

New edition
APPROVED:
by the Board of Directors
of Public Joint Stock Company “Severstal”
on 23 April 2020
(MINUTES № 2/2020 dated 23 April 2020)

Regulations for the committees of the Board of Directors of Public Joint Stock Company “Severstal”

1. GENERAL PROVISIONS

1.1 These Regulations for the committees of the Board of Directors (*Regulations*) of the Public Joint Stock Company “Severstal” (*Company*) have been developed in accordance with the requirements of applicable Russian law, the Charter and internal regulations of the Company, recommendations of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21 March 2014 and the UK Corporate Governance Code published by the Financial Reporting Council, as well as listing rules of the Russian and foreign stock exchanges.

1.2 The Regulations set out the procedure for the creation and operation of the committees of the Board of Directors.

1.3 The committees will be consultative and advisory bodies intended for dealing with issues raised by the Board of Directors. The committees may not act on behalf of the Board of Directors, they are not management bodies of the Company and are not vested with any powers in relation to managing the Company.

Committee election procedure

1.4 The Board of Directors will elect members to a committee by a majority of votes cast at a Board meeting by all members present at the Board meeting. When electing committee members, the Board of Directors will take into account, to the extent possible, the requirements that apply to members of that particular committee. One and the same Board member may be elected to more than one committee; however, the Board will take into account whether the proposed Board member has the capacity and time for performing the functions of a member in several committees.

1.5 Committee members will be elected for a period of time ending at the time when their powers are terminated by the Board of Directors. The Board of Directors may terminate the powers of one or more committee members; this will not lead to termination of their authorities as a member of the Board of Directors. The persons elected to the committees may be re-elected to the office an unlimited number of times.

1.6 A member of the relevant committee may be elected as the Head of a committee (Committee Chair) by the Board of Directors, by a majority of Board members present at the relevant meeting. The Board of Directors may re-elect the Chair of any committee at any time. Unless otherwise provided for by these Regulations, only Independent Directors (hereinafter the term is used as defined in the Corporate Governance Code of the Company) can act as Committee Chair. One and the same person may be the Chair of more than one Committee.

Procedure for convening and holding committee meetings

1.7 Committee meetings will be held as and when necessary, but in any case, at least three times every year. A committee meeting may be held either by joint attendance of its members or by absentee vote (by telephone, video conference etc).

1.8 A Committee Chair will convene committee meetings at his or her own initiative and when requested by any member of the relevant committee notifying the Corporate Secretary of the planned meeting reasonably in advance. Any Board member who is not a member of the committee, or any executive body or the Company's officer responsible for organisation of and conducting internal audit (Head of Internal Audit Department) or the Company's auditor may request the Committee Chair to procure that the committee will consider a matter at a meeting. Such a request may be reviewed at the next scheduled meeting or at a specially convened committee meeting.

1.9 Any member of the Board of Directors has a right to attend a meeting of any committee, irrespective of whether he or she is a member of the relevant committee. The Corporate Secretary will notify all the members of the Board of Directors of time, place and agenda of a committee meeting reasonably in advance of the relevant meeting.

1.10 A committee meeting will be valid (quorate) if attended by at least half of that committee's members. Whether a meeting is quorate or not will be established by the Chair of that committee when the meeting is opened.

1.11 A committee will make a decision by a majority vote of all committee members who take part in the meeting. Each committee member will have one vote, and the Committee Chair will have no casting vote in the event of a tied vote.

1.12 The minutes of the meeting will be prepared by the Company's Corporate Secretary and approved and signed by the Chair of the relevant committee within five business days following the date of the meeting, whether held by joint attendance or by absentee vote.

1.13 The committee minutes will include:

- the date, time and venue of the meeting;
- a list of committee members who took part in the meeting, a list of other persons in attendance at the meeting and the form in which the meeting was held;
- the agenda; and
- the decisions made at the meeting.

Committee minutes will be executed in two counterparts and held by the Company's Corporate Secretary. A copy of the minutes will be delivered to any Board member of the Company (including upon request those directors who are not members of the relevant committee).

Miscellaneous

1.14 Expenses incurred by committees in the course of their operations will be regarded as expenses of the Board of Directors and they will be reimbursed in accordance with the procedure established for reimbursing expenses of the Board of Directors. As and when necessary, the committees may engage experts having the required professional knowledge to assist in their work.

1.15 The Board of Directors may resolve to establish other permanent or ad hoc committees in addition to the Audit Committee, Remuneration and Nomination Committee and Health, Safety and Environmental Committee described below.

1.16 The Chairs of the Board committees will report to the Board of Directors on their work and the work of their committees on a regular basis. Information on the activities of the Board committees will be published as a separate part of the Company's Annual Report.

2. AUDIT COMMITTEE

2.1 The Audit Committee will ensure that the Board of Directors supervises the financial performance and business operations of the Company, including monitoring the status (effectiveness and efficiency) of the Company's risk management, internal control and corporate governance systems.

2.2 The objective of the Audit Committee is to assist the Board of Directors in:

- (a) monitoring the timeliness, completeness, accuracy and reliability of financial and other reporting, its preparation and submission process; and
- (b) monitoring the reliability and effectiveness of the risk management, internal control and corporate governance systems.

2.3 The Audit Committee will consist of three Independent Directors. At least one member of the Audit Committee will have recent (relevant and sufficient) experience in financial matters, as well as skills reasonably required for accounting (financial) statements, business risk analysis and financial management skills.

2.4 The Audit Committee may invite to its meetings, as appropriate, any officers of the Company, the Head of the Internal Audit Department and representatives of the external auditor of the Company, as well as retain, on a permanent or temporary basis, independent consultants (experts) who will participate in the work of the Audit Committee for the purpose of preparing materials and recommendations in relation to any matters included in the agenda.

2.5 The Audit Committee will carry out the following functions:

2.5.1 in relation to accounting (financial) statements:

- (a) oversight of the completeness, accuracy and reliability of the Company's accounting (financial) statements;
- (b) analysis of the material aspects of accounting policies of the Company;
- (c) participation in consideration of material issues and judgments in relation to the Company's accounting (financial) statements;
- (d) review of the Company's interim accounting (financial) statements and analysis of changes in accounting policies and practices as well as material adjustments made on the basis of audit findings;
- (e) review of the Company's annual accounting (financial) statements and other published information prior to its submission for approval to the Board of Directors and its publication;
- (f) review of any official statements relating to the Company's financial and non-financial performance and any judgments concerning material aspects of the accounting (financial) and non-financial reporting;
- (g) review of any material changes in legislation affecting the Company's accounting (financial) statements and any findings of supervisory authorities and court proceedings;

2.5.2 in relation to risk management, internal control and corporate governance:

- (a) oversight over reliability and the effectiveness of the risk management and internal control system and the corporate governance system, including evaluation of the effectiveness of risk management and internal control procedures, and corporate governance practices as well as preparation of proposals for their improvement;
- (b) analysis and evaluation of implementation of policies relating to risk management and internal control;
- (c) oversight over procedures that ensure the compliance by the Company with the requirements of law and ethical standards, rules, and procedures of the Company, and requirements of stock exchanges;
- (d) review and evaluation of implementation of policies relating to the management of conflicts of interest;

2.5.3 in relation to internal and external audits:

- (a) ensuring the independence and objectivity of the internal and external audit functions;
- (b) review of the regulations on internal auditing;
- (c) review of the proposed plan of work of the Internal Audit Department, ensuring that its scope is unrestricted;
- (d) discussion of the authority and budget of the Internal Audit Department to ensure that it can carry out its role effectively;

(e) assisting in consideration of issues relating to the appointment (dismissal) of the Head of the Internal Audit Department and provide input on his/her performance and remuneration;

(f) evaluation of the effectiveness of the internal audit function;

(g) evaluation of potential candidates to be the external auditor of the Company, development of proposals for the Board of Directors on the appointment, re-election and dismissal of the external auditor, on payment for their services, the maximum amount of the external auditor's fees; and the terms and conditions of their engagement;

(h) ensuring efficient cooperation between the Internal Audit Department and the external auditor of the Company;

(i) development and recommendation to the Board of Directors a policy for auditors supplying non-audit services, taking into account relevant ethical restrictions applicable to such activities, and informing the Board of Directors of any events that require their involvement, and provide recommendations as to the actions necessary to provide a remedy;

(j) provide oversight over the scope and results of the auditor's work (including an evaluation of audit quality) and monitor the independence of the external auditor, taking into account the applicable requirements of professional and regulatory bodies in Russia and the UK;

2.5.4 in relation to prevention of fraudulent or corrupt actions on the part of the Company's employees and third parties:

(a) oversight over the effectiveness of a system of warnings about potential fraudulent or corrupt actions on the part of any of the Company's employees and third parties, as well as any other violations in the Company's activities; and actions taken by the Company's executive management;

(b) oversight over special investigations relating to potential fraud or misuse of insider or confidential information;

(c) oversight over implementation of measures taken by the executive management of the Company in connection with the receipt of information about potential fraudulent or corrupt actions on the part of any of the Company's employees and other potential violations.

An evaluation of the auditor's work prepared by the Audit Committee will be presented as materials to the Annual General Meeting of Shareholders of the Company.

3. REMUNERATION AND NOMINATION COMMITTEE

3.1 The Remuneration and Nomination Committee will seek to assist the Company in engaging qualified staff to manage the Company and create appropriate incentives for them to assist in ensuring their successful work in the Company.

3.2 The Remuneration and Nomination Committee will consist of three Independent Directors.

3.3 The Remuneration and Nomination Committee will carry out the following functions:

- (a) evaluation of the composition of the Board of Directors in terms of professional expertise, experience, independence, and involvement of its members in the work of the Board, as well as determining priority areas for improving the composition of the Board;
- (b) develop general recommendations for the Board of Directors regarding selection of nominees to the Board of Directors, proposed by the Board of Directors;
- (c) conduct preliminary evaluation of potential nominees to the Board of Directors, proposed by the Board of Directors, and provide the Board of Directors with recommendations regarding such nominees;
- (d) inform the Board of Directors of any potential nominees to the Board of Directors it is aware of and recommend individual persons for nomination or election to the Board of Directors;
- (e) issue an opinion as to whether a person nominated to the Board of Directors qualifies as an Independent Director;
- (f) interact with the Company's shareholders, not to be limited to the major shareholders, to develop recommendations for the shareholders in relation to the voting on the election of candidates to the Company's Board of Directors;
- (g) conduct an annual detailed formal self-assessment or external assessment of effectiveness of the Company's Board of Directors and its members, as well as the committees of the Board of Directors from the standpoint of their performance as a whole and individual contributions of directors to the work of the Board of Directors and its committees, determine priority areas to strengthen the capability of the Company's Board of Directors, drafting recommendations for the Board of Directors on improving proceedings of the Board and its committees, preparing a report on the results of such self-evaluation or external evaluation, which will be included in the Company's Annual Report;
- (h) plan future appointments of personnel, whilst ensuring due succession, and the Company's Sole executive body; make recommendations for the Board of Directors on candidates for the position of Corporate Secretary, members of the Company's executive bodies and other key executives;
- (i) develop the system of remuneration and other payments made by the Company or at the Company's expense (including life and health insurance, pension plans) to Board members of the Company based on personal contributions of its members towards the achievement of the Company's strategic objectives;
- (j) develop and periodically revise the Company's policy on the nomination and remuneration of members of the Board of Directors and Sole executive body of the Company, monitor its implementation and execution;
- (k) review the performance of Board members including whether it is advisable to nominate a Board member for another term in office;

- (l) provide the Board of Directors with recommendations regarding the material terms of the contract with the Company's Sole executive body;
- (m) establish the terms and conditions for the early termination of the labour contract with the Company's Sole executive body, taking into account, as appropriate, the material liabilities of the Company;
- (n) conduct a preliminary evaluation of the Company's executive bodies' performance based on annual results in accordance with the Company's remuneration policy;
- (o) develop recommendations for the Board of Directors regarding the determination of the amount of remuneration and bonus principles for the Company's Corporate Secretary;
- (p) review information furnished by Board members, which will be disclosed in accordance with the existing legislation or the Charter, with a view to establishing whether such Board members are interested in any decisions of the Company, as well as information related to the circumstances preventing the aforementioned officers from efficiently discharging their duties as members of the Board and circumstances entailing the loss of independence as a member of the Board of Directors;
- (q) analyse the state of the Company's corporate culture on a regular basis, review available tools for its evaluation and results of their use, as well as prepare proposals for their improvement.

4. HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

4.1 The Health, Safety and Environmental Committee will assist the Board in obtaining assurance that appropriate systems are in place to deal with the management of health, safety and environmental risks.

4.2 The Health, Safety and Environmental Committee will comprise at least five members. At least two members of the Health, Safety and Environmental Committee (including Chair of the Committee) will be Independent Directors.

4.3 The Health, Safety and Environmental Committee will carry out the following functions:

- (a) advise the Board of Directors on safety policy and the establishment of safety procedures including the reporting system to the Company's executive body and through the executive body to the Board of Directors;
- (b) review the safety performance of the Company and its constituent parts against targets as established either by the Company's Board of Directors or its executive body;
- (c) review major safety incidents and advise on lessons learnt and/or sanctions to be applied;
- (d) initiate and review comparisons with best safety and environmental practice;

- (e) advise the Board of Directors on environmental policies, the establishment of procedures and practices and the reporting system on environmental performance to the Company's executive body and through the executive body to the Board of Directors;
- (f) review the environmental performance of the Company and its constituent parts against targets established by the Board of Directors or its executive body, as well as compliance with legal obligations or objectives and restrictions set by the authorities;
- (g) review major environmental incidents or breaches of compliance and advise on lessons learnt and/or sanctions to be applied;
- (h) review climate change issues within the context of the Company's activities and efficient management of existing risks and opportunities, oversee implementation of a climate strategy and the management's plans, and also advise on measures aimed at identification and mitigation of risks related to climate change.

5. AMENDMENTS

5.1 These Regulations can be amended or restated by the Board of Directors.

5.2 Where any provision of these Regulations is in conflict with applicable laws of the Russian Federation, the appropriate provisions of applicable laws of the Russian Federation shall prevail.