



NOVOLIPETSK STEEL

APPROVED

by the Board of Directors
of Public Joint Stock Company
“Novolipetsk Steel”

Minutes of Meeting No. 236
dd. 22 December 2015

**CORPORATE
GOVERNANCE CODE**

of Public Joint Stock Company
“Novolipetsk Steel”

Lipetsk
2015

CONTENTS:

INTRODUCTION

CHAPTER 1. PRINCIPLES OF CORPORATE GOVERNANCE APPLICABLE IN THE COMPANY;

CHAPTER 2. STRUCTURE OF THE COMPANY'S CORPORATE GOVERNANCE

2.1. GENERAL SHAREHOLDERS' MEETING, SHAREHOLDERS' RIGHTS

2.2. BOARD OF DIRECTORS OF THE COMPANY

2.3. EXECUTIVE BODIES OF THE COMPANY

2.4. CORPORATE SECRETARY OF THE COMPANY

CHAPTER 3. DISCLOSURE OF INFORMATION ON ACTIVITIES OF THE COMPANY

CHAPTER 4. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM OF THE COMPANY

CHAPTER 5. CONTROL OVER FINANCIAL AND ECONOMIC ACTIVITIES OF THE COMPANY

CHAPTER 6. CONCLUSIONS

INTRODUCTION

The Corporate Governance Code (hereinafter referred to as the Code) introduces the general notions of the corporate governance (corporate behaviour) standards at Public Joint-Stock Company Novolipetsk Steel (hereinafter referred to as the Company), the purpose of which is the protection and the observation of rights and interests of the shareholders.

This Code is developed according to the main principles recommended by the Organization for Economic Cooperation and Development and provisions of the Corporate Governance Code recommended for application by the Bank of Russia.

Corporate behaviour standards given in this Code are not comprehensive and are contained in the Charter, Regulations on the Board of Directors and Management Board as well as in other corporate documents of the Company.

CHAPTER 1. PRINCIPLES OF CORPORATE GOVERNANCE APPLICABLE IN THE COMPANY

The Company, being one of the largest steel-making companies with shares owned by thousands of shareholders, confirms the necessity to comply with the following major principles of corporate governance:

1. The Company commits to provide equal and fair treatment to all shareholders exercising their right for participation in the governance and receipt of the Company's dividends as well as in the course of shareholders' participation in meetings, voting on the agenda items, timely receipt of information on the Company's business and its managerial and control bodies.
2. The Company regards the increase of market value of its shares (capitalization) as one of main purposes.
3. The Company enforces the principle of equal treatment of all shareholders, including minority and foreign ones.
4. The Company shall provide for reliable and efficient registration procedures for shareholders' rights for shares and guarantee the possibility for free and easy disposal of shares owned by shareholders.
5. The Company enforces a policy of observing third party rights, including its creditors and employees, as stipulated by the legislation, the Charter and other regulatory documents.
6. The Company observes the common corporate policy in respect of the subsidiaries and affiliates and other legal entities in which the Company is the founder, a participant or a member.
7. The Company enforces the police of information disclosure and transparency including in terms of disclosure of complete and updated information on the Company in order to provide for the possibility to take reasonable decisions by shareholders and investors as well as in terms submission of documents (information) of the Company upon its shareholders' request.
8. The Company enforces the policy of observance of business ethics in conducting its business.
9. The Company seeks to ensure compliance with applicable legislation norms, principles of Corporate Governance Code and international corporate governance standards.

CHAPTER 2. STRUCTURE OF THE COMPANY'S CORPORATE GOVERNANCE

2.1. GENERAL SHAREHOLDERS' MEETING, SHAREHOLDERS' RIGHTS

Shareholders of the Company have the rights which are exercised both by shareholders and through their proxys by means of participation in the work of general meetings of shareholders with the right to vote on all items referred to their competence.

The Company commits to:

- provide equal and fair treatment to all shareholders exercising their right for participation in its governance;
- create the most favourable conditions for shareholders for participation in GSM, elaboration of the stand in terms of GSM agenda items, coordination of their actions and expressing their opinions in relation to the items under consideration.

The procedure of GSM holding and submission of materials for the GSM shall provide shareholders with the possibility to get properly prepared for participation therein.

In the course of preparation to the GSM and holding it, the Company seeks to ensure that shareholders could receive information on the meeting and materials therefor freely and on a timely basis.

The procedure of the GSM holding established by the Company shall provide for equal possibility for all persons present at the meeting to express their opinions and ask relative questions.

In the course of the meeting the Company's shareholders may ask questions to the members of the Company's management and control bodies, the person responsible for the Company's accounting, representatives of the Company's audit organization, as well as nominees for election into the management and control bodies of the Company which are recommended to participate in the work of the Company's GSM. Shareholders of the Company (GSM participants) shall be entitled to communicate and consult each other freely on the agenda issues put to vote at the GSM without disturbing the meeting procedure (regulations).

Shareholders are entitled for regular and timely receipt of the information on the Company's business to the extent sufficient for decision-making on shares disposal, including:

- transactions which might significantly influence financial performance of the Company;
- material facts and events;
- occurrence of obligations of the Company to third parties, non-performance of which might result in the Company's share value reduction;
- increase or reduction of the Company's authorized capital.

Shareholders are entitled for regular and timely receipt of information on remuneration amount to be received by the Company's directors (members of the Board of Directors, Management Board) according to the resolutions of the HR, Remunerations and Social Policy Committee including on the procedure and criteria of determination of such remuneration amount, cash incentive system and provision of directors with options for the Company's shares.

Shareholders are entitled to receive net profit of the Company as dividends.

Shareholders shall not exert pressure on the Board of Directors and executive bodies of the Company, use insider information in the course of transactions with shares of the Company and its subsidiaries.

Shareholders recognize the necessity to disclose information on their owners and affiliates.

2.2. BOARD OF DIRECTORS OF THE COMPANY

Board of Directors performs general administration of the operations of the Company with the exception of issues referred to the competence of the General Shareholders' Meeting by the Federal law "On Joint Stock Companies", defines priority directions for the Company's business and basic principles and approaches to the Company's arrangement of risk management and internal control system as well as supervises over the activity of the Management Board and the President (Chairman of the Management Board) of the Company.

The objectives of the Board of Directors' operation are: to provide maximum profit and increase the Company's assets, protect the rights and lawful interests of shareholders, provide permanent control over executive bodies of the Company, provide completeness, reliability and impartiality of public information concerning the Company.

The Board of Directors shall comply with the following principles in order to reach its objectives:

- prevent prejudice of shareholders' lawful right to participate in the management of the Company;
- balance the interests of different shareholder groups and maximum impartiality of decisions made by the Board of Directors in the interests of all shareholders of the Company;
- make decisions based on reliable information on the Company activities.

Board of Directors:

- defines the priority directions of the Company's business;
- approves long-term plans and major activities programs of the Company, the Company's budget;
- defines the structure, the number and the persons of the Management Board, etc..

Executive directors may be members of the Board of Directors and their number must not exceed one fourth of the total number of the Company's BoD members.

The President (Chairman of the Management Board) of the Company may not hold the office of the Chairman of the Board of Directors of the Company at the same time. Members of the Board of Directors of the Company may not be members of the Audit Commission of the Company.

To avoid domination of any individual person or a group of persons in the course of decision-making by the Board of Directors, the Company intends to include at least 3 (three) independent directors into the Board of Directors.

At that, an independent director shall mean a person complying with independence criteria stated in the Regulations on the Board of Directors of the Company.

The Board of Directors shall ensure quality assessment of its activities, as well as operation of committees with the Board of Directors and each member of the Board of Directors individually according to the Russian and international corporate governance principles.

Conditions and procedure of remuneration payment and expenses reimbursement to the Board of Directors members shall be established by the Regulations on the Board of Directors members' remuneration of the Company approved by the General Shareholders' Meeting of the Company.

A member of the Board of Directors shall:

- be efficient and professional, capable of making objective and professional judgements, taking respective decisions, carrying out its functions in an honest and responsible way in the interests of all shareholders and the Company as a whole;

- have professional qualification (knowledge, experience, skills) for a required decision-making and have unblemished reputation;
- have sufficient amount of time for efficient fulfilment of obligations by a member of the Board of Directors;
- disclose information on its interest in concluding transactions by the Company in full.

The Board of Directors shall establish the following permanent committees to deal with certain tasks of the Company (previewing of vital issues):

- Strategic Planning Committee;
- HR, Remunerations and Social Policy Committee;
- Audit Committee.

The targets, tasks and functions of each committee, organization procedure and regulations of its activities shall be determined by the appropriate Regulations subject to approval by the Board of Directors and binding for all subdivisions and officers of the Company.

Each of the said committees shall be headed by a member of the Company's Board of Directors. At that, a member of the Company's Board of Directors may not be a member of more than two committees at the same time.

Meetings of the Company's Board of Directors are held on a regular basis not less than 6 (six) times per year. The Company's Board of Directors shall work according to a schedule approved at one of its first meetings.

The Company shall provide for respective insurance of professional liability of the Company's directors.

The procedure of the Board of Directors' activity shall be governed by the norms of Regulations on the Company's Board of Directors.

2.3. EXECUTIVE BODIES OF THE COMPANY

The President (Chairman of the Management Board) and the Management Board, being executive bodies of the Company, shall exercise operational management and ensure efficient operation of the Company, by implementing tasks set by the Board of Directors, interact with trade unions in order to take into account interests of the Company's employees, interact with state authorities and local governmental authorities.

The President (Chairman of the Management Board), members of the Management Board of the Company, heads of subdivisions shall promptly provide complete and reliable information upon request from members of the Board of Directors. In this case the information requested shall be provided to the Corporate Secretary of the Company to be announced by him to a member of the Board of Directors who has applied with a respective request.

The President (Chairman of the Management Board) shall be held responsible for arrangement, condition and reliability of the Company's accounting, timely submission of accounting (financial) statements as well as information on the Company's business provided to shareholders, creditors and mass media.

The Board of Directors shall determine remuneration and compensation amounts to be paid to members of the Management Board, the President (Chairman of the Management Board) according to the Company's policy on remunerations to such persons, developed by HR, Remunerations and Social Policy Committee.

The procedure of the Management Board's activity shall be governed by the norms of Regulations on the Company's Board of Directors.

2.4. CORPORATE SECRETARY OF THE COMPANY

The Corporate Secretary ensures day-to-day interaction with shareholders, coordinates the Company's activities aimed at the protection of shareholders' rights and interests, and supports efficient operation of the Board of Directors.

Moreover, the Corporate Secretary shall:

- abide by the norms and requirements of the Russian legislations, Company's Charter and corporate documents;
- ensure the respect of rights and lawful interests of the shareholders; solve any arising concerns proceeding from the priority of Company shareholder' rights.

The key Corporate Secretary functions are:

- participation in preparations and holding of general shareholders' meetings of the Company;
- supporting the operation of the Board of Directors and of Committees with the Board of Directors of the Company;
- participation in the implementation of the Company's policy related to information disclosure and ensuring the safekeeping of the Company's corporate documents;
- provision of the Company's interaction with its shareholders and involvement in prevention of any corporate conflicts (conflicts between the Company's bodies and its shareholders, as well as among shareholders, if such a conflict impacts the Company's interests).

Functions, rights and obligations of the Company's Corporate Secretary, the procedure of its approval and appointment, termination of its powers as well as requirements to its candidate shall be established by the norms of Regulations on the Corporate Secretary of the Company.

CHAPTER 3. DISCLOSURE OF INFORMATION ON ACTIVITIES OF THE COMPANY

One of the Company's tasks is to ensure disclosure transparency and completeness for information on the Company's activities to shareholders and investors.

The Company enforces the principle of voluntary disclosure of information on its activities.

The Company seeks to diversify the scope of information published on a regular basis. At that, information disclosure channels shall ensure equal, timely and not involving excessive expenses access of shareholders and investors to information.

The Company shall disclose (publish) draft documents to be submitted for discussion at shareholders' meetings, information on candidates nominated to management and control bodies of the Company.

Basic principles, rules and procedure of information disclosure shall be governed by the Regulations on Information Policy of the Company approved by the Board of Directors.

CHAPTER 4. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM OF THE COMPANY

A risk management and internal control system aimed at providing reasonable assurance that the Company will achieve its set targets has been operating at the Company.

Risk management and internal control system shall provide for: objective and clear understanding of the current condition and perspectives of the Company, integrity and transparency of its statements,

reasonability and acceptability of risks assumed by it.

Internal audit of the Company shall be performed by a separate, specially established structural division.

The Company shall ensure timely and complete disclosure of information on performance results of its bodies exercising internal control over its operation.

CHAPTER 5. CONTROL OVER FINANCIAL AND ECONOMIC ACTIVITIES OF THE COMPANY

For annual verification and confirmation of its accounting (financial) statements the Company shall engage external auditors having no proprietary interests in it.

Respective accounting (financial) statements must be audited in compliance with: the requirement of the Russian legislation and International Audit Standards.

The Company shall provide for participation of auditor's representatives and members of the Audit Commission in the work of general shareholders' meetings.

The main purpose of the Audit Committee is elaboration and submission of recommendations to the Board of Directors of the Company regarding assurance of effective participation of the Company's Board of Directors in the control over financial and economic activities of the Company, including elaboration and submission of recommendations to the Board of Directors of the Company regarding the annual independent external audit of the Company's accounting (financial) statements, quality of services rendered by the auditor and his compliance with the requirements of auditor's independence; the process of valuation of property by an independent appraiser, when it is required by legislation of the Russian Federation and in other cases.

CHAPTER 6. CONCLUSIONS

The present Code, as well as all the additions and amendments thereto shall be approved by the Company's Board of Directors.

All the issues not covered by this Code shall be governed by the Company's Charter and other internal documents of the Company.

In case certain articles of this Code come into conflict with any amendments made in the legislative & statutory acts of the Russian Federation, such articles shall be rendered void; it is required to be guided by the effective Russian Federation legislation until this Code is modified accordingly.