

New edition
APPROVED
by the Board of Directors of
Public Joint Stock Company “Severstal”
on 4 February 2019
(Minutes № 1/2019 dated 4 February 2019)

Corporate Governance Code of Public Joint Stock Company “Severstal”

1. GENERAL PROVISIONS

This Corporate Governance Code (the *Code*) of Public Joint Stock Company “Severstal” (the *Company*) is aimed at protecting the rights and lawful interests of all shareholders irrespective of the size of their shareholding.

This Code adheres to 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, which is a recommended guideline for the companies listed on the London Stock Exchange.

2. CORPORATE GOVERNANCE PRINCIPLES

In the conduct of its business the Company adheres to the following main principles of corporate governance:

- The Company intends to implement efficient and transparent mechanisms for guaranteeing its shareholders’ rights and interests conferred by law, the Company’s Charter and other regulatory documents, and also those recommended by international corporate governance standards.
- The Company maintains a policy of equal treatment to all shareholders irrespective of the size of their shareholding, their nationality or jurisdiction.
- The Company intends to guarantee implementation of its shareholders’ rights to participate in the Company’s governance by providing the shareholders with the right to participate in the meetings, vote on meeting agendas and obtain timely information about the Company’s operations, its management bodies and supervisory/auditing bodies.
- The Company intends to maintain high quality engagement with all our stakeholders, including customers, suppliers, workforce and communities.

- The Company regards increasing the market value of its shares (capitalisation) as one of its principal goals.

It is the Company's policy to respect the rights of other entities that have lawful interests in relation to the Company, including the Company's creditors and employees that are conferred by law, the Charter and other regulatory documents of the Company.

The Company provides appropriate insurance cover for the liability of members of its Board of Directors, General Director and other senior executives of the Company.

In the conduct of its business the Company maintains a policy of information openness and transparency and compliance with the rules of business ethics and seeks to ensure compliance with applicable laws and international corporate governance standards.

3. GENERAL MEETING OF SHAREHOLDERS

The Company's shareholders exercise their rights through participation in General Meetings of Shareholders and the right to vote on all issues they are competent to vote on.

The Company's shareholders are entitled to receive regular and timely information about the Company's operations so as to make decisions regarding their shareholding and exercise their shareholders' rights; the scope of such information, and the procedure for and the terms and conditions of providing such information are prescribed by regulatory acts of the Russian Federation, the Charter and internal documents of the Company and rules of the stock exchanges on which the Company's securities are listed. Such information includes the following:

- transactions that can have a material effect upon the Company's financial results;
- facts and events that are of material importance for the Company;
- any Company's obligations to the third parties, the failure to perform which may cause a reduction in the value of the Company's shares;
- an increase or reduction of the Company's share capital.

Notice of a General Meeting of Shareholders will be given in accordance with the applicable law or the Company's Charter but in any event no later than 30 days before its scheduled date.

Preparation for and the conduct of the Company's General Meeting of Shareholders are provided for by the Company's Regulations for the General Meeting of Shareholders.

4. BOARD OF DIRECTORS

4.1. General

The Board of Directors is responsible for the general management of the Company's operations, including implementation of its development strategy and efficient monitoring of its financial and business operations.

The principal objective of the Board of Directors is to fulfill, in good faith and competently, its obligations to run the Company in such a manner as to ensure an increase in the market value of

the Company's shares (in the medium and long term) and shareholders' wealth and protection of shareholder rights and enable shareholders to exercise their rights.

The Board of Directors bases its decisions on the need to act in the best interest of the entire Company and to be fair to all shareholders, secures conditions for shareholders to exercise their rights, and it may not give preference to the interests of any individual shareholder or group of shareholders.

The Board of Directors is responsible for the proper functioning of the system for disclosure and dissemination of information about the Company's operations and for implementation of the Company's information policy.

The competence of the Board of Directors includes, inter alia, the following matters:

- (a) establishing the priority areas of the Company's operations and strategy;
- (b) review of the consolidated budget of the Company's Group of Companies and making recommendations for such a budget;
- (c) review of the nomination and remuneration policy applicable to the Company's senior executives, including its General Director, and making recommendations regarding such policy;
- (d) granting consent to conclusion or subsequent approval of transactions with an amount exceeding 10 per cent of the book value of the Company's assets at the date of decision to enter into such transactions; and
- (e) granting consent to conclusion or subsequent approval of transactions to acquire (i) shares or participation interests or rights to manage such shares or participation interests or (ii) fixed or intangible assets if the amount of the transaction specified in sub-clauses (i) or (ii) above exceeds the equivalent of US\$500 million.

A resolution on the matters set out in clauses (d) and (e) above requires a 2/3 majority vote of the elected members of the Board of Directors excluding the votes of retired members.

The Company's Charter contains a full list of matters within the competence of the Company's Board of Directors.

4.2. Composition of the Board of Directors

The Board of Directors is comprised of 10 members.

The Company's General Director may not be Chairman of the Board of Directors.

A member of the Company's executive bodies and its senior executives may sit on its Board of Directors. No member of the Company's Board of Directors may sit on its Counting Commission.

The Board of Directors will decide who of its members is independent in character and judgment (i.e., in relation to such members there are no circumstances which are likely to affect their judgment) (an **Independent Director**). Independent directors will constitute at least half of the Board's members.

An Independent Director is a member of the Board of Directors having sufficient qualification, experience and independence to form his or her own opinion and able to make objective and bona fide judgments that are not affected by the executive bodies of the Company, certain groups of shareholders or other stakeholders, and who is not associated with the Company, government, principal shareholder or any competitor of the Company.

The Board of Directors may recognise a member of the Board of Directors as independent although such a member may have any formal criteria testifying otherwise, if such criteria do not affect the member's ability to make independent and objective judgments. In case of circumstances, due to which the member ceases to be independent, such a member must duly notify the Board of Directors and Corporate Secretary immediately. An Independent Director will refrain from any action that can lead to a loss of his status of an Independent Director.

The Board of Directors appoints one of its Independent Directors as a Senior Independent Director to provide a sounding Board for the Chairman and to coordinate communication of Independent Directors.

The Senior Independent Director will:

- liaise with the Chairman of the Board of Directors;
- act as an advisor for the Chairman to ensure efficient activity of the Board of Directors;
- ensure that appropriate succession planning procedures are in place in relation to the Chairman's succession;
- meet annually with Independent Directors to appraise the Chairman's performance, taking in account the views of the Company's executive directors, and on such other occasions as are deemed appropriate;
- be available to shareholders if they have concerns which have not or cannot be resolved through contact with the Chairman or the Company's executive body.

A member of the Company's Board of Directors is regarded as a **Non-Executive Director** in case he or she:

- may not be recognised as an Independent Director in accordance with this Code and the Company's Regulations for the Board of Directors and;
- is not an employee of the Company or the Company's managing organisation at the date of his or her membership in the Company's Board of Directors.

A member of the Board of Directors will:

- act conscientiously and responsibly in the best interest of all shareholders and the entire Company;
- be possessed of appropriate professional skills;
- devote sufficient time to the performance of his or her duties as a member of the Board of Directors so as to work effectively;

- once elected, give up representation of interests of any group of persons in relation to the Company and act only in the best interest of all shareholders and the entire Company; and
- disclose in good faith full information about his or her interest in any transaction the Company intends to enter into.

The Board of Directors will create a transparent system to evaluate the performance of the Board of Directors as a whole and of each individual member thereof pursuant to the law at the time being in force and international corporate governance standards.

4.3. Meetings and decision-making

The Company's Board of Directors will meet on a regular basis or as necessary and in accordance with the procedure for convening and holding meetings established in the Company's Charter and Regulations for the Board of Directors.

The Board of Directors is competent to make a decision (quorate) where half or more of the elected members are in attendance at a meeting or where half or more of the elected members have provided their opinions in writing regarding all items of the agenda.

4.4. Board of Directors' Committees

The Board of Directors will establish the following standing committees consisting of its own members:

- Remuneration and Nomination Committee: to assist in engaging qualified, expert staff to manage the Company and create appropriate incentives for their successful work;
- Audit Committee: to ensure that the Board of Directors supervises the financial performance and business operations of the Company;
- Health, Safety and Environmental Committee: to assist the Board of Directors in obtaining assurance that appropriate systems are in place to deal with the management of health, safety and environmental risks.

The Regulations for the Committees approved by the Board of Directors set out the procedure for establishing the abovementioned committees, their functions and those matters which fall within the competence of each committee.

The Board of Directors will appoint the chair of each committee from among its members. A member of the Board of Directors may be elected to more than one committee. The Board of Directors shall have regard to whether a candidate has the ability and sufficient time to devote his duties as a member of several committees.

The Audit Committee and the Nomination and Remuneration Committee will consist exclusively of Independent Directors who are not employed as senior executives in the Company.

The Board of Directors may create other standing or ad hoc committees.

5. EXECUTIVE BODY

The Company's General Director, who is the sole executive body, carries out day-to-day management of the Company and ensures its efficient operation by discharging the tasks set by the Board of Directors; cooperates with trade unions to protect the interests of the Company employees; and deals with government and municipal authorities.

Where requested by a member of the Board of Directors, the Company's General Director and other senior executives shall promptly furnish them with full and accurate information. The information provided upon such a request shall first be given to the Company's Corporate Secretary who shall then pass it on to the member who made the inquiry.

The Company's General Director is responsible for the organisation, status and accuracy of the Company's accounting records, timely provision of financial statements to appropriate authorities and timely provision of information regarding the Company's operations to shareholders, creditors and the media.

The terms and conditions of and procedure for payment of remuneration to the Company's General Director will be prescribed in a contract with the General Director that the Remuneration and Nomination Committee will submit to the Company's Board of Directors for its approval.

Where a candidate for the post of General Director has shares or participation interests or the right to manage shares or participation interests in the share capital of other companies in the steel and/or iron ore or coal mining industry, and such holdings may lead to a conflict of interest between the Company and such a candidate for the post of General Director (the *Participation in Other Entities*), such a candidate shall disclose his or her Participation in other Entities to the Chairman of the Board of Directors and to members of the Remuneration and Nomination Committee prior to his or her being recommended for appointment. After his or her appointment the General Director will secure, as soon as is reasonably practicable, the disposal of his or her Participation in Other Entities or undertake other appropriate measures to prevent or reduce the risk of conflict of interests upon consultation with the Chairman and Independent Directors. When making subsequent acquisition of participations in companies in the abovementioned industries, the General Director will avoid conflict of interest with the Company.

Following the proposal of the Board of Directors, the General Meeting of Shareholders may take a decision to transfer the powers of the Company's sole executive body to another business entity (managing organisation) or an individual entrepreneur (manager).

6. CORPORATE SECRETARY

To secure shareholders' rights and interests, including the creation of efficient and transparent mechanisms for securing such rights, the Company has a Corporate Secretary.

The Corporate Secretary's responsibilities include securing compliance by the Company, its management bodies and officers with the law and the Charter and internal documents of the Company. The Corporate Secretary organises the communication process between the parties involved with corporate relations, including the preparation and holding of General Meetings of Shareholders and meetings of the Company's Board of Directors; storage, disclosure and dissemination of information about the Company and reviewing requests from the shareholders.

Activity of the Corporate Secretary is governed by the Regulations for the Corporate Secretary approved by the Company's Board of Directors.

7. DISCLOSURE OF INFORMATION ABOUT THE COMPANY

One of the Company's priority tasks consists of ensuring transparency and full disclosure of information about the Company's operations to shareholders and investors.

The Company espouses the principle of voluntary disclosure of information about its business.

The Company intends to continue to expand the scope of its regular information releases. Its information channels are expected to give shareholders and investors equal and timely access to information at reasonable cost. The Company publishes draft documents for discussion at meetings of shareholders, information about candidates nominated to the Company's management bodies and its supervisory/auditing bodies.

Regulations for the Company's Information Policy approved by the Board of Directors govern the main principles, rules and procedure of information disclosure.

8. OVERSIGHT OF THE COMPANY'S FINANCIAL AND BUSINESS OPERATIONS

The Company will secure the creation of a structure of supervisory/auditing bodies that are capable to monitor the Company's financial and business operations efficiently.

For these purposes the Company employs external auditors that have no valuable interest in the Company for the annual audit and approval of its financial statements, as well as for quarterly review and approval of its interim financial statements.

The Company's financial statements prepared under Russian Accounting Standards (RAS) and consolidated financial statements of the Company and its subsidiaries prepared under International Financial Reporting Standards (IFRS) are audited as required by the applicable laws.

The Company's books and records are audited in compliance with the requirements of the Russian Federal Standards on Auditing, as well as International Standards on Auditing issued by the International Federation of Accountants (IFAC). Such an audit is conducted on an annual basis.

In addition, a review of consolidated quarterly financial statements of the Company and its subsidiaries prepared under IFRS as required by the International Standard on Review Engagements 2400 is made on a quarterly basis.

The representatives of the auditors are entitled to participate in the Company's General Meetings of Shareholders.

9. DIVIDENDS

Shareholders are entitled to a portion of the Company's net profits in the form of dividends under resolutions of the Company's General Meeting of Shareholders and Regulations for the dividend policy approved by the Company's Board of Directors.

10. FINAL PROVISIONS

This Code and amendments hereto shall be made by the decision of the Company's Board of Directors.

If provisions of this Code conflict with the requirements of the applicable laws or the Company's Charter, then provisions of the applicable laws shall prevail.