

# Corporate Governance Code



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# Corporate governance code

As adopted by the Board of Directors  
on April 25, 2007

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## 1. INTRODUCTION

**1.1. EVRAZ GROUP'S INTERESTS** are diverse, both by geography and by product. Evraz Group consists of consolidated subsidiaries, affiliate companies, special purpose vehicles and joint ventures.

Evraz Group S.A. operates in full compliance with all applicable laws and regulations, including those regulations incumbent upon it as a result of the listing of its Global Depository Receipts on the Official List of the UK Listing Authority.

Evraz Group S.A. is committed to meeting the highest standards of corporate governance, accountability and responsibility for which directors are accountable to shareholders.

**1.2. THIS CODE WAS APPROVED** by the Board of Evraz Group S.A. on April 25, 2007 as a complement to applicable laws and regulations, the Articles of Association and the internal rules and regulations of Evraz Group S.A. This Code is not intended to serve as a set of legally binding regulations.

**1.3. THE MAIN PURPOSE OF THIS CODE** is to convey the essence of the long-standing and continuing commitment of Evraz Group S.A. to high standards of corporate governance.

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**1.4. THIS CODE IS BASED** on the main principles of the Combined Code on Corporate Governance and on the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange. Evraz Group S.A. strives to comply with these documents, while taking into account its own objectives and needs.

**1.5. THE BOARD IS RESPONSIBLE** for regularly assessing changes in applicable laws and regulations, as well as the corporate governance practices of Evraz Group S.A. As a result of such assessment, provisions of this Code may be reviewed and amended by the Board from time to time and without prior notice.

**1.6. THIS CODE, THE TERMS OF REFERENCE OF COMMITTEES AND OTHER INTERNAL REGULATIONS** on corporate governance matters determined by the Board shall be posted on the website of Evraz Group S.A.

**1.7. FOR THE PURPOSES OF THIS CODE:**

- “Conflict of interests” shall mean a situation where the personal or other outside interests of a director, an officer or a manager contradict those of Evraz Group S.A. or affect, compromise or are incompatible with their obligations towards Evraz Group S.A.

- “Corporate governance” shall mean the set of objectives, policies, procedures and relationships between shareholders, the Board, management of Evraz Group S.A. and other stakeholders affecting how Evraz Group S.A. is governed and controlled.
- “Social responsibility” shall mean the obligation of Evraz Group S.A. and its consolidated subsidiaries to consider the interests of its shareholders and other stakeholders in all aspects of its operations, and to manage and reduce its environmental impact.
- “Stakeholders” shall mean people or organisations who affect, are affected and/or may be affected by Evraz Group S.A. and therefore have an interest in its activities, i.e. shareholders and non-owning stakeholders such as employees, investors, value-chain neighbours, competitors, governments, regulators, non-governmental organisations, pressure and community groups.
- “Shareholders” shall mean shareholders and holders of securities issued in respect of shares in Evraz Group S.A.

## **2. CORPORATE GOVERNANCE OBJECTIVES**

The main corporate governance objectives of Evraz Group S.A. are:

- to achieve the goal of a proper balance between entrepreneurship and control, as well as between performance and compliance with the rules and standards of corporate governance;

- to facilitate performance-driven management, but also to provide mechanisms for leadership ensuring integrity and transparency in the decision-making process;
- to encourage and enable the Board and management to pursue objectives in the best interests of Evraz Group S.A., its shareholders and other stakeholders, and particularly to create long-term value for shareholders.

### 3. GENERAL PRINCIPLES

Corporate governance of Evraz Group S.A. is based on the following principles:

- shareholder rights

Evraz Group S.A fully respects shareholders rights and makes every effort to see that they can be exercised.

All shares issued by Evraz Group S.A. grant exactly the same rights to their holders.

Evraz Group S.A. does not and will not play favorites between shareholders in the same position, i.e. who own the same number of shares and possess the same statutory rights.

- an effective Board and management

Evraz Group S.A. is headed by an effective Board, which is collectively responsible for the success of Evraz Group S.A., and defines and reviews its strategy.

Evraz Group S.A. management assists the Board in achieving corporate objectives and is responsible for Evraz Group's business performance and ensuring superior returns.

- transparency  
Evraz Group S.A. is committed to a policy of prompt, consistent and full disclosure of the financial and non-financial information that its stakeholders need to make prudent decisions.
- ethics and social responsibility  
Evraz Group S.A. acts in compliance with high ethical standards and fully recognises its social responsibility.

#### **4. GOVERNANCE SYSTEM**

Evraz Group S.A. is governed by:

- the general shareholders meeting;
- the Board of Directors;
- the Chief Executive Officer (CEO).

**4.2. EVRAZ GROUP S.A.** may create and delegate the necessary authority to manage its consolidated subsidiaries to one or more special management companies with an appropriate level of expertise, knowledge and resources.

#### **5. SHAREHOLDERS**

##### **5.1. SHAREHOLDERS PARTICIPATION IN GOVERNANCE**

Shareholders are entitled to participate in the governance of Evraz Group S.A. by voting at the annual and extraordinary shareholders meetings and particularly by electing the Board.

## 5.2. INFORMATION DISCLOSURE

Shareholders have the right to obtain prompt and consistent information regarding the performance of Evraz Group S.A. The intent is to treat shareholders equally in their access to information and to avoid making any information available on a selective basis.

The Board is responsible for ensuring a successful dialogue with shareholders.

Any current or potential shareholder who envisages acquiring by whatever means, directly or indirectly, more than 5% of the shares issued by Evraz Group S.A. must inform the Chairman of the Board.

## 5.3. INTERESTS OF MINORITY SHAREHOLDERS

Evraz Group S.A. considers the creation of shareholder value to be its first priority regardless of the number of shares belonging to a particular shareholder.

## 5.4. GENERAL SHAREHOLDERS MEETING

Any shareholder holding at least 5% of share capital may suggest items to the Board for the agenda of the annual general meeting. Such suggestions should reach the Board at least two months prior to the meeting.

Each share represents one vote at the general shareholders meeting. In order to be authorised to attend and to vote at any shareholders meeting, shareholders must be recorded in the sharehold-

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ers' register at least 20 Luxembourg business days prior to the meeting. A shareholder may delegate its rights to attend and vote at a shareholders meeting to a proxy holder, who shall not be required a shareholder.

As a rule, the annual general meeting is held in Luxembourg on June 20. The Board ensures that notices convening the annual meeting and related papers are sent at least 20 Luxembourg business days before the meeting.

Owners of securities representing the shares issued by Evraz Group S.A. may vote by completing, the Voting Instruction Cards, which shall be provided by the Depository Bank upon receipt of notice from Evraz Group S.A. By returning a signed Voting Instruction Card, an owner of such securities is instructing the Depository Bank to vote on the shares underlying such securities.

## **6. THE BOARD**

### **6.1. POWERS AND DUTIES OF THE BOARD**

The Board is vested with the broadest powers to effectively lead Evraz Group S.A., map out its strategic aims and review management performance. All powers not expressly reserved by law or by the Articles of Association to the general shareholders meeting fall within the competence of the Board.

Unless otherwise provided for by laws and regulations, the directors, the Secretary of the Board, CEO, senior managers and any

other persons who may attend the meetings of the Board and its Committees must keep confidential the discussions, voting and decisions taken at these meetings.

## 6.2. BALANCE AND INDEPENDENCE

Evraz Group S.A. believes the optimal size of the Board to be from seven to nine directors.

Evraz Group S.A. seeks directors from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors must be willing to devote sufficient time to carrying out their duties.

The Board is made up of a balance of executive and non-executive directors so as to enable it to take well-informed decisions. At least one third of the Board shall be independent directors. Directors are considered to be independent if there are no relationships or circumstances which are likely to affect, or could appear to affect their judgement. In particular, it is important that they:

- have not been employees of Evraz Group S.A. or any of its consolidated subsidiaries within the last five years;
- do not have and have not had a material business relationship with Evraz Group S.A., either directly or indirectly;
- have not received and do not receive additional remuneration from Evraz Group S.A. except for a director's remuneration, do

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not participate in the share option plan, or a performance-related pay scheme, or a pension scheme of Evraz Group S.A.;

- do not have close family ties with any advisor, director or senior manager of Evraz Group S.A.;
- do not hold cross-directorships and have no significant links with other directors through involvement in other companies or bodies;
- do not represent a significant shareholder; and
- have not served on the Board for more than nine years from the date of their first election.

The Board has the right to state its reasons if it determines a director to be independent notwithstanding the existence of such relationships or circumstances. The Board shall identify the non-executive directors it considers to be independent in the Annual Report.

### 6.3. ACCOUNTABILITY AND RESPONSIBILITY

The Board shall exercise its powers based on what the directors believe to be in the best interests of Evraz Group S.A. and its shareholders, and is accountable to shareholders.

The Board may grant special powers and delegate the daily management to the CEO and senior managers; in so doing, the Board is

responsible for overseeing their performance to ensure that shareholders' interests are met and that Evraz Group S.A. complies with applicable laws and regulations.

#### 6.4. THE CHAIRMAN OF THE BOARD

The Chairman should discuss the governance and strategy of Evraz Group S.A. with major shareholders, while also establishing and maintaining a close relationship with management, providing support and advice. The Chairman is fully responsible for creating a climate of trust within the Board.

The Chairman should ensure that:

- proper procedures are followed in the preparations for meetings, discussions, decision-making and the implementation of decisions.
- directors receive sufficient information well in advance to allow them to perform their duties in an informed manner;
- continuing education is available so that directors may improve and update their knowledge and skills in any area the Board thinks necessary;
- annual review and assessment of directors' performance are made.

The Chairman is responsible for review of remuneration for non-executive directors and makes recommendations on the

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amount of this remuneration to the annual general meeting of shareholders.

The Chairman presides over the meetings of the Board. He acts as the spokesman for the Board in relations with third parties.

The Chairman has further powers and duties as conferred upon him by the Board.

#### 6.5. COMMITTEES

The Board creates committees composed of directors and/or other persons to assist it in overseeing the affairs of Evraz Group S.A. These committees operate in accordance with their terms of reference. The Board may assign specific tasks to a particular committee.

To date, the Board has created the following standing committees: Audit Committee, Remuneration Committee and Strategy Committee. From time to time, the Board may create a new committee or dissolve an existing committee.

The Audit Committee's principal oversight responsibilities are as described in point 8.3 of this Code.

The Remuneration Committee's principal responsibilities are:

- to determine and coordinate with the Board the policy for the remuneration of the Chairman, the executive directors, the CEO and senior managers;

- to review and make recommendations on long-term incentive plans, including the use of equity-based plans;
- to review and discuss with the Board plans for development and succession planning of CEO and senior managers.

The Strategy Committee's principal responsibilities are:

- development of the strategy of Evraz Group S.A.;
- assessment of existing assets, as well as consideration of future investment in growth assets;
- technical development of management and training.

Committee Chairmen shall be appointed by the Board on the recommendation of the Chairman of the Board after consultation with the independent directors.

A report by each committee on its activity during the year shall be included in the Annual Report.

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## 7. MANAGEMENT

### 7.1. CHIEF EXECUTIVE OFFICER (CEO)

The CEO is entrusted with the daily management of Evraz Group S.A. and reports directly to the Board and/or general shareholders meetings on the activities of Evraz Group S.A.

### 7.2. SENIOR MANAGEMENT

The CEO is assisted in the daily management of Evraz Group by a team of senior managers, selected and appointed by the Board. Senior managers share responsibility for safeguarding the interests of Evraz Group.

The Board determines the scope of the powers of the senior managers, and advises on and monitors their performance. Each senior manager is responsible for a specific part of the business, and reports promptly and comprehensively to the Board and/or CEO.

Senior managers supply the Board with all necessary information in a timely fashion and are responsible for preparing complete, up-to-date, reliable and accurate financial reports that follow the accounting standards and policies of Evraz Group S.A. The Board members have unrestricted access to senior managers.

### 7.3. PERFORMANCE EVALUATION

To measure management's progress toward meeting the corporate objectives of Evraz Group S.A., the Board approves KPI for the CEO and the senior managers.

The Remuneration Committee is responsible for overseeing the performance evaluation of CEO and the senior managers. The Committee considers achievement against approved KPI and recommends their annual compensation for ratification by the Board.

## **8. INTERNAL CONTROLS**

### **8.1. INTERNAL CONTROL SYSTEM**

The Board of Directors has overall responsibility for ensuring that the Group maintains a sound system of internal controls, including financial, operational and compliance controls, and for reviewing its effectiveness. The internal control system is designed to manage rather than eliminate the risk of failure to meet business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The internal control system, designed in accordance with the Turnbull guidance, is based on the following key features:

- clearly defined and communicated risk management philosophy and policy;
- risk management processes embedded in operations;
- strategic and business planning;
- adequately designed control procedures;

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- clearly defined, delegated and communicated authorities and responsibilities;
  - ongoing operational, financial and compliance monitoring.

### 8.2. RISK MANAGEMENT

Evraz Group S.A. has an ongoing process to identify, evaluate and manage risks. The risk management system, with an integrated system of internal controls, connects each element of the business planning process, particularly the investment appraisal and financial forecasting process and provides disclosure of business risks. This disclosure includes commentary on type of risk, risk impact and mitigating activity.

### 8.3. THE AUDIT COMMITTEE

The Audit Committee shall be chaired by an independent director. The Audit Committee's principal oversight responsibilities include:

- internal control and risk management;
- financial reporting;
- internal audit;
- external audit.

The Audit Committee shall meet at least four times a year. The external auditors are invited to attend meetings of the Committee on a regular basis.

The Audit committee is responsible for the whistle-blowing arrangements to deal with concerns about possible improprieties and regularly reviews these arrangements.

#### 8.4. AUDITORS

Evrz Group S.A. has procedures in place to monitor and maintain the objectivity and independence of the external auditors. The external auditors report to the Audit Committee that they have remained independent and maintained internal safeguards to ensure their objectivity.

### 9. DISCLOSURE AND TRANSPARENCY

9.1. EVRAZ GROUP S.A.'S AFFAIRS are conducted in an accountable and transparent manner, reflecting the interests of shareholders and other stakeholders Evraz Group S.A.

Giving high priority to its communications, Evraz Group S.A. is committed both in principle and in practice to maximum transparency, consistent with high standards of corporate governance and confidentiality.

9.2. EVRAZ GROUP S.A. HAS THE PROCEDURES in place to ensure prompt, consistent and full disclosure of financial and non-financial information and the transparency of its activities.

Information is verified for accuracy internally and as appropriate externally prior to public release. Any request for information not already disclosed shall be referred to the senior managers of Evraz

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Group responsible for corporate affairs and investor relations. Only designated managers are allowed to act as spokespersons for Evraz Group to ensure that selective disclosures are avoided at all times.

**9.3. EVRAZ GROUP S.A. MAKES FULL USE** of its general shareholders meetings, conferences and other public events to inform shareholders and other stakeholders about its activities through appropriate presentations. These events also provide opportunities for questions. In addition, Evraz Group S.A. and its consolidated subsidiaries respond to individual queries throughout the year.

**9.4. EVRAZ GROUP S.A. MAINTAINS** a comprehensive website which includes a section on its corporate governance, from which a broad selection of reports and publications can be viewed and downloaded.

## 10. DIVIDENDS

**10.1. SHAREHOLDERS ARE ENTITLED TO RECEIVE DIVIDENDS** on their shares paid by Evraz Group S.A. The Board may also authorise the payment of interim dividends. The annual shareholders meeting shall approve the decision to pay year-end dividends.

**10.2. EVRAZ GROUP S.A. EXPECTS TO PAY DIVIDENDS** of at least 25% of its consolidated annual net income, as calculated under IFRS, throughout the business cycle. The company may decide to increase the dividend payment if superior financial results are achieved.

**10.3. DIVIDENDS SHALL BE PAID** out not more than three months after the Board or the annual shareholders meeting approves the payment.

## 11. CONFLICT OF INTERESTS

**11.1. ALL DIRECTORS, OFFICERS AND MANAGERS MUST:**

- always act with integrity;
- avoid or manage circumstances or relationships that may lead to a conflict of interest.

**11.2. IF A DIRECTOR BECOMES AWARE** of an actual or potential conflict of interest, this should be disclosed to the Chairman for evaluation without delay.

**11.3. IT IS THE POLICY OF EVRAZ GROUP S.A.** that directors must resign if they cannot resolve a conflict of interest. If a director has

a personal interest in a matter on the agenda of the Board, the director must disclose the interest to the Board, and shall neither participate in the discussion nor vote on the matter.

**11.4. EVRAZ GROUP S.A. HAS THE PROCEDURES** in place to keep its directors, officers, and managers informed of their responsibilities regarding transactions with the securities issued by Evraz Group S.A. Therefore, there is no valid excuse for insider trading or involvement in market manipulation.

**11.5. AT TIMES WHEN THEY POSSESS MATERIAL** non-public information, directors, officers and managers may not purchase or sell securities issued by Evraz Group S.A. In addition, they are prohibited from passing material non-public information on to others who then trade such securities.

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