

## The British Steel Pension Scheme with Tata Steel UK as Sponsor has completed a substantial part of its de-risking journey with 60% of its liabilities now insured by an insurance company

**Mumbai, January 13, 2023:** In December 2022, the British Steel Pension Scheme (BSPS) Trustee, has transacted a third buy-in policy with Legal & General, under which around 30% of liabilities (~£2 billion) were insured, bringing the total insured to around 60%. The buy-in insurance policies purchased using existing assets of the scheme, are held as long-term investments of the Scheme and have the advantage of perfectly matching a proportion of the liabilities, thereby de-risking the scheme from potential future mismatch between asset and liability values with changes in market variables. As of 30 September 2022, the BSPS represented a net surplus in the Tata Steel balance sheet of ~£1.5 billion. During the period of unprecedented interest rate volatility in the UK in September-October 2022, the BSPS funding level actually improved, and it had sufficient collateral to maintain its interest rate and inflation hedges. Overall, the scheme continues to have a healthy surplus and its risk position has improved since its restructuring in 2018, and quarter-on-quarter.

The BSPS Trustee previously entered into buy-in policies with Legal & General in November 2021 and May 2022 to insure 5% and 25% of liabilities respectively (totaling about ~£2.8 billion). Tata Steel UK is fully supportive of the Trustee having secured insurance cover of the scheme's liabilities and expects that a residual buy-in for the remaining ~40% of liabilities will be completed in the first half of calendar 2023, depending on market conditions. With full insurance buy-in completed, the scheme and in turn Tata Steel UK will be fully covered against any funding shortfalls arising from changes in underlying conditions or market variables in future.

With each buy-in, a portion of the accounting surplus has been "utilized" to secure insurance for the scheme. In addition, changes in interest rates (along with changes in credit spreads and other actuarial assumptions) also results in changes in the discounted present value of assets and liabilities. Accordingly, in line with previous quarters, there will be a non-cash deferred tax charge in the profit and loss related to the reduction in the pensions surplus (which is recorded under other comprehensive income). We expect the same accounting treatment for the residual buy in transaction for the scheme liabilities.

The BSPS is an independent fund with a team managed by its own board of Trustees, separate from Tata Steel UK. Earlier in 2022, the Trustee appointed Legal & General Investment Management (LGIM) to manage the combined assets of the Scheme, bringing additional skills and expertise as the scheme approaches full buy-in.

### About Tata Steel

Tata Steel group is among the top global steel companies with an annual crude steel capacity of 34 million tonnes per annum. It is one of the world's most geographically diversified steel producers, with operations and commercial presence across the world. The group recorded a consolidated turnover of US \$ 32.83 billion in the financial year ending March 31, 2022.

**A Great Place to Work-Certified™** organisation, Tata Steel Limited, together with its subsidiaries, associates, and joint ventures, is spread across five continents with an employee base of over 65,000. Tata Steel has been a part of the DJSI Emerging Markets Index since 2012 and has been consistently ranked amongst top 10 steel companies in the DJSI Corporate Sustainability Assessment since 2016. Besides being a member of ResponsibleSteel™, worldsteel's Climate Action Programme and World Economic Forum's Global

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Parity Alliance, Tata Steel has won several awards and recognitions including the World Economic Forum's Global Lighthouse recognition for its Jamshedpur, Kalinganagar and IJmuiden Plants, and Prime Minister's Trophy for the best performing integrated steel plant for 2016-17. The Company, ranked as India's most valuable Metals & Mining brand by Brand Finance, featured amongst CII Top 25 innovative Indian Companies in 2021 and top 10 sustainable organisations of India Hurun Research Institute in the 2021 Capri Global Capital Hurun India Impact 50, received Steel Sustainability Champion recognition from worldsteel for five years in a row, 'Most Ethical Company' award 2021 from Ethisphere Institute, RIMS India ERM Award of Distinction 2021, Masters of Risk - Metals & Mining Sector recognition at The India Risk Management Awards for the sixth consecutive year, and Award for Excellence in Financial Reporting FY20 from ICAI, among several others.

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