

# 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](http://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.