

APPROVED BY

the Decision of the Board of Directors of  
the MMK PJSC

Minutes No. 10 dd.20.12.2019

Chairman of the Board of Directors of  
Public Joint Stock Company

Magnitogorsk Iron and Steel Works

(PJSC MMK)

\_\_\_\_\_ Viktor F. Rashnikov

## **CODE OF CORPORATE GOVERNANCE**

of the

Public Joint Stock Company Magnitogorsk Iron and  
Steel Works

City of Magnitogorsk

## **Contents**

- 1. GENERAL PROVISIONS**
- 2. THE GENERAL PRINCIPLES OF CORPORATE GOVERNANCE**
- 3. SHAREHOLDERS**
- 4. BOARD OF DIRECTORS**
- 5. CORPORATE SECRETARY**
- 6. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**
- 7. DISCLOSURE OF INFORMATION AND PUBLIC RELATIONS**
- 8. SIGNIFICANT CORPORATE ACTIONS**
- 9. DIVIDENDS**
- 10. CORPORATE CONFLICT RESOLUTION**
- 11. CONCLUDING PROVISIONS**

### **1. GENERAL PROVISIONS**

1.1 This Code of Corporate Governance of the Public Joint Stock Company Magnitogorsk Iron and Steel Works (hereinafter referred to as the "Code") has been developed in accordance with the recommendations of the Code of Corporate Governance recommended for application by the letter of the Bank of Russia dated 10.04.2014 No. 06-52/2463 (hereinafter referred to as the "Code of Corporate Governance of the Bank of Russia"), the main principles recommended by the Organization for Economic Cooperation and Development, and the provisions of the UK Corporate Governance Code recommended for compliance by companies whose securities are listed on the London Stock Exchange, Russian and foreign corporate governance practices.

1.2 This Code formulates general principles and rules of corporate governance in the Public Joint Stock Company Magnitogorsk Iron and Steel Works (hereinafter referred to as "the Company", PJSC MMK), the purpose of which is to protect and ensure the rights and lawful interests of shareholders.

1.3 The principles and rules of corporate governance, specified in this Code are not exhaustive, and are contained in the Company's Charter and bylaws.

### **2. THE GENERAL PRINCIPLES OF CORPORATE GOVERNANCE**

2.1 Protection of shareholders' and investors' rights is the cornerstone of the corporate policy of the Magnitogorsk Iron and Steel Works Public Joint Stock Company (hereinafter PJSC MMK or the Company).

2.2 PJSC MMK aims at ensuring compliance with the regulations of legislation in force and by-laws of the Company.

2.3 PJSC MMK welcomes both foreign and domestic investors and acknowledges the importance of a dialogue with them.

2.4 PJSC MMK adheres to the principle of equal relation with all shareholders including minority and foreign shareholders (including holders of depositary receipts certifying the right to PJSC MMK shares).

2.5 PJSC MMK adheres to the principle of responsible management and values the contribution of management to creating conditions for a long-term prosperous business and to developing and maintaining an efficient relationship with shareholders.

2.6 PJSC MMK aims for constant reduction and prevention of harmful impact on the environment, environmentally oriented development of production potential, implementation of the best available technologies.

### **3 SHAREHOLDERS**

3.1 PJSC MMK adheres to the principle of equally treating all shareholders.

3.2 PJSC MMK will promote regular contacts and relationship between PJSC MMK and shareholders/investors regarding the Company's strategy, objectives and solutions for attaining such objectives.

3.3 PJSC MMK considers enhancement of the value of its shares' stock as an integral component of the Company's main goal of "the gaining of profit" in accordance with the Company's Charter.

3.4 The Company's main goal as stated in the Charter is not inconsistent with devoting a reasonable amount of corporate resources towards increasing the Company personnel's well-being, and its sustainable development, including environmental, social and other purposes.

3.5 PJSC MMK will seek to ensure that the shareholders enjoy the possibility to effectively participate and vote at general meetings of shareholders. To this end, PJSC MMK will seek to keep the shareholders informed of the relevant rules, including voting procedures and procedures of the conduct of the shareholders general meetings.

Shareholders shall be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting, including through electronic forms of communication.

The Shareholders shall be entitled to make proposals for the agenda of the annual general meeting of shareholders in accordance with applicable law.

Shareholders shall be able to vote in person or in absentia, (including through electronic voting).

The procedure of general shareholders' meetings shall allow for equitable treatment of all shareholders.

PJSC MMK's procedures shall not make it unduly difficult or expensive to cast votes.

3.6 The shareholders shall take account of the costs and benefits of exercising their voting authority.

3.7 During preparation for general shareholders' meetings the shareholders shall be furnished with information on each item on the agenda, including detailed information on the candidates to the Board of Directors (if an item on the election of the Board of Directors is included in the agenda).

#### **4 BOARD OF DIRECTORS**

4.1 The PJSC MMK Board of Directors performs the general guidance of the Company's activity, except the solution of issues related to the competence of the General Meeting of Shareholders.

4.2 PJSC MMK attaches great importance to the election of Directors, and, first of all, independent directors. They play a key part in promoting the significance of strategic decision-making thus ensuring the Company's successful operation and controlling its development.

4.3 The existing system of the election and functioning of the PJSC MMK Board of Directors secures a stable and dynamic development of PJSC MMK and constantly increases the market value of the Company's shares.

4.4 PJSC MMK requires of all the members of the Company's Board of Directors, the sole executive body of the Company, the General Director, and the members of the collective executive body of the Company, the Management Board, that they present to the Company all the information which must be disclosed in accordance with the requirements of the Russian legislation and corporate interests of PJSC MMK.

4.5 The members of Board of Directors of the Company, the sole executive body of the Company, the General Director, and members of the collective executive body of the Company, the Management Board, shall act in the best interests of the Company and exercise their rights and discharge their duties towards the Company in good faith and reasonably.

4.6 The Company's Board of Directors, the General Director, and members of the Management Board shall ensure compliance with law and take into account the interests of all shareholders and concerned persons.

4.7 If resolutions of Board of Directors may have a different effect on various groups of shareholders, Board of Directors, at the time of adopting a decision, shall ensure fair treatment of all the shareholders.

4.8 The structure of corporate governance shall provide for strategic management of PJSC MMK, efficient control of the Company's executive bodies by the Board of Directors and accountability of the Board of Directors to the General Shareholders' Meeting.

4.9 PJSC MMK forms within the Board of Directors, standing committees related to the most important spheres of corporate governance and the Company's development strategy.

In the opinion of PJSC MMK, the major purpose of the committees will be to assist the Company's management in determining and achieving the Company's strategic objectives, evaluating its performance, and developing proposals and recommendations to the Board to enhance its decision-making related to changes in the Company.

4.10 The Board of Directors of PJSC MMK regularly evaluates its activity, the activity of the members of the Board of Directors, committees of the Board of Directors of the Company in order to determine the degree of work efficiency, compliance of their work with the needs of the Company's development, activation of the Board of Directors and committees, and to identify areas in which their activity can be improved.

## **5 CORPORATE SECRETARY**

5.1. The Corporate Secretary shall ensure effective current interaction with shareholders, coordination of the Company's actions in order to protect the rights and lawful interests of shareholders, contribute to the effective work of General Shareholders' Meeting, Board of Directors and its committees.

5.2 PJSC MMK takes necessary measures to ensure the independence of the Corporate Secretary, creates conditions for the unimpeded and effective performance by the Corporate Secretary of his functions.

## **6 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

6.1 PJSC MMK has a risk management and internal control system in place, aimed at providing reasonable assurance of achieving PJSC MMK current (annual) and strategic goals.

6.2 The risk management and internal control system provides: objective and clear idea of the current state and prospects of the Company, integrity and transparency of its reporting, reasonableness and acceptability of risks accepted by it.

6.3 For analysis (evaluation) of reliability and efficiency of functioning of complex risk management system and internal control system, internal audit is carried out in the Company.

Organization and conduct of internal audit is carried out by the division of internal audit of the Company.

The head of the structural subdivision of PJSC MMK performing internal audit functions is appointed and dismissed by the sole executive body of PJSC MMK by decision of the Board of Directors of PJSC MMK.

## **7 DISCLOSURE OF INFORMATION AND PUBLIC RELATIONS**

7.1 Making the Company's activities transparent to the shareholders and investors shall be the primary objective of PJSC MMK.

7.2 PJSC MMK conducts annual audits made by an independent auditor to provide an external and objective opinion of the manner of preparation and presentation of financial statements.

7.3.1 PJSC MMK shall disclose its accounting (financial) statements, prepared in accordance with Russian legislative and regulatory acts and consolidated financial statements prepared in accordance with international accounting standards (IAS).

7.4 PJSC MMK shall strive to broaden the scope of information, (including non-financial), publicly available on website of the Company in the information and telecommunication network "Internet" at [www.mmk.ru](http://www.mmk.ru) (hereinafter referred to as "the Company's web-site in the Internet"), and do its best to constantly update the website of the Company in the Internet.

7.5 Information on the Company's current developments of importance shall be provided through mass media and the website of the Company in the Internet.

7.6 Information distributing channels shall provide an equitable, timely and not excessively expensive access to users.

7.7 PJSC MMK will publish this document on corporate governance on website of the Company in the Internet

PJSC MMK publishes a report on its compliance with the principles and rules of corporate governance of the Company in its annual Report and submits it to the participants of the Annual General Meeting of Shareholders, taking into account the requirements and recommendations of the Bank of Russia.

## **8 SIGNIFICANT CORPORATE ACTIONS**

8.1 According to the recommendations of the Corporate Governance Code of the Bank of

Russia, PJSC MMK considers as significant corporate actions the following:

- reorganization of the Company;
- acquisition of 30% or more of the Company's voting shares (takeover);
- execution by the Company of material transactions;
- increase or decrease of the Company's authorized capital;
- listing and delisting of the Company's shares;
- other actions that may result in a significant change in the rights of shareholders or violation of their interests.

8.2 The Board of Directors of PJSC MMK plays a key role in making decisions and recommendations regarding significant corporate actions based on the position of independent directors.

When making decisions on issues with signs of material corporate actions, the Board of Directors of PJSC MMK thoroughly studies the proposed decisions and forms the final decision taking into account the legitimate interests of all shareholders and interested parties to the maximum extent possible.

8.3 Procedures related to significant corporate actions, apart from those stipulated by the Russian legislation, are determined by the internal documents of PJSC MMK.

## **9 DIVIDENDS**

9.1 The Company's dividend policy is based on the balance of interests of the Company and its shareholders, on increasing the investment attractiveness of the Company and its capitalization, on respect for and strict observance of the rights of shareholders stipulated by the current legislation of the Russian Federation, the Company's Charter, the Company's Corporate Governance Code and its internal documents.

9.2 The Company shall have the right to adopt a decision (announce) on payment of dividends on placed shares based on the results of the first quarter, half year, nine months of the reporting year and (or) on the results of the reporting year, provided that its financial situation is stable.

9.3 The source of dividend payment shall be the Company's net profit determined on the basis of the Company's accounting (financial) statements.

9.4 When developing recommendations on the amount of dividends, the Board of Directors of the Company shall be guided by the principles determined by the Regulations on Dividend Policy of PJSC MMK, approved by the Board of Directors of the Company.

## **10 CORPORATE CONFLICT RESOLUTION**

10.1 PJSC MMK creates conditions for prevention, detection and/or settlement of corporate conflicts.

10.2 The powers of the Company's management bodies and procedures for consideration and settlement of conflicts are defined in the Regulations on Procedure for Settlement of Corporate Conflicts of PJSC MMK.

10.3 The key role in prevention, detection and (or) settlement of corporate conflicts is played by the Board of Directors, which provides an opportunity to obtain effective protection for all, including shareholders, in case of violation of their rights.

10.4 PJSC MMK strives to identify corporate conflicts at the earliest stages of their development and ensures that all management bodies and employees of the Company pay attention to them.

The Company shall determine its position on the substance of the conflict as soon as possible, make a relevant decision and bring it to the attention of the shareholder.

10.5 Position of the Company in a corporate conflict shall be based on the provisions of applicable laws of the Russian Federation.

## **11 CONCLUDING PROVISIONS**

11.1 PJSC MMK will revise and update this Code as the law, circumstances change and as relevant experience is acquired.