

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.

COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

EVRAZ approach to corporate governance is based on the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in July 2018 and the Listing Rules of the UK Listing Authority.

During the year to 31 December 2019, EVRAZ complied with all the principles and provisions of the 2018 UK Corporate Governance Code (the Governance Code is available at www.frc.org.uk), with the following exceptions:

- Provision 9: The chairman was non-independent on appointment, as he was and remains a significant shareholder, and had previously served as a CEO and chairman of the Group prior to listing in 2011. The Board considers that he brings independence of judgement to the Group's activities, as well as extensive experience and expertise of the Group's key markets. The Board also considers that the current Board structure provides a suitable level of protection for minority shareholders, as it operates in accordance with the Relationship Agreement currently in place (read page 143).
- Provision 37: The Company does not operate clawback arrangements. An explanation for this non-compliance is set out in the Remuneration Report on page 131.

An explanation of how the Company has complied with the UK Corporate Governance Code is given on the following pages:

- Board Leadership and Company Purpose – please read at Corporate Governance Statement on pages 112-115
- Division of Responsibilities - please read at Corporate Governance statement on pages 112-115

- Composition, Succession and Evaluation – please read at Nominations Committee Report on pages 126-127
- Audit, Risk and internal control - please read at Audit Committee Report on page 123, internal controls on page 116 and Review of principal risks on pages 34-39
- Remuneration - please read at Remuneration Committee report on pages 130-139

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 to 31 December 2019, the Board considered a wide range of matters, including:

- The critical success factors for strategic development of the Group's competitive advantages
- HSE updates, including key initiatives and responses to significant incidents
- 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 2018 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
- Approval of two interim dividends during the year
- Investment project reviews
- Disposal of non-core businesses

- 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 internally facilitated Board evaluation exercises and action plans resulting therefrom

The Board discussed the proposals to pay: an interim dividend of US\$0.40 per ordinary share, totalling US\$577.3 million, paid on 29 March 2019; and an interim dividend of US\$0.35 per share, totalling US\$508.7 million, paid on 5 September 2019. The level of distributable reserves within the balance sheet was considered at each distribution, noting that it was sufficient to enable the dividend to be paid. The dividends paid were in line with the dividend policy previously agreed by the Board.

In keeping with the requirements of the relationship agreements in place between the Company and its major shareholders, the independent non-executive directors of the Company have conducted an annual review to consider the continued good standing of the relationship agreements and are satisfied that the terms of the relationship agreements are being fully observed by all parties. In accordance with LR9.8.4R (14), it is confirmed that:

- The Company has complied with the independence provisions of the relationship agreements;
- So far as the Company is aware, Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited (or any of their associates) have complied with the independence provisions of the relationship agreements; and so far as the Company is aware, Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited have complied with the procurement obligations in the relationship agreements.

Principal decisions

Decision:	2020 Business Plan and Budget
Context	The Business Plan and Budget sets the annual targets and the costs of the necessary resources to achieve these targets. It is developed considering in line with the overall strategy of the Group and considers any specific challenges faced by each division and its underlying business units, this includes any stakeholder related considerations. The Chief Executive supported by key members of the management presents the Plan and Budget for the Board's challenge and approval. All executive management responsible for the key business units attend and present their budget to the Board.
Stakeholder considerations	In reviewing the Business Plan and Budget, the Board considered the potential impact that each operation and project might have on its stakeholders (employees, local communities, government and regulators, contractors & suppliers, shareholders and customers) and the environment.
Strategic Actions Supported by the Board	The strategic actions of the Business Plan and Budget supported by the Board to generate value for stakeholders are: <ul style="list-style-type: none"> • Further HSE initiatives, which will be monitored by the HSE Committee, to improve performance and are detailed in the HSE Committee report on pages 128-129 • Approval of investment plans to further reduce Greenhouse Gas emissions, supporting government regulations • Continuing high standards of corporate governance and adherence to regulations • Approval of maintenance CAPEX to both improve business efficiency increasing value and improving working conditions for staff • Approval of investment plans, generating new projects that provide additional employment opportunities and supplier lines.
Impact of these actions on the long-term success of the Company	The Business Plan and Budget creates a balance between current operating performance and considerations that matter to all stakeholders in the short and long-term such as health & safety, environmental performance and community relations.
Outcome	In December 2019 the Board discussed and approved the 2020 Business Plan and Budget.

Decision:	Approval of various investment projects
Context	The business plan for each financial year contains a number of investment projects, involving sizeable capital expenditure amounts. These can be for a variety of different types of projects, including the replacement of time expired plant in existing facilities, or the construction of new plant to take advantage of new market opportunities.
Stakeholder considerations	Shareholders <ul style="list-style-type: none"> • New plant to improve production efficiency and access markets for new products thereby improving shareholder value. Employees <ul style="list-style-type: none"> • Safer working conditions with modern plant in a better working environment Environment <ul style="list-style-type: none"> • Reduced Greenhouse gas emissions • Better waste water control • Improved energy efficiency.
Impact of these actions on the long-term success of the Company	The decision to invest demonstrates confidence in the long-term outlook for iron and steel products in the markets served by these production facilities; and Evraz commitment to sustainable growth for the benefit of all stakeholders.
Strategic Actions Supported by the Board	The strategic actions of the investment projects supported by the Board to generate value for stakeholders are: <ul style="list-style-type: none"> • Improved Health and Safety working conditions for staff • Reduced Greenhouse Gas emissions in line with government regulation • Improved operational efficiency increasing shareholder value • Supply opportunities for national and international contractors tendered for in a transparent manner.
Outcome	A number of investment projects were approved during the year.

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 2019. In 2020, up to the date of this report’s publication, two Board meetings were held.

The chief financial officer and the senior vice president for 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 on the next page sets out the attendance of each current director at scheduled EVRAZ plc Board and Board committee meetings in 2019.

As at 31 December 2019, the Board comprised the chairman, one executive director, and seven 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.

The Board considers that five non-executive directors (Laurie Argo, Karl Gruber, Deborah Gudgeon, Alexander Izosimov, and Sir Michael Peat) 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. In November 2019, Ms Gudgeon was appointed an independent non-executive director of Highland Gold Mining Ltd,

Board composition



Independent Non-Executive Director	56%
Non-Executive Director	22%
Chairman, Non-Executive	11%
Executive Director	11%

Board and AGM attendance by each director

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

a company that is partly owned by some of the significant shareholders of the Company. The Board has considered this appointment, and has concluded that as Highland Gold Mining Ltd operates in a different market from the Company and the remuneration received for the appointment is non-material, Ms Gudgeon’s independence is not compromised as a result.

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

Boardroom diversity

EVRAZ recognises the importance of diversity both at the Board level and organisation-wide.

The Group remains committed to increasing diversity throughout 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, 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 both during the recruitment process and once employed, to ensure that their unique aptitudes and abilities are taken into account.

For more detailed information, read the Nominations Committee report and the CSR report. The Company believes that the Board composition provides an appropriate balance of skills, knowledge and experience. The Board 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 to develop strategy proposals. While most of the directors have been in post since the incorporation of EVRAZ plc in October 2011, the recruitment of new independent non-executive directors in recent years has strengthened the Board’s technical expertise and widened the skills base. The Nominations Committee will commence a process in early 2020 to identify suitable candidates for the role of independent non-executive director to replace those directors who will be required to stand down at the 2021 and 2022 AGM, having completed their nine-year terms.

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, read the Nominations Committee report on pages 126-127.

¹ Alexander Abramov was unable to attend one board meeting and conference call due to business travel and time zone clashes.
² Sir Michael Peat was unable to attend one conference call meeting as a result of being called overseas.
³ Eugene Shvidler and Eugene Tenenbaum were unable to attend one conference call meeting due to a business commitment that arose unexpectedly.

Performance evaluation

An internally facilitated annual Board evaluation was conducted in 2019, following an externally evaluated review undertaken in 2017.

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) among 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) among the members of the Board as a whole.

Board performance was deemed to be satisfactory. At its January 2020 meeting, the Board agreed an action plan for 2020 that would allow the Board to continue developing its involvement in reviewing and considering the management's

strategy proposals and to take into account stakeholder considerations, and to enhance its focus not only on the commercial issues but also on safety, environmental and other CSR issues, as well as on HR policy.

Arising from the 2019 action plan, the Board noted that its members had spent more time considering the Group's strategy plan and investment proposal arising from it. There has been more focus on succession planning for senior executives and significant changes in the North American business had been implemented. In addition the Board had been fully updated by the HSE Committee Chairman and the Vice President HSE on the new initiatives being implemented across the Group.

The Company undertakes regular performance evaluations of the Board in line with the requirements of the UK Corporate Governance Code. An externally facilitated review is planned for 2020.

Board committees

The following principal committees support the Board in its work: 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 committees review their respective terms of reference each year and submit any recommended changes to the Board for approval. All terms of reference for the committees are available on the Group's website: www.evraz.com.

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. Specifically, Deborah Gudgeon has relevant recent financial experience.

Board composition as at 31 December 2019

Name	Position	Committee Membership	Year of tenure
Executive director			
Alexander Frolov	CEO	HSEC – member	8
Non-executive directors			
Alexander Abramov	Chairman	NC – member	8
Eugene Shvidler	Director	NC – member	8
Eugene Tenenbaum	Director	None	8
Independent non-executive directors			
Laurie Argo	Director	AC – member, RC – member	1
Karl Gruber	Director	HSEC – chairman, NC – member	8
Deborah Gudgeon	Director	AC – chairman, RC – member	4
Alexander Izosimov	Director	RC – chairman, NC – member, AC – member	7
Sir Michael Peat	Senior independent director	NC – chairman, RC – member	8

Role and composition of each committee

Committee name	Function	Composition	Link to committee report
Audit Committee	Audit, financial reporting, risk management and controls	All four members are independent non-executive directors	Read on pages
Nominations Committee	Selection and nomination of Board members	All five members are non-executive directors, of which three are independent	Read on pages
Remuneration Committee	Remuneration of Board members and top management	All four members are independent non-executive directors	Read on pages
HSE Committee	HSE issues	Two of the three members are non-executive with an independent chairman who is also a non-executive director of the Company ¹	Read on pages

¹ The members of the Health, Safety and Environment Committee at 31 December 2019 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.