentum.

2. Economic Outlook

According to International Monetary Fund ('**IMF**'), global growth is projected to rise to 3.9% in 2018 and 2019, closer to the long-term growth trend of 4%. The IMF estimates that the growth of more than 1.5% in 2017 in each of the world's seven biggest economies—the US, China, Germany, Japan, France, the UK and India— will provide an impetus to the world economy to achieve more robust growth in 2018.

Advanced economies are expected to maintain their growth momentum in 2018. The US economy is projected by IMF to grow at a faster pace (2.7%) in 2018 aided by fiscal stimulus and policies. The euro area economic recovery has broadened across its member nations and is likely to be aided by rise in capex and consumption. Unemployment rate has reached its lowest level since 2009 and the European Central Bank ('**ECB**') is expected to keep interest rates unchanged and gradually scale back on asset purchases with an eye on economic growth. Among other key regions, China's GDP growth is likely to moderate to 6.5% in 2018 as the policy makers continue their efforts to promote quality growth. Supply side reforms through capacity cuts, rural revitalisation, urbanisation & housing reform and controlled pace of credit growth are likely to determine domestic demand and potential movement in commodity prices. As per IMF, India is expected to grow between 7.0% to 7.5% in Financial Year 2018-19 aided by rural development, infrastructure investment and expansion of manufacturing activity. Outlook for Middle-East and North Africa is gradually improving on the back of higher commodity prices.

Structural issues though continue to pose a significant risk to the global growth cycle. While the supportive economic environment, policies and commodity prices are likely to aid growth in the short term, possible financial stress, increased protectionism and rising geopolitical tensions may pose as downside risks to growth. Further, restrictions by the US government on imports and other protectionist measures in Europe & other regions may disrupt global trade and investment adversely affecting global growth and sentiment. Also, high leverage levels among nations makes them financially vulnerable and any tighter financial conditions in US, Europe or China is likely to have adverse spill-over effect on global growth. Outcome of the Brexit negotiations is likely to impact the pace of recovery in UK as well as the Eurozone economy.

D. Steel Industry

1. Global Steel Industry

Global steel markets continued their recovery in Financial Year 2017-18. Steel prices were up across the regions aided by growth in regional demand, supply side reforms in China and low inventory levels. During 2017, global steel demand grew by nearly 2% to 1.58 billion tonnes while the global crude steel production increased by 4% to 1.7 billion tonnes, as compared to the previous year. Policy led capacity cuts have led to improved utilisation levels in China. This coupled with strong domestic demand has led to lower steel exports from China compared to the previous year. China's steel net exports were down 20% to 0.08 billion tonnes. Low level of exports coupled with volatile raw material prices have led to demand pull and cost push for steel prices at various times during the year.

Iron ore prices were positively affected by growth in China and increased demand for higher quality raw material. Along with these factors, weather disruptions and production outages have contributed to coking coal price movements.

During the year, India witnessed steel (including alloy and stainless steel) demand growth of approximately 7.8% in apparent steel use terms, aided by strong demand in steel consuming sectors i.e. Auto, Construction and Consumer durables etc. The Indian steel industry has witnessed improved utilisation levels (approximately 80%) even as the resolution process under Insolvency and Bankruptcy Code, 2016 paves way for further consolidation within the industry. This is likely to ease the financial stress and further improve utilisation levels within the industry. The domestic crude steel production was around 102 MnT with approximately 91 MnT being consumed. India continued to remain a net exporter.

In Europe, anti-dumping legislation, domestic demand and currency movement have led to an increase in demand by approximately 2% to 159 MnT as compared to 2016. Steel demand grew broadly in line with economic growth. Domestic steel production also witnessed an increase in market share as compared to imports.

2. Outlook for Steel Industry

As per the World Steel Association ('**WSA**'), global steel demand is expected to grow at 1.8% in 2018 to 1.62 billion tonnes and a further 0.7% in 2019 to reach 1.63 billion tonnes. Broad-based global growth momentum is expected to aid growth in advanced as well as developing markets. However, possible escalation of trade tensions between US and China and rising inflationary pressure due to oil prices poses a significant risk to the outlook.

China's steel demand which accounts for 46% of global steel demand is expected to be flat at 737 MnT in 2018 while declining by 2% in 2019. However, steel demand in rest of the world is expected to grow at 3.4% in 2018 and 2.9% in 2019. Advanced economies are expected to grow at a steady pace while much of the growth is likely to be witnessed in Asia, Middle-East and North Africa.

India's prospects continue to remain bright considering that India's per capita consumption of approximately 65 kg is one-third of the global average and government intends to increase it to approximately 160 kg by Financial Year 2031 (CAGR approximately 8%) under the National Steel Policy. Public investment, government initiatives such as 'Make in India', Smart cities and focus on rural development is likely to support growth in domestic demand while headwinds exist in the form of increased competitiveness and possible delay in increase of investment cycle particularly private investments. As per WSA, Indian steel demand is expected to grow at 6-7% per annum in the next two years.

In Europe, increase in non-residential construction and strong manufacturing activities are expected to aid growth in steel demand. As per WSA, EU is expected to grow at 2% to approximately 166 MnT in 2018 and a further 0.8% to approximately167 MnT in 2019. Growth in automotive sector is likely to moderate while machinery sector is expected to benefit from rising investment. At the same time, the construction sector is likely to witness growth in 2018 and 2019 on back of rise in consumer confidence and access to low cost finance.

E. Operations and Performance

1. Tata Steel Group

During the year under review, the Tata Steel Group ('**the Group**') recorded total deliveries of 25.27 MnT (previous year - 23.88 MnT). The turnover for the Group was at ₹1,33,016 crore (previous year - ₹1,17,420 crore), an increase of 13% over the previous year. This increase is due to additional volumes from Tata Steel Kalinganagar ('**TSK**') which were capitalised from June 2016 as well as increased realisations. The chrome business also saw an increase in revenue owing to higher volumes. The turnover at Europe increased due to improvement in average revenue per tonne.

The Group EBITDA was ₹22,045 crore (previous year - ₹17,025 crore), an increase of 29.5% over the previous year. This increase in EBITDA is attributable to higher volumes and improved realisations, partly offset by increase in operating costs mainly raw materials in India as well as on account of favourable foreign exchange movement at Tata Steel Global Holdings. This increase was partly offset by decline in steel spread and operational issues encountered in Europe and higher operating costs at Tata Steel Thailand.

During the year, the Group reported a consolidated profit after tax (including discontinued operations) of ₹17,763 crore as against a consolidated loss of ₹4,169 crore in the previous year. The year's profit includes an exceptional gain of ₹9,599 crore as against a charge of ₹4,324 crore during the previous year. The exceptional gain during the year is primarily due to non-cash accounting surplus arising from the formation of the new British Steel Pension Scheme. The underlying profit during the year is driven by increased production due to ramp-up at the Kalinganagar plant and improved selling prices.

2. India

During the year, total deliveries at Tata Steel India were at 12.15 MnT (previous year - 10.97 MnT), recording an increase of 10.7% over the previous year. The turnover from the Indian operations was ₹60,519 crore (previous year - ₹53,261 crore), 13.6% higher than the previous year. The increase in turnover was primarily through higher volumes at TSK and higher realisations and volumes at Tata Steel Jamshedpur. Higher revenue at Ferro Alloys and Minerals Divison from ferro chrome and ferro manganese as well as Wires and Tubes Division has also contributed to the increase. The EBITDA from Indian operations was ₹15,800 crore (previous year - ₹11,944 crore), 32% higher than the previous year. The increase in EBITDA is on account of improved steel margins attributable to higher volumes and realisations. The profit after tax from Indian operations was ₹4,170 crore (previous year - ₹3,445 crore), 21% higher than previous year. The increase is primarily on account of improved realisations and higher deliveries, partly offset by higher exceptional charges over previous year.

The Company's branded products portfolio has been growing strongly and the Company continues to invest in this portfolio with the aim of gaining greater market share. The branded products contributed to around 46% of total sales. The Company continued its focus towards value added products and achieved highest ever annual sales in value added segments over last year through the various product development initiatives.

The Company is striving to continuously increase its presence in Services & Solutions space for better consumer connect and experience. 'Pravesh' (Steel doors and windows) won the 'Best Online Marketing Campaign of the year' award by ET now.

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3. Europe

During the year, our European operations continued to focus on improving operational efficiencies and minimising environmental impact.

Our European operations recorded total deliveries of 9.99 MnT (previous year – 9.93 MnT). The turnover increased from ₹52,085 crore in the previous year to ₹59,985 crore during the year, thereby recording an increase of ₹7,900 crore (15%). The increase can be attributed to improvement in average revenue per tonne driven by improved market conditions which were a result of the imposition of anti-dumping measures along with marginal increase in deliveries, partly offset by adverse exchange impact on translation. The EBITDA from European operations was ₹3,792 crore as against ₹4,705 crore in the previous year. The decrease of ₹913 crore (19%) was mainly due to decline in steel spread and operational issues encountered in Strip UK and Strip MLE, partly offset by improvement in steel prices. The profit after tax reported during the year was ₹11,687 crore as against a loss of ₹4,515 crore in the previous year. The significant increase in profits is due to an exceptional gain of Regulated Apportionment Arrangement credit.

During the year, several strategic and critical re-structuring initiatives were undertaken including signing of Memorandum of Understanding between Tata Steel and thyssenkrupp AG to create a new 50:50 joint venture company, restructuring the British Steel Pension Scheme and sale of Tata Steel UK 42-inch and 84-inch pipe mills in Hartlepool.

During the year, Tata Steel Europe won a 'Steelie', the highest award for the steel industry, presented by the World Steel Association for taking a new approach towards demonstrating that steel is a highly sustainable product. BMW announced that TSE has been awarded the best performing supplier with a maximum rating of 100 for quality, as per their rating system.

4. South-East Asia

During the year, the demand for steel in South-East Asia was weak but price stability was observed due to supply side reforms and lower exports from China. The turnover stood at ₹9,542 crore (previous year – ₹8,245 crore) and the EBITDA was ₹437 crore (previous year – ₹528 crore). The Profit after tax for the year stood at ₹141 crore (previous year - ₹175 crore). The operational profit witnessed a negative growth despite improved selling prices primarily due to negative sentiment in construction sector in both Singapore and Thailand and elevated scrap prices.

During the year, NatSteel Holdings ('**NSH**') witnessed a stable operating profitability. The EBITDA for the year was ₹201 crore as compared to ₹206 crore in the previous year. The better management of spreads and upward movement of selling prices helped to offset the weakening demand caused due to slump in the construction activities. The profit for the year showed a significant drop as compared to previous year, since the profits of the previous year included a one-time gain relating to sale of land and other assets at NatSteel Xiamen.

Our operations in Thailand witnessed a drop in deliveries owing to weak market sentiments and sluggish demand for rebar partly offset by higher export volumes. However, there was an increase in turnover owing to improvement in realisation, driven by increase in input metallic price and international prices, partly offset by lower volumes. The EBITDA for the year was ₹236 crore as compared to ₹322 crore in the previous year. The decline is mainly due to higher metallic prices along with increase in the cost of electrodes. The profit for the year was however higher as compared to previous year, since the profits of the previous year contained one time provision for impairment of Mini Blast Furnace.

F. Strategy

Tata Steel, in line with its Vision of being a global benchmark in 'Value Creation' and 'Corporate Citizenship', is pursuing the following priorities in the medium term:

Industry leadership in India and Europe: India is expected to be one of the few large regions with good demand growth. Tata Steel intends to grow through organic and inorganic routes to ensure it remains the leading steel player in attractive segments and also at the overall industry level. The Company has initiated execution of expansion of the steel plant at Kalinganagar from 3 MnTPA to 8 MnTPA. The Company will continue to look for inorganic opportunities that provide a good strategic fit in terms of assets and product mix. In Europe, the Company is working out a strategic JV with thyssenkrupp AG which will be the second largest steel company in Europe and generate synergies through complementarities in manufacturing and products.

Cost competitiveness and focus on downstream: Operational efficiency is one of our key strengths, and one of our key priorities is to be the lowest cost producer in the regions in which we operate. The Netherlands plant has world class operating parameters and we will continue to build on this platform. In India, our ongoing operational excellence programme continues to bring more of our operations closer to world benchmark levels further consolidating our position as a global cost leader. To counter the cyclicality of steel business, Tata Steel continues to focus on, and now scale up, downstream products & services which are less vulnerable to steel down cycles.

Industry Leadership in CSR: In India, Tata Steel has a long value chain from mining to steel manufacturing and these have significant impact on the communities neighbouring the operating sites. Tata Steel expects to continue funding its signature programmes on Health, Education & Tribal Welfare in collaboration with local communities and other stakeholders.

Focus on Safety & Environment: Creating a safe working environment is a key focus area for Tata Steel. Safety of its people is the Company's top priority. Tata Steel through the 'Committed to Zero' programme aims to achieve Zero Lost Time Injury across all its sites. Safety performance will continue to remain a priority with concentrated efforts in the areas of Organisational Safety Competency and Capability Improvement, Contractor Safety Risk Management etc.

Tata Steel is committed to minimising the impact of its operations on the environment. Reducing carbon footprint is one of the key goals that Tata Steel has set for itself. In India, Tata Steel has reduced the specific emission of CO_2 by 24% in the last 10 years and is currently the Indian steel industry benchmark at 2.29 tCO_2/tcs. Steps are being taken to bring this down to below 2.0 tCO_2/tcs by 2025. In Europe, the Tata Steel plant has achieved CO_2 emission of 1.8 tCO_2/tcs. In addition, the HIsarna pilot plant at Tata Steel in IJmuiden uses groundbreaking technology to convert iron ore fines and coal almost directly into liquid iron which can reduce CO_2 emissions by 20%. Further, steel is a completely recyclable material, and in India, steel scrap availability is expected to increase in the future, and therefore Tata Steel is taking substantial steps to create an organised circular economy system for steel recycling.

Leverage digital technologies: Digital technologies have the potential to transform all aspects of the steel value chain. Tata Steel is actively seeking opportunities to redefine existing processes and systems through digital technologies to create innovative products & services and increase flexibility and productivity of operations. Keeping pace with the global trends of digitalisation, a number of projects have been initiated to identify business opportunities and build capabilities – for better value and improved stakeholder experience.

G. Key Developments

1. India

Acquisitions

Bhushan Steel Limited

Pursuant to the Insolvency and Bankruptcy Code, 2016 ('**IBC**'), the Company had submitted its bid for the acquisition of Bhushan Steel Limited ('**BSL**'). At a meeting of the Committee of Creditors ('**CoC**') of BSL held on March 6, 2018, Tata Steel Limited was identified as the highest evaluated compliant resolution applicant to acquire controlling stake in BSL under the Corporate Insolvency Resolution Process ('**CIRP**') of the IBC.

Thereafter, CoC of BSL declared Tata Steel Limited as the successful resolution applicant, subject to obtaining necessary regulatory approvals, including approval from National Company Law Tribunal ('**NCLT**') and the Competition Commission of India ('**CCI**'). On April 25, 2018, CCI accorded its approval to the resolution plan ('**RP**') submitted by the Company. NCLT vide its order dated May 15, 2018 also approved the RP.

As per the terms of the RP, the Company will acquire 72.65% equity stake in BSL through its wholly-owned subsidiary company, Bamnipal Steel Limited, for an aggregate amount of ₹158.89 crore. To complete the acquisition process, the financial creditors will be given a total consideration of ₹35,200 crore for settlement of the existing financial debt of BSL. Further, the financial creditors will also be allotted equity shares by virtue of conversion of loan amount of ₹14.5 crore. The Company will carry out the further necessary steps in this process as per the stipulations under the CIRP of the IBC.

Bhubaneshwar Power Private Limited

As on November 30, 2017, Tata Steel held 26% stake in Bhubaneshwar Power Private Limited ('**BPPL**'). In order to increase its captive source of power to meet the growing demand, the Company, on November 30, 2017, executed definitive agreements with JL Power Ventures Private Limited, to acquire 74% equity shares of BPPL. BPPL is engaged in the business of generation of power. BPPL owns a 135 MW (2 x 67.5 MW) thermal power plant at Anantapur village in Cuttack district in Odisha. The acquisition of the remaining 74% shares was completed on February 1, 2018.

Subarnarekha Port Private Limited

In January 2017, the Company entered into definitive agreement to acquire 51% equity stake in Creative Port Development Private Limited ('**CPDPL**') for the development of Subarnarekha Port at Odisha through a wholly-owned subsidiary Subarnarekha Port Private Limited ('**SPPL**'). CPDPL had executed a 34 years Concession agreement with the Government of Odisha to develop and operate the Subarnarekha port which is to be carried out through SPPL. As per the terms of the definitive agreement, in March 2017, the Company had subscribed to 3% equity shares of SPPL.

On April 9, 2018, the Company entered into a definitive agreement to subscribe to additional 4.19% equity shares of SPPL. Pursuant to the additional subscription, the Company's equity stake in SPPL shall increase to 7.06%.

Divestments

Tata Motors Limited

On June 23, 2017, the Company sold 8,35,37,697 equity shares held in Tata Motors Limited for a profit of ₹3,427.29 crore.

Rights Issue

The Board, at its meeting held on December 18 and 19, 2017, approved the issuance of equity and equity linked instruments including ordinary shares of the Company by way of a rights issue to the existing shareholders of the Company for an amount not exceeding ₹12,800 crore. Subsequently, the Executive Committee of the Board approved the simultaneous but unlinked issue of 4:25 fully paid shares for amount upto ₹8,000 crore at a price of ₹510 per share and 2:25 partly paid shares for amount upto ₹4,800 crore at price of ₹615 per share (₹154 per share payable as application money and ₹461 per share payable on first and final call) on a rights basis. The said issue opened for subscription by shareholders on February 14, 2018 and closed on February 28, 2018. The shares were allotted to the shareholders on March 14, 2018.

Credit Rating

During the year, Brickwork revised its rating outlook on the Company from 'Stable' to 'Positive' while, Moody's revised its rating outlook on the Company from 'Negative' to 'Stable'.

2. Europe

Joint Venture between Tata Steel and thyssenkrupp AG

On September 20, 2017, the Company and thyssenkrupp AG signed a Memorandum of Understanding to create a leading European steel enterprise by combining the flat product businesses of the two companies in Europe and the steel mill services of the thyssenkrupp group. The proposed 50:50 joint venture (thyssenkrupp Tata Steel) would be formed through a non-cash transaction framework, based on fair valuation where both shareholders would contribute debt and liabilities to achieve an equal shareholding in the venture. The proposed joint venture would be focused on quality and technology leadership and the supply of premium and differentiated products to customers, with annual shipments of about 21 MnT of flat steel products. The proposed venture is expected to benefit from the scale and network capability of the combined assets to achieve quality, technology and cost leadership in the European steel industry.

British Steel Pension Scheme

In furtherance to its ongoing efforts to ensure a sustainable and enduring future for the business, Tata Steel UK ('**TSUK**'), on August 11, 2017, signed the documentation for a Regulated Apportionment Agreement ('**RAA**') with the Trustee of the British Steel Pension Scheme ('**BSPS**'), offering more sustainable outcomes for the pensioners, employees and the business. Consequent to the signing of the documentation, the Pensions Regulator issued a determination notice and a clearance statement in response to Tata Steel's application for clearance and approval in respect of the RAA. This resulted in the commencement of a 28 days period during which the affected parties by the RAA could refer the decision to approve the RAA to the Upper Tribunal.

On September 11, 2017, the Pensions Regulator approved the RAA. Consequent to the approval, the BSPS has been separated from TSUK and a number of affiliated companies. As part of the RAA, a payment of £550 million from TSUK has been made to BSPS and the shares in TSUK, equivalent to a 33% economic equity stake in TSUK have been issued to the BSPS Trustee, under the terms of the Shareholder's Agreement.

TSUK also agreed to sponsor a new pension scheme subject to certain qualifying conditions being met. The members of the BSPS were offered an option to transfer to the new Scheme. 69% of the members of the BSPS opted to transfer to the new scheme. The new scheme would have lower future annual increases for pensioners and deferred members than the BSPS, giving it an improved funding position which would pose significantly less risk for TSUK.

Divestments

Sale of Hartlepool SAW pipe mills

As part of restructuring the UK portfolio of the Company, TSUK, on July 11, 2017, signed a definitive agreement with Liberty House Group for sale of its Hartlepool Submerged Arc Weld ('**SAW**') pipe mills. The sale covers the 42-inch and 84-inch pipe mills which employs about 140 people to manufacture pipeline for gas and oil products around the world. The sale was completed on August 1, 2017.

3. South-East Asia

Issue of Bonds

During the year, ABJA Investment Co. Pte. Ltd., a wholly-owned subsidiary of the Company, issued a dual tranche of USD 1.3 billion unsecured bonds in the international markets. The issue comprises USD 300 million 4.45% Unsecured bonds due on July 24, 2023 and USD 1 billion 5.45% Unsecured bonds due on January 24, 2028.

H. Sustainability

At Tata Steel, sustainability is embedded in the culture of the organisation, stemming from the belief of our founder that the community is not just another stakeholder, but the very purpose of our existence. This belief is embedded in the vision and values of Tata Steel which balances the aspiration for value creation with that of the responsibility of being a benchmark corporate citizen.

The sustainability approach of the Company is articulated in the Sustainability policy of the Company as well as in various other policies such as CSR Policy, HR Policy, Affirmative Action Policy, Climate Change Policy, Environment Policy, Energy Policy, etc. which embed the triple bottom line approach in its systems and processes. Further, the Company has established various platforms for periodically listening to the voice of stakeholders i.e. community, investors, customers, employees, etc. which are prioritised and embedded in our business objectives and strategies. The Company is also focused on embedding Sustainability in its mining operations, across supply chains and towards product stewardship through Life Cycle Analysis studies. The Company is also examining the relevance of the UN Sustainable Development Goals to progressively embed them into the strategy of the Company. The Company is associated with various industry bodies such as Confederation of Indian Industry ('**CII**'), Global Reporting Initiative, International Integrated Reporting Council and the Taskforce for Climate Related Financial Disclosures of the Financial Stability Board on implementing Sustainability practices.

During the year, the Company has strengthened the Governance structure for mitigating the environmental, social and people related material issues and related risks. The Corporate Social Responsibility ('**CSR**') Committee of the Board was re-designated as the CSR and Sustainability Committee to enhance the Governance of Integrated Thinking and the working of Tata Steel.

There is a dedicated Corporate Sustainability Group at Tata Steel which is responsible for implementing and mainstreaming sustainability across the organisation and throughout its value chain. The group tracks the global best practices related to sustainability and facilitates their incorporation in the key processes of the Company. The group also drives various external assessments like the Dow Jones Sustainability index and those conducted by the CII. Globally, the Company has been awarded the Gold Class Rating for the second year in a row in the steel sector in the Dow Jones Sustainability index – Corporate Sustainability Assessment 2017.

1. Environment

The Company aims to be the benchmark for environmental stewardship in Steel Industry by focusing on climate change mitigation and reducing its resource footprint. Given the nature of the business and the industry that we operate in, the Company recognises its impact on the environment and is conscious of its duty towards safeguarding the environment. The Company is committed to responsible use and protection of the natural environment through conservation and sustainable practices. The Company focuses on operational excellence aimed at resource efficiency through a 'Prevent, Minimise, Recover, Reuse and Recycle' hierarchical approach to reducing its ecological footprint. The Company has also implemented environmental management systems that meet the requirements of international standard ISO14001 at all of its leading manufacturing sites. These systems provide the Company with a framework for managing compliance and improving environmental performance, making it future ready to address stakeholder requirements.

The Company pursues responsible advocacy on policy and regulatory issues by being the member of World Steel Association Environment Policy Committee, Central Pollution Control Board's National Taskforce, Indian Steel Association and various other organisations. During the year, the Company engaged with Government of India to address environmental issues such as actions to surpass National Development Council's commitments, international bilateral initiatives, showcasing achievements on climate response and pursuing growth under blue sky to realise aspirations under 'Make in India'.

The Company is currently national benchmark in Specific Energy Consumption in integrated steel sector and CO_2 emission intensity (coal based integrated steel plants, BF-BOF route). In order to cater to various stakeholders' requests for greater reporting scopes, the Company is consolidating its GHG footprint of business. The Company has in place a Safety, Health & Environment Committee that provides the necessary direction and guidance on matters relating to environment and also monitors the performance of the Company and its impact on the environment.

In Europe, the Company continues to invest in short to medium term CO_2 emission reduction and energy efficiency improvements. In addition to these improvements, as a follow up to the ULCOS (Ultra-Low CO_2 Steel-making) co-operative research initiative to achieve a step change in CO_2 emissions from steel-making, the Company is also working on a longer term major project to develop a new smelting reduction technology ('**HIsarna**') to produce steel without the need for coke making or agglomeration processes, thereby improving efficiency, reducing energy consumption and reducing CO_2 emissions. The pilot plant is located at the Company's IJmuiden site in the Netherlands.

NatSteel Holdings ('**NSH**') in South-East Asia, operates one of the most energy efficient steel operations in the world. NSH is ranked in the top 25% for CO_2 emission for Electric Arc Furnace operators. All three manufacturing sites of Tata Steel Thailand were awarded with the Green Industry Award level 4 by Ministry of Industry, Thailand.

2. Climate Change

Climate change is the defining environmental issue of the early 21st Century and the Company recognises that it has an obligation to minimise its own contribution to climate change. Furthermore, the Company aims to play a leadership role in addressing the challenge of climate change. However, the Company also understands that steel products will be an integral part of the solution to climate change and that local, short-term action will not necessarily help to tackle this global, long-term issue. Considering all these factors, the Company has formulated a climate change strategy based on 5 key themes as outlined below:

Emissions Reduction: To improve its current processes to increase its energy efficiency and to reduce its carbon footprint. The Company aims to reduce its carbon dioxide emissions per tonne of crude steel by at least 20% compared to 1990 levels.

Investing in Technology: To invest in the development of long-term breakthrough technologies through initiatives such as HIsarna & Carbon Capture & Utilisation ('**CCU**').

Market Opportunities: To develop new products and services that reduce environmental impact over product life cycles and in turn help its customers to reduce their carbon footprints.

Employee Engagement: To actively engage its workforce and encourage everyone to contribute to its strategy.

Lead by Example: To develop its pro-active role in global steel sector initiatives through the World Steel Association.

3. Health and Safety

Health and safety remains the Company's highest priority and Tata Steel aspires to be the steel industry benchmark in health & safety. Safety and Health Management is integrated into the Annual Business Plan and is cascaded into the personal key result areas ('**KRAs**') of each officer to place accountability and responsibility at all levels in the Company. The Company has made some significant achievements through the 'Committed to Zero' programme. The Company's strategic efforts are directed towards ensuring committed leadership, engaged employees and effective systems in order to minimise risk. At the Group level, the Company achieved

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a 21% improvement in Lost Time Injury Frequency Rate ('**LTIFR**') in Financial Year 2017-18 as compared to the previous year.

It is with regret we report that, during the year, in India, there were 3 fatalities. However, the Company is continuously channelising its efforts to eliminate such incidents and achieve zero fatality.

Several initiatives were undertaken during the year to improve health & safety standards of the Company. Steps were taken to improve competency and capability for hazard identification and risk management. To ensure deployment of competent vendors for high risk jobs, star-rating assessment was conducted for all high-risk vendors and 88% of the vendors have achieved star rating 3 and above. This helped in 40% reduction in contractor fatalities and 21% reduction in Lost Time injury cases of contractor employees across Tata Steel India.

We regret to report that, in Europe, the Company had one fatality during the year. However, efforts are being made to ensure such instances are avoided in future. Training for Group Senior Managers focusing on their leadership role related to health & safety has been completed. The same was also extended to more junior Business Senior Managers during Financial Year 2017-18. In addition, process safety leadership training was continued throughout the year under review. The combined LTIFR in Financial Year 2017-18 for employees and contractors improved to 1.36 as compared to 1.51 in the previous year. The recordables rate, which includes lost time injuries as well as minor injuries, also improved from 5.12 in Financial Year 2016-17 to 4.13 in Financial Year 2017-18. A 'back to basics' campaign focusing on hazard identification and risk minimisation was undertaken during the year and there were various initiatives to accelerate deployment of standards and to improve maturity of the Group's health & safety management system.

During the year, NatSteel recorded the lowest LTI in the last 5 years. The Government of Singapore has selected NatSteel as one of the pioneering companies in the area of Safe Working. NatSteel was awarded the 'bizSAFE award' by the Work Place Safety and Health Council, Singapore for exemplary risk management systems. Tata Steel Thailand ('**TSTH**') was recognised at World Steel Association for Contractor Safety Management practices and NTS plant of TSTH won Prime Minister Industry award for Safety Excellence.

4. Research and Development

The competitive business environment in which the Company operates makes innovation imperative for success of the business. Recognising the need to improve, expand and innovate, the Company is concentrating efforts on research and development of alternate materials and new products.

The Company has started working on the technology roadmap that aligns with it's vision of becoming a leader among the innovation driven organisations. A number of research and development projects have reached high Technology Readiness Levels. The Company is focusing on making these innovations ready for the market through lean, scalable, efficient and sustainable processes.

Venturing into new market areas is another focus area for research and development and accordingly, a number of new product developments have been targeted. The planning for plant trials of new products is underway and will be completed in the next couple of months.

In Europe, the Company is continuously engaged in various research and technology initiatives. To illustrate, the Company has progressed its activities to reduce CO_2 emissions through the HIsarna project i.e. a collaborative project amongst the major steelmakers in Europe to develop a more flexible new smelting reduction technology to produce steel from lower grade raw materials without the need for coke making or agglomeration processes. The HIsarna pilot plant is now in the final testing phase undertaking a 6 month sustained campaign, after which the Company will look at scaling up for commercial-scale production.

5. New Product Development

Creating value for customers, meeting their ever-increasing expectations and responsibility towards the environment sets the foundation for the Company to invest its resources to create new and enriched products, services and solutions, which not only provide enhanced benefits to the customer but also reduce the negative impact on the environment.

During the year, in India, the major focus for new product development was to leverage the superior capability of the products from the Kalinganagar steel plant. During the year, 133 new products were launched in India of which 108 were from the Kalinganagar plant. This resulted in an additional sales of 190 kilo tonnes during the year.

The major focus was to address the needs of automotive segment and accordingly different grades for wheels and structural applications were developed. In the industrial products and projects vertical, grades for lifting and excavation segment, pre-engineered buildings and oil & gas sector were developed. In addition, a grade for line pipes was also designed, which is in the final stage of plant trial. In the branded products segment, a grade steel was developed for bank ATM application. For the first time in India, hot rolled enameling grade steel was developed for grain silos. Galvanised Coated steel for solar back panel application and new grades of wire rods were also developed.

In Europe, the Company launched 23 new products during the year. These launches include major developments for the automotive, construction, engineering and packaging markets. Prominent examples of product and service launches include Hilumin® and Prime Lubrication Treatment. Hilumin® is a nickel plated strip for lithium-ion batteries for application in automotive energy storage solutions. Prime Lubrication Treatment is a booster lubricant that improves press performance, by reducing tool pollution during deep drawing of GI Full Finish. The solution enables a switch from electrogalvanised to hot dipped galvanised products. Advantica® SDP 35 TR a tailored offering for construction of large, high thermal insulation roof-sandwich panels for cooled trailers was also developed. Protact® is a cost-efficient, environmentally friendly laminated packaging steel product which already has a proven track record for two-piece can making, has now been developed for three-piece cans. The Protact® offering has also extended its range of available colours, offering customers even greater design options and in particular, enhancing content appearance. The Company has also succeeded in making its Colorcoat range of organic coated steel products hexavalent chrome free to comply with European legislation called REACH.

In Singapore, in line with the Government's push for digital transformation, NatSteel collaborated with a key customer to develop a system to automate steel rebar procurement process. Through digitalised selection process aided with 3D visualisation under the Building Information Modelling environment, the customer can now easily place order for rebar, and the order placed integrates seamlessly into NatSteel's back-end system. This project won the title of 'Most Scalable Collaboration' at the 2018 Singapore International Chamber Of Commerce Awards Gala. NatSteel launched bars and couplers in Singapore which support the government's initiative for higher construction productivity by speeding up construction and increasing construction safety. In Thailand, the Company developed and commercialised Tyre Cord grade wire rods for Bridgestone Thailand. Revenue from new products increased by 36% over last year.

6. Customer Relationship

The Company endeavours to develop and sustain long-term value-creating partnerships with our customers and channel partners through a wide range of product offerings, innovative services and unique solutions.

In India, the customers are segmented into B2B, B2C and B2ECA (Emerging Corporate Accounts). These segments are further divided into micro-segments based on applications and buying behavior. The Company concentrates its efforts to understand the expectations and requirements of current and potential customers/ market segments in order to deliver customer specific products and services and provide value-creating solutions.

The Company engages with B2B customers through cross-functional Customer Service Teams ('**CSTs**') to work on new product development, quality improvement and value-creating ideas which helps it to achieve operational excellence. The Company has also collaborated with key automotive customers to provide cost and weight reduction solutions using the Value Analysis & Value Engineering ('**VAVE**') platform and the Advanced Product Application support. This has also enabled the Company to partner with these customers for future product launches. These initiatives are now extended to industrial customers as well. In March 2018, the Company also launched the Digital Supply Chain Real Time Visibility Portal to track end-to-end material movement.

The Company has increased its customer engagement with Emerging Corporate Accounts through the ECafez initiative which facilitates upgradation of shop floor workers under programmes such as 'Skills4India' and promotes a culture of safety through 'Safety First' initiative. The Company also conducts 'Qualithon clinic'- expert sessions on powder coating, welding with customer quality people and 'PurchasePro' for people in supply chain division. 'CREATE'- Collaborative Reform with ECA for Advanced Technical Enhancement is carried out to strengthen partnership in value chain.

The Company's B2C brands have embraced digital solutions to substantially enhance the consumer buying experience. In February 2018, TATA Tiscon launched the early engagement platform, aashiyana.tatasteel.com, for individual house builders. The platform has 4 sections - Inspirational Home Designs, Material Estimator, Service Provider Directory and E-Commerce.

To reach out to the rural consumers at the last mile intensive mobile marketing campaigns are conducted under the programme of 'Ek Kadam Parivartan ki Ore' (A step towards positive change) where the consumers are educated about the benefits of Tata Shaktee vis-à-vis other roofing solutions prevalent in the region. The Group Rural Action Mission ('**GRAM**') initiative continues to focus on harnessing synergies with other group companies for creating rural consumers awareness and to lead generation programmes. The programme was further strengthened with digital enrolling of fabricators (6,000 nos. registered) and training programme on best practices.

During the year, the Company organised a 'Construction Conclave' to bring together industry experts from around the globe as well as from India – including our customers. This initiative has facilitated the Company to develop deeper understanding of the construction and infrastructure industry thereby helping to build new partnerships. The Company also organised other knowledge-sharing platforms such as 'Wired 2 Win' and 'Technical Seminars with Original Equipment Manufacturing customers' to provide insights on current and future industry trends and to promote new services & solution offerings. The senior leadership team of Tata Steel frequently interacts with strategic and key customers at various customer meets, business seminars and during plant visits undertaken by the customers and at celebration events to commemorate the milestones achieved.

In Europe, the Company partners with customers to help them excel in their market, co-creating more sustainable value throughout the entire value chain. 'Customer Focus', a company wide programme, reinforces our mission and drive towards customer centricity. Improvements on this front have also been acknowledged in the Tata Business Excellence Model assessment. The Company also has a value chain transformation programme known as 'Future Value Chain' programme, which focuses on driving service improvements. Our European operations are also focusing on a balanced portfolio and differentiation strategy, which aims to increase the proportion of differentiated products. As part of the strategy, the Company launched 23 new products in Europe this year. These launches include major developments for the automotive, construction, engineering and packaging markets. Along with products, the Company also offers services such as Electronic Data Interchange, Track and Trace, Early Vendor Involvement, Design and Engineering support, Technical Support, Building Information Modelling and Life

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Cycle Analysis. In June 2017, the Company launched an overarching programme called 'Future Commercial Excellence' that focuses on commercial improvements.

In Singapore, the Company continues to focus on building strong relationship with key customers and providing high levels of service. To improve customer connectivity, a new solutions team was created to address the needs and requirements of customers at the design level. The Company achieved the best ever Customer Satisfaction Score against its competitors in the country. In Thailand too the Customer Satisfaction Index of the Company increased from 77 to 81, being the highest among its peers in the country.

7. Human Resources Management & Industrial Relations

Human Resource has always been the central focus at Tata Steel. The emphasis on the people of the organisation stems from the belief that human resource is the key factor to achieving success in business.

Tata Steel has been a front runner in its people practices with many pioneering policies in the area of human resources. Our people practices are based on the Tata Values with emphasis on respect, dignity, unity and fostering a culture of togetherness.

Financial year 2017-18 was a milestone year for the Company, as major improvements were seen in areas related to diversity & inclusion and training & development where initiatives were undertaken to bring about a change in culture and mind set of the workforce. The focus for the year was on Gender diversity and inclusion of differently abled persons. Special efforts have been put in on hiring and creating infrastructure for diverse workforce as well as retaining and developing women leaders.

During the year, learning and development underwent a shift in pedagogy and various e-learning courses on managerial and functional competencies were assigned to more than 15,000 persons (not unique) through the Skillsoft learning platform. The Digital capability programme saw a participation of more than 9,000 employees. With the management focusing on Learning and Innovation, the Innovation club was started during the year with more than 120 members and over 40 projects. The Company undertook an exhaustive exercise to re-look at its training programmes. Training programmes at the Tata Steel Management Development Centre were aligned with the 9 managerial competencies under Management Competency framework and have been redesigned to include a blend of facilitator-led sessions and e-learning including complete revamp of the Cadre training methodology and content.

Safety and health of the workforce is of utmost importance and hence the need was felt for the same to percolate from the top leadership in form of learning and experience-sharing. Steps were taken to ensure complete coverage of employees for Felt leadership training across various locations of Tata Steel India with senior leaders as trainers sharing with the audience their learning and advice on matters related to work and safety.

Improving employee productivity is the key focus area for the Company and achieving benchmark performance in this area, year on year, is a major goal for the Company led by the Human Resource division. This focus has led to an improvement in productivity from 709 tonnes of crude steel/employee/year to 769 tonnes/employee/year with the employees on roll reducing from 34,989 to 34,072 in India.

This being our 89th year of Industrial harmony, our focus has been to have highly engaging and meaningful partnership with our Unions in order to achieve our targets and improve productivity over last year.

During the year Tata Steel won the Golden Peacock Award for HR Excellence in 2018. Tata Steel was also declared the Best Place to Work in the Core Sector by Business Today. This recognition was bestowed on the Company for the 2nd year in a row. Tata Steel was also certified as Great Place to Work in the Great Place to Work study conducted for the year 2017.

In Europe too, the Company continues to invest in the recruitment, engagement, health, skills and capabilities of its employees. The Tata Steel Academy in Europe strengthens the organisation's competitive advantage by enabling its people to achieve the highest standards of technical and professional expertise, with a combined use of practical, virtual and classroom training to maximise training effectiveness. The major part of the training remains 'on the job', but is structured through the creation of 12 distinct faculties focused on par leadership, health & safety, sales & marketing, manufacturing, engineering, technical, supply chain, finance, HR, IT, procurement and total quality management. The Company aims to create modern employment conditions that ensure healthy long-term employability and a well-received Employer Value Proposition with current and potential employees. The Company has responsible pension schemes that allow for a sustainable business. The Company has also made the provision of an income for enrolled employees beyond retirement.

In Europe, the Company employs a wide range of strategies to engage its employees. Steps are taken to regularly review the organisational health through surveys as well as comparisons with other companies using the Organisational Health Index method supported by McKinsey. The Company strives to ensure that the employees' motivation and capabilities are enhanced by its leaders, organisational structure, operational protocols, including daily management and operational excellence programmes, communication processes & business excellence and reward and recognition policies.

In Europe, the Company also focused on developing a healthy work environment. Physical health is promoted through various central and local programmes and a range of sporting and outdoor activities. The Company provides training and support to promote mental health inside and outside the workplace. Health and wellbeing of employees is an important part of the local labour conditions and a focus of improvement initiatives.

In Singapore too, the Company has begun a focus initiative on building employee capability at all levels through secondment opportunities, job rotations and trainings. NatSteel achieved its best ever Employee Engagement Score (58%) and the lowest attrition level in Financial Year 2017-18. In Thailand, the Company undertook the Shop Floor Knowledge Transformation Programme to identify and share best practices among various operating units. The Company has also taken steps to improve employee agility and cut unproductive work. The Siam Construction Steel Co. Ltd. ('**SCSC**'), a subsidiary company, was awarded the Kaizen Gold award and Thailand Quality Circle award from Ministry of Industry. SCSC and NTS Steel Group Plc also received the Thailand Labour Management Excellence Award 2017.

8. Corporate Social Responsibility

The Company's vision is to be a global benchmark in 'value creation' and 'corporate citizenship'. 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.

For decades, the Company has pioneered various CSR initiatives. The Company continues to remain focused on improving the quality of life and engaging communities through health, education, livelihood, sports and infrastructure development. The Company is working with indigenous communities in its areas of operation in India (primarily in Jharkhand and Odisha).

Towards achieving excellence in our CSR activites, the Company has partnered with the State Governments of Jharkhand and Odisha and with various reputed national and international organisations such as American India Foundation, The Hans Foundation, Timken Foundation, NABARD, Welt Hunger Hilfe and Tata Trusts amongst others.

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 www.tatasteel.com During the year, the Company spent ₹232 crore on CSR activities. The Annual Report on CSR activities, in terms of Section 135 of the Companies Act, 2013 ('**Act**'), is annexed to this report **(Annexure 3)**.

In Europe too, the Company focuses on working with local communities in three key areas - education & learning, health & well-being and environment & sustainability. The Company is building on education and learning partnerships which have been formed with local organisations. The Company works with these organisations to increase the social skills and confidence of young people, boost pupils' level of understanding about the steel industry and improve the understanding and ambition of students. The Company also runs its own Academy in IJmuiden. Every year, around 100 students start their education in mechanics, electro or process technology. The Academy is currently working closely with municipalities and the Province Noord Holland in order to have more regional impact.

Further, the Company at its site in IJmuiden is cooperating with local and regional parties on sustainable energy projects such as residual heat and wind turbines. Through our community partnership programme, we invest in a range of sustainable initiatives which benefit large groups within our communities ranging from sports groups to charities and key community organisations.

In Singapore, the Company continues to promote active volunteerism and touches the lives of people through three of its adopted charities. In Thailand, the Company encourages each of its employees to participate in at least one CSR activity and has clocked over 11 man hours/employee on CSR activities.

I. Corporate Governance

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

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

1. Board Meetings

For seamless scheduling of meetings, a calendar is prepared and circulated in advance. The Board has also adopted an activity guidance giving them visibility on the upcoming topics for discussions.

The Board met 7 times during the year, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Act and the Listing Regulations.

2. 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 and its individual members with the objective of having a Board with diverse backgrounds and experience in business, government, education 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 Policy on appointment & removal of Directors and determining Directors' independence was adopted by the Board on March 31, 2015. During the year, there have been no changes to the Policy. The same is annexed to this report (**Annexure 5**) and is available on our website www.tatasteel.com

3. Familiarisation Programme for Independent Directors

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

Details of orientation given to our existing IDs in areas of strategy, operations & governance, safety, health and environment, industry & regulatory trends, competition and future outlook are provided in the Corporate Governance Report and is also available on our website www.tatasteel.com

4. Evaluation

The Board evaluated the effectiveness of its functioning, that of the Committees and of individual Directors. The Board sought the feedback of Directors on various parameters such as:

- Degree of fulfillment of key responsibilities towards stakeholders (by way of monitoring corporate governance practices, participation in the long-term strategic planning, etc.);
- The 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 Chairman of the Board had one-on-one meetings with the IDs and the Chairman of the NRC had one-on-one meetings with the Executive and Non-Executive Directors. These meetings were intended to obtain Directors' inputs on effectiveness of the Board/ Committee processes.

The Board considered and discussed the inputs received from the Directors. Further, the IDs at their meeting reviewed the performance of non Independent Directors, Board as a whole and Chairman of the Board after taking into account views of Executive Directors and Non-Executive Directors.

The evaluation process endorsed the Board Members' confidence in the ethical standards of the Company, the resilience of the Board and 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 the Board Members to discharge their responsibilities.

In the coming year, the Board intends to enhance focus on diversity of the Board through the process of induction of members having industry expertise, strategic plan for portfolio restructuring of Tata Steel Europe, exploring new drivers of growth for the Tata Steel Group and further enhancing engagement with investors.

5. Compensation Policy for the Board and Senior Management

Based on the recommendations of the 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 Remuneration Policy for Directors, KMPs and other Employees was adopted by the Board on March 31, 2015. During the year, there have been no changes to the Policy. The same is annexed to this report (**Annexure 6**) and is available on our website www.tatasteel.com

6. Particulars of Employees

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this report.

In terms of the provisions of Section 197(12) of the Companies Act, 2013 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 the report (**Annexure 7**).

7. Independent Directors' Declaration

The Company has received the necessary declaration from each ID in accordance with Section 149(7) of the Act that he/she meets the criteria of independence as laid out in Section 149(6) of the Act and the Listing Regulations.

8. Directors

The year under review saw the following changes to the Board of Directors ('**Board**').

Inductions to the Board

On the recommendations of the NRC, the Board appointed Mr. Saurabh Agrawal as an Additional (Non-Executive) Director of the Company effective August 10, 2017. Mr. Agrawal brings to the Board his extensive knowledge and experience in finance, strategy and capital markets.

The resolution for confirming the above appointment forms part of the Notice convening the Annual General Meeting ('**AGM**') scheduled to be held on July 20, 2018. We seek your support and hope you will enthusiastically vote in confirming Mr. Saurabh Agrawal's appointment to the Board.

Re-appointments

In terms of the provisions of the Act, Mr. N. Chandrasekaran will retire at the ensuing AGM and being eligible, seeks re-appointment. The Board recommends, seeks your support and hopes you will enthusiastically vote in confirming the re-appointment of Mr. N. Chandrasekaran.

During the year, based on the recommendations of Nomination and Remuneration Committee, the Board of Directors re-appointed Mr. Koushik Chatterjee as a Whole Time Director of the Company for a period of five years effective November 9, 2017. The re-appointment is subject to the approval of the Members of the Company at the ensuing AGM of the Company. The Board seeks your support and hopes you will enthusiastically vote in confirming the re-appointment of Mr. Koushik Chatterjee.

The profile and particulars of experience, attributes and skills that qualify the above Directors for the Board membership is disclosed in the Notice convening the AGM to be held on July 20, 2018.

Cessation

In accordance with the retirement policy applicable for the Company's Board, Mr. Ishaat Hussain and Mr. Andrew Robb retired from the Board effective September 1, 2017.

Mr. Hussain joined the Company in 1983 and has been a Member of the Board since July, 1989 and Mr. Robb joined the Tata Steel Board in 2007.

Mr. D. K. Mehrotra stepped down as a Member of the Board effective May 16, 2018. Mr. Mehrotra joined the Board as a Non-Executive Director on October 22, 2012.

The Board expresses its gratitude towards Mr. Hussain, Mr. Robb and Mr. Mehrotra for their contributions to the Company. The Board acknowledges that the Company has immensely benefitted from their profound knowledge and experience in the steel industry. The Board deeply appreciates Mr. Hussain's invaluable dedication and support throughout his tenure with the Company. The Board sincerely appreciates Mr. Robb's valued counsel and deep insights in the areas of Governance and Finance as well as his effective stewardship and expert supervision at Tata Steel Europe. The Board thanks Mr. Mehrotra for his contributions as a Director of the Company.

Leadership changes

Based on the recommendations of the Nomination and Remuneration Committee, the Board of Directors on October 30, 2017, elevated Mr. T. V. Narendran as the global Chief Executive Officer and Managing Director of Tata Steel. Prior to this elevation, Mr. Narendran was the Managing Director (India and South East Asia). The Board approved his elevation based on his track record of successfully executing and commissioning one of the largest greenfield projects in India, the Kalinganagar Steel Plant and enhancing its ability to deliver to higher value segments like steel for automobiles. Mr. Narendran's career in Tata Steel has spanned across many areas, in India and abroad – including, Marketing & Sales, International Trade, Supply Chain & Planning, Operations and General Management.

Further, based on the recommendations of the NRC, the Board of Directors also re-appointed Mr. Koushik Chatterjee as Whole-time Director for a period of 5 years effective November 9, 2017 and designated him as Executive Director and Chief Financial Officer. The Board approved the re-appointment of Mr. Koushik Chatterjee based on his significant contributions to the financial management of the Company and in view of the key role he has played in the re-organisation of Tata Steel Europe.

9. Key Managerial Personnel

Pursuant to Section 203 of the Companies Act, 2013, the Key Managerial Personnel of the Company are – Mr. T. V. Narendran, Chief Executive Officer and Managing Director, Mr. Koushik Chatterjee, Executive Director and Chief Financial Officer and Mr. Parvatheesam K, Company Secretary and Compliance Officer. During the year, there has been no change in the Key Managerial Personnel.

10. 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 met 5 times during the year, the details of which are given in the Corporate Governance Report. As on date of this report, the Committee comprises Mr. O. P. Bhatt (Chairman), Mr. Aman Mehta, Dr. Peter Blauwhoff and Mr. Saurabh Agrawal. All the members of the Committee have deep knowledge in accounts and finance.

11. Internal Control Systems and Internal Audit

The Board of Directors of the Company is responsible for ensuring that Internal Financial Controls have been laid down in the Company and that such controls are adequate and operating effectively. The foundation of Internal Financial Controls ('**IFC**') lies in the Tata Code of Conduct ('**TCoC**'), policies and procedures adopted by the Management, corporate strategies, annual business planning process, management reviews, management system certifications and the risk management framework.

The Company has an IFC framework, commensurate with the size, scale and complexity of its operations. The framework has been designed to provide reasonable assurance with respect to recording and providing reliable financial and operational information, complying with applicable laws, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance with corporate policies. The controls, based on the prevailing business conditions and processes have been tested during the year and no reportable material weakness in the design or effectiveness was observed. The framework on Internal Financial Controls over Financial Reporting has been reviewed by the internal and external auditors.

The Company uses various IT platforms to keep the IFC framework robust and our Information Management Policy governs these IT platforms. The systems, standard operating procedures and controls are implemented by the executive leadership team and are reviewed by the internal audit team whose findings and recommendations are placed before the Audit Committee.

The scope and authority of the Internal Audit function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports directly to the Chairman of the Audit Committee. The Internal Audit team develops an annual audit plan based on the risk profile of the business activities. The Internal Audit plan is approved by the Audit Committee, which also reviews compliance to the plan.

The Internal Audit team monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action(s) in their respective area(s) and thereby strengthen the controls. Significant audit observations and corrective action(s) thereon are presented to the Audit Committee.

The Audit Committee reviews the reports submitted by the Internal Auditors in each of its meeting. Also, the Audit Committee at frequent intervals has independent sessions with the external auditor and the Management to discuss the adequacy and effectiveness of internal financial controls.

12. Risk Management

Several factors such as advancements in technology, prevalent geo-political environment and stringent regulatory and environmental requirements have consequential impacts across the value chain of a business. These impacts are likely to continue and intensify over time and for a business to be sustainable, it needs to adapt to the environment by managing risks and opportunities in a systematic manner.

The Company follows a robust 5 step Enterprise Risk Management ('**ERM**') process to address the risks associated with its business. The ERM process is based on international standards such as ISO 31000 and Committee of Sponsoring Organisation of the Treadway Commission ('**COSO**') with inputs drawn from the best practices of leading companies across industries.

The ERM process aims to develop a 'Risk intelligent culture' within the Company to encourage risk informed business decision-making as well as resilience to adverse environment and to create awareness of opportunities in order to enhance the long-term stakeholder value.

To achieve the stated objectives, the Company has constituted a robust governance structure comprising three levels of risk management responsibilities viz. Risk Oversight, Risk Infrastructure and Risk Ownership.

- The Risk Oversight function consists of the Board, Risk Management Committee ('**RMC**') & Group Risk Review Committee ('**GRRC**') that provide guidance for implementing the ERM framework and policy across the organisation.

  The RMC assists the Board in developing and revising the risk management plan for the Company and reviewing and guiding the risk management policy. The RMC periodically reviews key risks to the Tata Steel Group and actions deployed by the Management with respect to their identification, impact assessment, mitigation and monitoring.

  GRRC is a Management Committee comprising Senior Management personnel as its members. The GRRC has the primary responsibility of implementing the Risk Management Policy of the Company and achieving the stated objective of developing a risk intelligent culture that helps ameliorate the Company's performance.

- The Company has a dedicated ERM unit to successfully deploy and maintain the ERM framework across business units. The ERM unit is led by Group Head – Corporate Finance & Risk Management, who acts as the Chief Risk Officer ('**CRO**') of the Company.

- The responsibility of tracking and monitoring the key risks of the division periodically and implementing suitable mitigation plans proactively is with the senior executives of various functional units. These risk owners are expected to avoid any undue deviations or adverse events and ultimately help in creating value for the business.

- In addition to the above, the ERM process is also integrated with other core processes of the Company such as strategy & planning, capital allocation, internal audit etc. to not only reduce risk but also embrace opportunities, thereby creating hallmark of a risk intelligent culture. Risks identified through the ERM process are used as inputs in the strategy & planning process while risk assessment of capital allocation and key investment proposals for organic and inorganic growth ensure risk informed decision making. Similarly, integration with internal audit assures that the risk management and internal control framework is operating effectively.

During the year, the Company undertook multiple initiatives to strengthen, widen and deepen the scope and coverage of the ERM process across the Company. Various analytical tools were introduced for assessment of risks. The ERM process was rolled out to domestic and overseas subsidiaries. An in-house digital platform which facilitates real time reporting, data mining and escalation mechanisms across the Enterprise was successfully deployed. Various training and communication programmes were conducted to enhance skillsets and to help create a risk aware culture across the organisation.

The Board is happy to report that the Company has won the award for 'Best Risk Management Framework & Systems' in Metals & Mining category and also in the category 'Firm of the year: Risk Governance' at the '4th India Risk Management Awards 2018' organised by ICICI Lombard & CNBC-TV18. These awards are a testimony to the Company's commitment towards ensuring a risk intelligent culture.

13. Vigil Mechanism

Commitment towards highest moral and ethical standards in the conduct of business is of utmost importance to the Company. To advance standards of ethical practices, the Company has deployed the Management of Business Ethics ('**MBE**') across the organisation through a well-defined Framework. The Company has adopted the Tata Code of Conduct ('**TCoC**') which is driven by five core values – Unity, Integrity, Responsibility, Understanding and Excellence.

The Company also has a Vigil Mechanism that provides a formal mechanism for all Directors, employees and vendors to approach the Ethics Counselor/Chairman of the Audit Committee and make protective disclosures about the unethical behaviour, actual or suspected fraud or violation of the TCoC.

The Vigil Mechanism comprises 3 policies viz. the Whistle Blower Policy for Directors & Employees, Whistle Blower Policy for Vendors and Whistle Blower Reward and Recognition Policy for Employees. The same is available on our website www.tatasteel.com

The Whistle Blower Policy for Directors & Employees is an extension of the TCoC that requires every Director or employee to promptly report to the Management any actual or possible violation of the TCoC or any event wherein he or she becomes aware of that which could affect the business or reputation of the Company.

The Whistle Blower Policy for Vendors provides protection to vendors from any victimisation or unfair trade practices by the Company.

The Whistle Blower Reward and Recognition Policy for Employees has been implemented in order 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, the Company undertook a series of communication and training programmes for internal and external stakeholders, with the aim to create awareness of Tata values, TCoC and other ethical practices of the Company. The Company started various theme based campaigns, round table discussions and departmental events. 'Neeti Katha' i.e. storytelling through snippet series were mailed to employees as part of the awareness campaign. Each snippet consisted of a short story based on situations related with accepting of gifts and hospitality from business associates. The Company also celebrates the month of July as Ethics Month. This practice has helped in reinforcing employee involvement and passion in driving the Management of Business Ethics.

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

Tata Steel has been recognised as the World's Most Ethical company by Ethisphere Institute for the sixth time and has the distinction of being the only Indian Company to win the Award in Metals, Minerals & Mining sector.

During the year, the Company received 372 whistle-blower complaints of which 316 were investigated and appropriate action was taken. Investigations are underway for the remaining complaints.

14. Related Party Transactions

During the year, 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 and all contracts were at arms length and in ordinary course of business.

Accordingly, particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act along with the justification for entering into such contracts or arrangements in Form AOC-2 does not form part of the report.

15. 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 and 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 thereunder.

During the year, the Company received 24 complaints of sexual harassment, out of which 16 complaints have been resolved by taking appropriate actions. The remaining 8 complaints are under investigation.

16. Directors' Responsibility Statement

Based on the framework of internal financial controls 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 2017-18.

Accordingly, pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability confirm:

a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;

b) that we 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) that proper and sufficient care has been taken 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) that the annual accounts have been prepared on a going concern basis;

e) that proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively; and

f) that proper internal financial controls were laid down and that such internal financial controls are adequate and were operating effectively.

17. 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 environmental and social initiatives undertaken by the Company. Further, SEBI has on February 6, 2017 advised companies that Integrated Reporting may be adopted on a voluntary basis from the Financial Year 2017-18 by top 500 companies which are required to prepare BRR.

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 we use 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 Business Responsibility Report as prescribed by SEBI. The same is available on our website www.tatasteel.com

18. Subsidiaries, Joint Ventures and Associates

The Company has 244 subsidiaries and 64 associate companies (including 30 joint ventures) as on March 31, 2018. During the year, the Board of Directors reviewed the affairs of material subsidiaries. We have, in accordance with Section 129(3) of the Companies Act, 2013 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 the Financial Statements in the prescribed Form AOC-1 is annexed to this report (**Annexure 8**).

In accordance with the provisions of Section 136 of the Companies Act, 2013 and the amendments thereto, the audited Financial Statements, including the consolidated financial statements and related information of the Company and financial statements of the subsidiary companies will be available on our website www.tatasteel.com These documents will also be available for inspection during business hours at the Registered Office of the Company.

The names of companies that have become or ceased to be subsidiaries, joint ventures and associates during the year are disclosed in the annexure to this report (**Annexure 9**).

19. Auditors

Statutory Auditors

Members of the Company at the Annual General Meeting ('**AGM**') held on August 8, 2017, approved the appointment of Price Waterhouse & Co Chartered Accountants LLP ('**PW**'), Chartered Accountants, as the statutory auditors of the Company for a period of five years commencing from the conclusion of the 110th Annual General Meeting held on August 8, 2017 until the conclusion of 115th Annual General Meeting of the Company to be held in the year 2022.

PW has audited the book of accounts of the Company for the Financial Year ended March 31, 2018 and have issued the Auditors' Report thereon. There are no qualifications or reservations or adverse remarks or disclaimers in the said Report.

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. However, PW has confirmed that they are eligible to continue as Statutory Auditors of the Company to audit the books of accounts of the Company for the Financial Year ending March 31, 2019 and accordingly PW will continue to be the Statutory Auditors of the Company for Financial Year ending March 31, 2019.

Cost Auditors

In terms of Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a Cost Accountant. In this connection, 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 for the year ending March 31, 2019.

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 approving the proposed remuneration of ₹18 lakh plus applicable taxes and out-of-pocket expenses payable to the Cost Auditors for the Financial Year ending March 31, 2019.

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.

The Cost Audit Report of the Company for the Financial Year ended March 31, 2017 was filed in XBRL mode by the Company on September 1, 2017.

Secretarial Auditors

Section 204 of the Companies Act, 2013 inter-alia requires every listed company to annex with its Board's report, a Secretarial Audit Report given by a Company Secretary in practice, in the prescribed form.

The Board appointed Parikh & Associates, practicing Company Secretaries, as Secretarial Auditor to conduct Secretarial Audit of the Company for the Financial Year 2017-18 and their report is annexed to this report (**Annexure 10**). There are no qualifications or reservations or adverse remarks or disclaimers in the said Report.

The Board has also appointed Parikh & Associates as Secretarial Auditor to conduct Secretarial Audit of the Company for Financial Year 2018-19.

20. Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 as per provisions of the Companies Act, 2013 and Rules thereto are annexed to this report (**Annexure 11**).

21. Significant and Material Orders passed by the Regulators or Court

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

Further, the Securities and Exchange Board of India vide adjudication order dated December 7, 2017, imposed a penalty of ₹10 lakh on the Company for delayed disclosures under the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, in relation to the Company's shareholding in The Tinplate Company of India Limited pursuant to rights issue of shares in 2009 and the automatic conversion of fully convertible debentures in 2011. The penalty has been paid by the Company.

22. Particulars of Loans, Guarantees or Investments

Particulars of loans, guarantees given and investments made during the year in accordance with Section 186 of the Companies Act, 2013 is annexed to this report (**Annexure 12**).

23. 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 13**).

24. Deposits

During the year, the Company has not accepted any public deposits under the Companies Act, 2013.

25. 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.

J. 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 where we have operations and other government agencies for their support and look forward to their continued support in the future.

On behalf of the Board of Directors

sd/-
N. CHANDRASEKARAN
Chairman
DIN: 00121863

Mumbai
May 16, 2018

TATA STEEL

Declaration regarding Compliance by Board Members and Senior Management Personnel with the Code of Conduct

This is to confirm that the Company has adopted the Tata Code of Conduct for its employees including the Managing Director and the Whole-time Directors. In addition, the Company has adopted the Tata Code of Conduct for the Non-Executive Directors. Both these Codes are available on the Company's website www.tatasteel.com

I confirm that the Company has in respect of the Financial Year ended March 31, 2018, received from the Senior Management Team of the Company and the Members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Members of the Management one level below the Chief Executive Officer and Managing Director as on March 31, 2018.

sd/-
T. V. NARENDRAN
Chief Executive Officer and Managing Director
DIN: 03083605

Mumbai
May 16, 2018