

New edition
APPROVED by the Board of Directors of
Public Joint Stock Company “Severstal”
on 16 April 2018
(Minutes № 5/2018 dated 16 April 2018)
Chairman of the Board of Directors

_____ Alexey Mordashov

Corporate Secretary

_____ Artem Bobulich

Regulations for the dividend policy of Public Joint Stock Company “Severstal”

1. GENERAL PROVISIONS

1.1 These Regulations for the dividend policy (hereinafter “the Regulations”) of Public Joint Stock Company “Severstal” (hereinafter “PAO Severstal”, “the Company”) are developed in accordance with the applicable laws of the Russian Federation, the Charter of PAO Severstal and recommendations of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21 March 2014.

1.2 These Regulations are aimed at determining the strategy of the Company’s Board of Directors when: developing recommendations on determining the amount of dividend per share and the procedure for payment of dividends; maintaining a balance of interests between the Company and its shareholders; increasing both the attractiveness of investing in the Company and the long-term market capitalisation of the Company. The Company shall strictly respect the rights of its shareholders and endeavour to maximise value creation for their benefit.

1.3 These Regulations shall specify key principles of the Company’s dividend policy and the procedure for making a decision on payment (declaration) of dividends and procedure for paying declared dividends.

2. GENERAL PROVISIONS ABOUT DIVIDENDS

2.1 For the purposes of these Regulations a dividend is the part of the Company’s net profit distributed between its shareholders in proportion to the amount of shares they own. The Company shall have the right to make a decision on payment (declaration) of dividends on the Company’s issued shares.

2.2 Making a decision on the payment of dividends per shares of all categories (types) represents the right, but not the obligation, of the Company. At the General meeting of shareholders, shareholders shall have the right to make the decision on whether or whether not to declare a dividend.

2.3 The Company shall be obliged to pay out declared dividends per share. The Company shall be liable to persons having the right to receive dividends for failure to perform this obligation in accordance with the applicable laws of the Russian Federation. The Company shall pay out only declared dividends.

2.4 If the decision on payment (declaration) of dividends is not taken, the Company shall have no right to pay out dividends and the shareholders shall have no right to demand for such a payment.

3. PRINCIPLES OF THE COMPANY'S DIVIDEND POLICY

3.1 The Company's dividend policy shall be based on the following principles:

- the Company shall pay dividends on an annual basis, the Company will endeavour to pay interim dividends provided that its current financial position is sustainable;
- the dividend payout will depend on the performance of PAO Severstal and its subsidiaries, i.e. it will vary with the amount of net profits and its free cash flow of PAO Severstal and its subsidiaries;
- in the medium term, the Company intends to declare dividends on a quarterly basis, so that the total annual dividend amount is equivalent to 100% of free cash flow of PAO Severstal and its subsidiaries for the respective reporting period determined on the basis of periodic consolidated financial statements of PAO Severstal and its subsidiaries prepared in accordance with International Financial Reporting Standards (“the Consolidated financial statements”), provided that the net debt/EBITDA ratio based on figures in the Consolidated financial statements is lower than 1.0x, the Company is allowed to make amendments as a result of seasonal fluctuations in working capital;
- should the net debt/EBITDA ratio, determined on the basis of the Consolidated financial statements, be lower than 0.5x, the amount of paid dividends can exceed 100% of free cash flow, based on the Consolidated financial statements for the respective reporting period;
- should the net debt/EBITDA ratio be higher than 1.0x, the Company shall move to a policy of paying dividends on a quarterly basis with an average amount for the results of a calendar year equivalent to 50% of free cash flow for the respective reporting period, determined on the basis of the Consolidated financial statements until the net debt/EBITDA ratio returns to 1.0x or below.

3.2 The Board of Directors whilst making recommendations on the amount of dividends may also use indicators other than those indicated in the clause 3.1 of these Regulations. Those indicators might be: net profit determined on the basis of the Consolidated financial statements, net and undistributed profit determined on the basis of the financial (accounting) statements of PAO Severstal prepared in accordance with Russian Accounting Standards.

3.3 The Board of Directors, when determining the amount of dividends to be recommended to the Company's shareholders at the General meeting, shall rely on the applicable laws of the Russian Federation, the Company's Charter and these Regulations.

3.4 Dividends to shareholders shall be paid with the requirements of the laws of the Russian Federation.

4. PROCEDURE FOR MAKING A DECISION ON DIVIDEND PAYMENT

4.1 A decision on the payment (declaration) of dividends shall be taken by the General meeting of shareholders in accordance with the requirements of the Federal Law “On Joint Stock Companies”. Such a decision shall determine: the amount of dividend per each category (type) of shares; the form of payment; the procedure for payment of dividends in non-cash form; the date of making a list of persons entitled to receive dividends. Moreover, a decision for determining the date of making a list of persons entitled to receive dividends shall only be taken by the Company’s Board of Directors.

4.2 The amount of dividends shall not exceed the amount of dividends recommended by the Company’s Board of Directors.

4.3 Recommendations of the Board of Directors on the amount of dividends and payment procedure shall be made available to the Company’s shareholders as part of the information (materials) to be provided to persons entitled to participate in the General meeting of shareholders prior to making a final decision at the General meeting of shareholders.

4.4 A decision on the payment (declaration) of dividends for the results of the first quarter, half year period and nine months of a reporting year shall be made within three months after the end of the respective period.

4.5 The Company shall rely on limitations provided by the applicable laws of the Russian Federation when making a decision on the payment (declaration) of dividends.

5. DIVIDENDS PAYMENT

5.1 The dividends shall be paid to persons, who have been owners of the Company’s shares of the relevant category (type) or persons exercising the rights attached to their shares under federal laws, at the close of business on the date, as of which in accordance with the decision on the payment of dividends the persons entitled to receive them shall be determined.

5.2 In order to pay dividends, the registrar who keeps the Company’s share register shall prepare the list of persons entitled to receive dividends as of the date determined by the Company’s General meeting of shareholders. The list of persons entitled to receive dividends is prepared in accordance with the applicable laws of the Russian Federation.

5.3 Declared dividends shall be paid in monetary funds unless the Company’s General meeting of shareholders makes a decision on dividend payment in a non-cash form.

5.4 The dividends shall be paid within time period provided by the applicable laws of the Russian Federation.

5.5 The Company shall be entitled to fulfill its obligation on dividend payments on any day within the dividend payment period.

5.6 Payment of dividends in cash to individuals whose rights in the shares are recorded in the Company's share register shall be made by the transfer of funds to their bank accounts, the details of which are available to the Company's registrar, or, in the absence of information about bank details, by means of a postal money transfer. The payment of dividends to other persons whose rights in the shares are recorded in the Company's share register shall be made by the transfer of funds to their bank accounts.

The Company's obligation to pay dividends to such persons shall be deemed to have been performed from the date of receipt of funds by the federal postal organisation or from the date of receipt of funds by the credit organisation, in which the bank account of the person entitled to the Company's dividends is opened, and if the credit organisation is such a person, - on its account.

5.7 Persons entitled to receive the Company's dividends, whose rights in the shares are recorded as a nominee shareholder, shall receive dividends in cash in the manner prescribed by the Russian laws on securities.

5.8 A person, who has not received the declared dividends because the Company or the Company's registrar lack accurate and necessary address data or bank details or due to other delay, shall be entitled to request the payment of such dividends (unclaimed dividends) within three years from the date of decision to pay them. Upon expiry of such a period, the declared and unclaimed dividends shall be restored as part of the Company's retained earnings and the obligation to pay them shall be terminated.

6. FINAL PROVISIONS

6.1 These Regulations, as well as changes and additions to them shall be made by the decision of the Company's Board of Directors.

6.2 If the provisions of these Regulations conflict with the requirements of the applicable laws of the Russian Federation and/or the Company's Charter, then provisions of the applicable laws of the Russian Federation and/or the Company's Charter shall apply.

6.3 The Company shall publish these Regulations and the history of dividend payments on the Company's website: www.severstal.com.