

Corporate External Social Programme Management Policy

Moscow
2013

INTRODUCTION

Social programmes supporting sustainable development of our regions are a key priority of Severstal Corporate Social Responsibility Policy. Our external social policy is defined in our foundational principle, which is reflected in our slogan: Achieve More Together. Together with government authorities and local communities, we address pressing social issues, invest in social and cultural infrastructures of the regions where we work, and help to create favorable social environment for implementation of our long-term development strategy.

1. GENERAL PROVISIONS

This Policy defines a single set of goals, principles and key areas for the design and implementation of external social programs by all our businesses and departments.

1.1. Our External Social Programme Management Policy relies on our mission, strategy and values, and on provisions of Severstal Corporate Social Responsibility Policy¹.

1.2. This Policy focuses on improving the efficiency of our external social programmes, ensuring productive collaboration with stakeholders on pressing social issues, and improving our reputation.

1.3. This Policy complies with applicable laws of the Russian Federation, with our Charter and other internal regulations.

2. SCOPE

2.1. This Policy defines the objectives and key areas of focus for our external social programmes.

2.1. This Policy is recommended for use by all affiliates and subsidiaries of Severstal.

2.3. This Policy defines key stakeholders of our external social programmes.

3. OBJECTIVES, PRINCIPLES AND KEY AREAS OF FOCUS FOR EXTERNAL SOCIAL PROGRAMMES

3.1. Our external social programmes focus on the following:

- Development of social and economic potential of our regions; positive contribution to the quality of life of our employees and local communities
- Support for culture
- Reinforcement of our corporate culture through involvement of employees in

¹ Corporate Social Responsibility Policy of OAO Severstal effective 16.12.2013.

implementation of important social projects

- Reinforcement of our reputation as a socially responsible company
- Promotion of the latest standards in corporate social responsibility

We set our targets in these areas in our medium-term and long-term plans in alignment with our general strategic priorities and our priorities in regional development.

3.2. Design and Implementation Principles for External Social Programmes:

- Respect for people and for social and cultural traditions of our regions
- Partnership with local communities and government authorities
 - Alignment of social programmes with strategic priorities of our core business and the values of our corporate culture
- Balance of nationwide, regional and international projects, and understanding of individual aspects of social environment in our individual businesses
 - Efficient and transparent management of social programmes
 - Consideration for stakeholder opinions
 - Employee involvement: our people contribute to design and implementation of our external social programmes
 - Continuous improvement: ongoing monitoring and adjustment of external social programmes

3.3. Common Forms of Our External Social Programmes:

- Sponsorship: a contribution (provision of money or property, provision of services or performance of work) to a third-party entity or individual in exchange for their promotion of sponsor's brand
 - Charity: voluntary and gratuitous provision of money or property, performance of work, provision of services, or other support extended by Severstal to third-party entities or individuals
 - Participation in social programmes in form of trilateral cooperation of government authorities, businesses and non-governmental organisations
 - Informational and educational activities

4. POLICY IMPLEMENTATION

4.1. Key Stages of External Social Programme Management

- Design
- Planning and Budgeting
- Programme implementation and marketing, and coordination of federal and corporate projects and programmes delivered by non-profit organisations and our partners

- Monitoring
- Programme adjustment and development

4.2. Organizational Structure of External Social Programme Management

- Corporate level (CSR Department) plans and budgets corporate external social programmes, defines corporate priorities, designs strategy and tactics for implementation of our CSR policy, and supports individuals responsible external social project management in our businesses.

- Divisional level (Divisional CEO) plans and budgets external social programmes for individual businesses of a particular division.

- Local level (departments appointed by CEOs of individual businesses) implements our social policy and coordinates projects and programmes delivered by non-profit organisations and our other partners.

4.3. Policy Implementation Tools:

- Evaluation of existing programmes portfolio against our strategic priorities and our priorities in cooperation with government authorities and communities, which are reflected in our Social and Economic Agreements with local administrations

- Identification of key stakeholders according to international standards of stakeholder engagement

- Identification of priorities and key performance indicators, selection of projects and partners according to ISO 26000 international standard, Guidance on Social Responsibility

- Innovative social project management technologies (social project management, intersectoral collaboration, competitive selection of social and cultural projects, volunteering)

- Development of competencies required for efficient management of external social programmes

- Evaluation of social projects against key performance indicators (results versus objectives, costs versus coverage of targeted social groups, engagement of employees and external stakeholders, evidence of long-term effect, opportunity to replicate the same experience in other businesses and regions, community recognition, quality of reporting)²

² This list of key performance indicators is based on international standards and best practices, and is preliminary in nature. We expect to test and adjust these indicators as necessary in 2013. This project relies on principles and methods of the Business System of Severstal.

- Social responsibility reports (sustainable development reports) meeting GRI guidelines and consistent with recommendations of RSPP and World Steel Association
- Corporate Standard for the Management of Sponsorships and Charitable Activities