

Corporate governance report

INTRODUCTION

EVRAZ is a public company limited by shares incorporated in the United Kingdom. It is a premium-listed company on the Main Market of

the London Stock Exchange and is a member of the FTSE 100 Index. EVRAZ is committed to high standards of corporate governance and control.



Further information on the Company's Corporate Governance policies and principles are available on its website: www.evraz.com

The UK Corporate Governance Code is available at www.frc.org.uk.



Compliance with corporate governance standards

EVRAZ' approach to corporate governance is primarily based on the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in April 2016 and the Listing Rules of the UK Listing Authority. The Company complies with the UK Corporate Governance Code or, if it does not comply, explains the reasons for non-compliance.

During the year to 31 December 2017, EVRAZ complied with all the principles and provisions of the 2016 UK Corporate Governance Code (the Governance Code is available at www.frc.org.uk), with the following exceptions:

- Provision D.1.1.1 of the Governance Code requires that performance-related remuneration schemes should include malus and clawback provisions. The Company does not operate clawback arrangements and an explanation for this non-compliance is set out in the Remuneration Report on pages 128-135.

Board responsibilities and activities

The Board and management of EVRAZ aim to pursue objectives in the best interests of EVRAZ, its shareholders and other stakeholders, and particularly to create long-term value for shareholders.

The EVRAZ Board is responsible for the following key aspects of governance and performance:

- financial and operational performance;
- strategic direction;
- major acquisitions and disposals;
- overall risk management;

- capital expenditure and operational budgeting;
- business planning;
- approval of internal regulations and policies.

During the year ended 31 December 2017, the Board considered a wide range of matters, including:

- the critical success factors for strategic development of the Group's competitive advantages;
- the performance of key businesses, including commercial initiatives to improve operational performances and revenues, with particular emphasis on North America;
- the Group's consolidated budget and budgets of individual business units;
- the interim and full-year results, and the 2016 annual report;
- the appropriateness of the going concern basis of financial reporting;
- the assumptions, stress-test scenarios and mitigating actions used in preparing the Company's viability statement;
- HSE updates;
- investment project reviews;
- disposal of non-core businesses;
- changes to the composition of various Board committees;
- implementation throughout the Group over the next five years of the EVRAZ Business System to promote an operational culture of values and behaviours that support the drive for continuous improvement and business change;
- linking succession planning to corporate strategy execution, and the need to look deeper into the Group for future leaders;
- compliance with the Market Abuse Regulation in relation to managing inside information, share dealing by insiders and online training of all insiders;
- a review of the findings of the externally facilitated Board evaluation exercises and action plans resulting therefrom.

During 2017, the Board considered in detail the disposal of Evraz Nakhodka Trade Sea Port (NTSP). This facility, located on Russia's Pacific coast, was no longer considered to be a core

activity of the Group, and financial advisers had been appointed to market the facility. During the sale process, an offer to purchase the port and its activity was received from Lanebrook Ltd, the Group's majority shareholder.

Under the Listing Rules the deal was deemed a related-party transaction and accordingly, in line with the relationship agreement in place between the Company and Lanebrook Ltd, page 139, the Board delegated authority to review and agree, if appropriate, the transaction to a committee of the Board comprised exclusively of the independent non-executive directors (INEDs).

The INEDs took advice from Morgan Stanley and Co International plc and Clifford Chance LLP, and they considered that the fair value comparison of the Lanebrook Ltd offer was better than the other trade sale offers received, and recommended the sale of NTSP to Lanebrook Ltd to shareholders. A special general meeting of the Company's shareholders was held on 23 May 2017, and the shareholders, excluding Lanebrook Ltd who were not permitted to vote, approved the transaction with 92% of votes cast being in favour.

The Board also discussed in detail the proposal to pay an interim dividend of US\$0.3 per ordinary share, totalling US\$429.6 million, on 8 September 2017. The level of distributable reserves within the balance sheet was considered, noting that it was sufficient to enable the dividend to be paid. The expectations of institutional shareholders were noted, as well as that the proposed figure recognised that no dividend had been paid in 2016. It was decided to proceed but to also ensure that shareholders realised that the 2017 interim payment might be higher than future dividend payments.

In keeping with the requirements of the Relationship Agreement (see page 139) in place between the Company and Lanebrook Ltd, its major shareholder, the INEDs of the Company have conducted an annual review to consider the continued good standing of the Relationship

Agreement and are satisfied that the terms of the Relationship Agreement are being fully observed by both parties. In accordance with LR 9.8.4R (14) it is confirmed that:

- the Company has complied with the independence provisions of the Relationship Agreement;
- so far as the Company is aware, the Controlling Shareholder (or any of its associates) has complied with the independence provisions of the Relationship Agreement;
- so far as the Company is aware, the Controlling Shareholder has complied with the procurement obligations in the Relationship Agreement.

Stakeholders

The Board considers the interests of all stakeholders by taking a long-term view of how the business needs to develop within its economic market. The Board has considered the technological developments in the market to ensure that its assets are improved to remain competitive, and that the necessary financing requirements will be available over the medium to long term to implement strategic projects. When development plans for projects are in their early stages, the management engages key customers to ensure that the products produced meet their specific requirements.

Assisted by the Nominations Committee, the Board regularly reviews the management's development plans and the Group's overall HR policy, including the current HR initiatives in place. The Board's HSE Committee is charged with embedding a safety culture for employees across the Group's operations and monitoring the implementation of the Group's environmental policy.

Chairman and chief executive

The Board determines the division of responsibilities between the chairman and the chief executive officer (CEO).

The chairman's principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Board is chaired by Alexander Abramov.

The CEO is responsible for leading the Group's operating performance, as well as for the day-to-day management of the Company and its subsidiaries. The Group's CEO is Alexander Frolov.

The CEO is supported by the executive team.

Board meetings and composition

EVRAZ plc held 10 scheduled Board meetings during 2017. In 2018, up to the date of this report's publication, two Board meetings were held.

The chief financial officer and the senior vice president (commerce and business development) attended all Board meetings, with other members of senior management attending meetings by invitation to deliver presentations on the status of projects and performance of business units.

The table below sets out the attendance of each current director at scheduled EVRAZ plc Board and Board Committee meetings in 2017. →

As at 31 December 2017, the Board comprised the chairman, one executive director, and six non-executive directors, including a senior independent director. Olga Pokrovskaya, a former non-executive director, is invited to attend Board meetings in an advisory capacity and to attend Audit Committee meetings as an observer. →

→ BOARD AND AGM ATTENDANCE BY EACH DIRECTOR¹

	Board	Remco	HSEco	Auditco	Nomco	AGM
Total number of meetings	10	4	2	9	3	1
Alexander Abramov	9/10	-	-	-	3/3	1
Alexander Frolov	10/10	-	2/2	-	-	1
Karl Gruber	9/10	-	2/2	8/9	3/3	1
Deborah Gudgeon	10/10	4/4	-	9/9	-	1
Alexander Izosimov	10/10	4/4	-	9/9	3/3	1
Sir Michael Peat	10/10	4/4	-	-	3/3	1
Eugene Shvidler	10/10	-	-	-	3/3	1
Eugene Tenenbaum	10/10	-	-	-	-	1

¹Alexander Abramov was unable to attend one Board call due to a late arising conflicting commitment. Karl Gruber was unable to attend one Board meeting due to a personal matter. In addition to the 10 scheduled Board meetings held in 2017, two meetings were held by all of the independent non-executive directors to consider and recommend to shareholders the disposal of Evraz Nakhodka Trade Sea Port to the related party Lanebrook Ltd, as required by the Relationship Agreement in place between EVRAZ plc and Lanebrook Ltd.

Boardroom diversity

EVRAZ recognises the importance of diversity both at Board level and throughout the whole organisation. The Group remains committed to increasing diversity across its global operations and takes diversity into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and culture. As stated in the CSR report on pages 80–105, EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees' rights receive equal protection, regardless of race, nationality, gender or sexual orientation. People with disabilities are given full consideration,

→ BOARD COMPOSITION

●●●● Independent Non-Executive Directors	50%
●● Non-Executive Directors	25%
○ Chairman, Non-Executive	12.5%
● Executive Director	12.5%

The Board considers that four non-executive directors (Karl Gruber, Alexander Izosimov, Sir Michael Peat and Deborah Gudgeon) are independent in character and judgement, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, in compliance with the UK Corporate Governance Code.

The independent non-executive directors comprise the majority (excluding the Health, Safety and Environment Committee) on and chair all Board Committees.

The Board has also satisfied itself that there is no compromise to the independence of, or existence of conflicts of interest for, those directors who serve together as directors on the boards of outside entities.

both during the recruitment process and once employed, to ensure that their unique aptitudes and abilities are taken into account.

For more detailed information, see the Nominations Committee report on pages 124–125 and the CSR report on pages 80–105.

The Company believes that the Board composition provides an appropriate balance of skills, knowledge and experience. The members comprise a number of different nationalities with a wide range of skills, capabilities and experience from a variety of business backgrounds. Biographies of the Board members are provided in the Board of Directors section.

Board expertise

The Board has determined that, as a whole, it has the appropriate skills and experience necessary to discharge its functions. Executive and non-executive directors have the experience required to contribute meaningfully to the Board’s deliberations and resolutions. Non-executive directors assist the Board by constructively challenging and helping develop strategy proposals. Most of the directors have been in post since the incorporation of EVRAZplc in October 2011.

Induction and professional development

The chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. For more detailed information, see the Nominations Committee report on pages 124–125.

Performance evaluation

An externally facilitated annual Board evaluation was conducted in September and October 2017 by Linstock LLP, who have no other business relationship with the Group. As with the internally facilitated reviews undertaken in 2015 and 2016, the review was carried

out at the initiative and with the participation of the Company’s Nominations Committee. Questionnaires were distributed to all Board directors for their response and comment.

The results were discussed at three levels: (i) between the members of the Nominations Committee, (ii) between Sir Michael Peat (as chairman of the Nominations Committee) and Alexander Abramov (as chairman of the Board) and (iii) between the Board as a whole.

Board performance was deemed to be satisfactory. At its December meeting, the Board agreed an action plan for 2018 that would allow the Board to increase its involvement in reviewing and considering management’s strategy proposals and to enhance its focus not only on the commercial issues but also on safety, environmental, other CSR issues and on HR policy.

The plan seeks to give Board members more exposure to senior management below Board level. Further consideration will be given to succession planning and ensuring that appropriate induction programmes are in place for Board members.

The Board will also increase the amount of time now devoted to considering risk issues and its appetite for risk across all aspects of the business.

The Company will continue to undertake regular performance evaluations of the Board in line with the requirements of the UK Corporate Governance Code. ➔

Board committees

The Board is supported in its work by the following principal committees: the Audit Committee, the Remuneration Committee, the Nominations Committee, and the Health, Safety and Environment Committee. ➔

Each committee has written terms of reference, approved by the Board, summarising its role and responsibilities.

The Audit Committee consists of three non-executive directors, all independent, which complies with the Code, and the Board considers that, as a whole, the Committee has competence relevant to the industry sector in which the Group operates. Deborah Gudgeon has relevant recent financial experience.

 The terms of reference for each Committee are available on the Group’s website: www.evraz.com.

➔ BOARD COMPOSITION AS OF 31 DECEMBER 2017

Name	Position	Committee membership	Years of tenure
Executive director			
Alexander Frolov	CEO	HSEC – member	6
Non-executive directors			
Alexander Abramov	Chairman	NC – member	6
Eugene Shvidler	Director	NC – member	6
Eugene Tenenbaum	Director	None	6
Independent non-executive directors			
Karl Gruber	Director	HSEC – chairman AC – member NC – member	6
Deborah Gudgeon	Director	AC – chairman RC – member	2
Alexander Izosimov	Director	RC – chairman NC – member AC – member	5
Sir Michael Peat	Senior independent director	NC – chairman RC – member	6

THE ROLE AND COMPOSITION OF EACH COMMITTEE

Committee name	Function	Composition	Link to committee report
Audit Committee	Audit, financial reporting, risk management and controls	All three members are independent non-executive directors	See on pages 120–123
Nominations Committee	Selection and nomination of Board members	All five members are non-executive directors, of which three are independent	See on pages 124–125
Remuneration Committee	Remuneration of Board members and top management	All three members are independent non-executive directors	See on pages 128–135
HSE Committee	HSE issues	Two of the three members ⁴ are non-executive with an independent chairman who is also a non-executive director of the Company	See on pages 126–127

⁴The members of the Health, Safety and Environment Committee at 31 December 2017 were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who has continued as a non-executive member of the HSE Committee following her cessation as a Board member of the Company on 14 March 2016. With more than 50% of EVRAZ' operations based in the Russian Federation, the Committee continues to value the contribution she brings in terms of her technical and regional experience.

Shareholder engagement

The Company continues to encourage shareholder engagement. The annual general meeting was held on 20 June 2017 and all directors, including all committee chairs, were in attendance. All shareholders are welcomed to attend, ask questions and discuss issues with individual directors. A further special general meeting was held on 23 May 2017 to approve the disposal of Evraz Nakhodka Trade Sea Port to a wholly-owned subsidiary of Lanebrook Limited, a related party.

The CEO, supported by the chief financial officer and the vice president of investor relations, brief analysts and institutional investors fully after the publication of the Company's half-year and full-year results.

In October 2017, an investor day was held for analysts and institutional investors, where key members of the management team gave presentations to explain the Group's operations and performance. Sir Michael Peat, the senior independent non-executive director and chairman of the Nominations Committee attended, and presented on the Company's corporate governance structure as well as meeting with investors, as did Deborah Gudgeon, an independent non-executive director and chairman of the Audit Committee.

Risk management and internal control

EVRAZ maintains a comprehensive financial reporting procedures (FRP) manual detailing the Group's internal control and risk management systems and activity. The manual was last updated in December 2017, in line with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal

Control and Related Financial and Business Reporting issued in September 2014 . The aim of the risk management process is to identify, evaluate and manage potential and actual threats to the Group's ability to achieve its objectives.

EVRAZ' Enterprise Risk Management (ERM) process is designed to identify, quantify, respond to and monitor the consequences of these threats. The management maintains a risk register that encompasses both internal and external critical threats. The level of risk appetite

INTERNAL CONTROL

