

4.0 Corporate Governance



4.1

APPROACH TO CORPORATE GOVERNANCE

Although OMK is not a public company, its corporate governance system is built on the basic principles of the Corporate Governance Code, including:

- Equal and fair treatment of all shareholders as they exercise their right to participate in the governance of the company
- Shareholders are given equal and fair opportunities to share in profits by receiving dividends
- The corporate governance system and practice ensures equal conditions for all shareholders owning shares of the same category, including minority shareholders and foreign shareholders, and equal treatment of them by all OMK Group companies
- Shareholders have been provided with reliable and effective means for accounting for rights to shares, as well as the opportunity to dispose of the shares belonging to them freely and without encumbrance
- The company's corporate secretary is responsible for conducting all ongoing communications with shareholders, and coordinating actions to protect the rights and interests of shareholders
- The level of remuneration paid by the company is sufficient to enable it to attract, motivate and retain employees who have the required skills and qualifications
- The system of remuneration for members of the executive bodies and other key executives of the company provides for their remuneration to be dependent on the company's performance and their personal contributions to achieving it
- The company organizes an internal audit to ensure a systematic, independent evaluation of the reliability and effectiveness of its risk management and internal control system and its corporate governance practices
- OMK's operations are sufficiently transparent for shareholders, investors and other stakeholders
- The company discloses complete, up-to-date and reliable information about itself to allow its shareholders, investors and contractors to make informed decisions
- OMK Group companies provide information and documents at the request of shareholders in accordance with the principle of equal and unhindered access
- Any actions that materially affect or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ('material corporate actions') are taken under fair terms and conditions that ensure that the rights and interests of shareholders as well as other stakeholders are observed
- The company provides a procedure for material corporate actions which allows shareholders to receive timely and complete information on such actions, provides them with the opportunity to influence decision making about such actions, and ensures compliance and an adequate level of protection of shareholder rights in the performance of such actions



4.1

APPROACH TO CORPORATE GOVERNANCE

OMK is focused on best global practices and corporate governance standards. OMK uses its non-public status not to ensure secrecy about its operations, but rather to respond more promptly to the challenges and demands that the company might face.

OMK implements a set of functional strategies, which are reflected in the constituting documents of the corporate governance system.

An important feature of the system of internal documentation is its consistency and flexibility. Any external and internal challenges are quickly reflected in the provisions of local regulations.

OMK adheres to a sustainable development policy aimed at accomplishing its mission, supporting its strategy, and streamlining and standardizing sustainable development operations across all companies controlled by OMK. The document describes the basic priorities in sustainable development, requirements for reporting and analysis of operations, as well as the allocation of responsibilities for implementing the policy.

In July 2007, OMK adopted a Declaration of Corporate Ethics, which regulates the corporate governance system. The current version was approved in 2016. The document affirms

the fundamental principle of corporate behaviour — avoiding conflict between employees' personal interests and the interests of the company — and regulates the use of insider information. The basic objectives of this document are to ensure that all company employees adhere to high standards of corporate ethics, take action in the event of conflicts of interest, and conduct business in a responsible manner.

The provisions of the Declaration are not one-sided: they protect the interests of employees as well as shareholders. The Declaration of Corporate Ethics is one of the documents underpinning the efficiency and investment attractiveness of the company. It promotes trust between participants in corporate relations that are based on honesty, integrity, and reliability.

Compliance with ethical principles and standards helps to avoid unjustified risks, to support long-term economic growth, to strengthen the company's position in the markets, to promote an increase in capitalization and profit, and so forth.

The Declaration of Corporate Ethics is an open document which is available on the OMK website and its internal portal.



4.2

MANAGEMENT STRUCTURE

In 2017, a Board of Directors was formed at United Metallurgical Company, comprising Anatoly Sedykh, Vladimir Markin, Natalya Eremina, Svetlana Obolenskaya and Anastasia Poletaeva.

Anatoly Sedykh, who was previously Chairman of the Management Board, became the Chairman of the OMK Board of Directors. In this position, Mr. Sedykh has concentrated on the strategic development of the company, while management gained more authority. This was reflected in the new version of the OMK Charter approved in July 2017.

Work on updating the Charter began in late 2017, and the new version was adopted in January 2018.

The OMK management structure presently has one sole-member executive body (the Chair of the Management Board) and one collegial executive body (the Management Board). Until this change (i.e. from July to December 2017), OMK had two sole-member executive

bodies, the Chair of the Management Board and the President. The directors of the divisions and their functions are now subordinate to the Chair of the Management Board, Natalya Eremina.

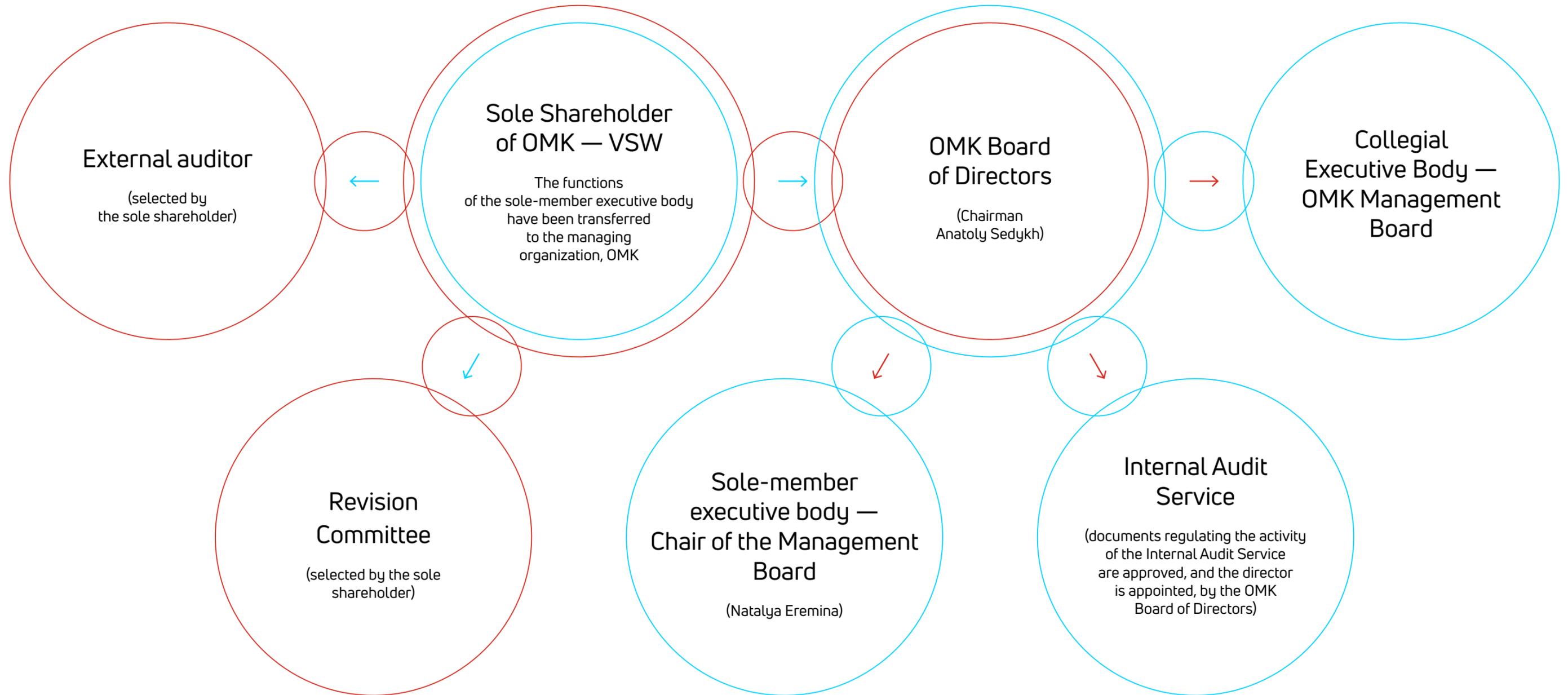
This change is a logical continuation of the improvements to the company's decision-making system. It enables OMK to react quickly to changes in the economic situation, implement the investment strategy as effectively as possible and develop more rapidly. It is also in line with modern management trends. The Russian company VSW is the sole shareholder of the core OMK companies (Trubodetal, Almeteyevsk Pipe Plant (APP), Blagoveshchensk Valves Plant (BVP), Chusovoy Steel Works (CSW), and OMK).

The managing organization, OMK, and managing directors of plants managed the routine operations of the core companies in the group (VSW, Trubodetal, APP, CSW, and BVP) in 2017, having been given the functions of the sole-member executive body of these companies. OMK provides corporate governance for the OMK Group.



4.2

MANAGEMENT STRUCTURE



4.3 BOARD OF DIRECTORS*



Anatoly Sedykh

Chairman of the Board of Directors



Natalya Eremina

Chair of the Management Board,
Member of the Board of Directors



Vladimir Markin

Deputy Chairman
of the Board of Directors



Anastasia Poletaeva

Attorney at the Moscow City Bar,
Member of the Board of Directors



Svetlana Obolenskaya

Corporate Secretary

*For biographies, see Appendix B.

4.4

MANAGEMENT BOARD*



Natalya Eremina

Chair of the Management Board,
Member of the Board of Directors



Eduard Stepantsov

Head of the Commercial
Department



Dmitry Chernyshev

Head of the Asset Development
and Investment Department



Yulia Shkhiyants

Head of the Economy
and Finance Department



Petr Trushin

Efficiency Management
Director



Svetlana Nikolashina

Head of the Human Resources
Department

*For biographies, see Appendix B.

4.5 MANAGEMENT BOARD ACTIVITY IN 2017

There are six department heads* on the United Metallurgical Company Management Board.

OMK's Management Board held 97 meetings in 2017 (12 in the office and 85 by conference call), during which 198 issues were considered.

The key focus areas of the Management Board's work in 2017 were:

- improving efficiency at the plants
- budgeting and achieving objectives
- launching priority investment projects
- conducting social programmes in areas where the company operates
- optimizing the structure and number of the company's workforce

The Management Board also considered a number of issues pertaining to non-financial risks for the company, including the transfer of fixed assets to the administration of the city of Vyksa, approval of bank transactions, a review of the results of an employee engagement study, etc.

Throughout the year, the members of the Board worked according to approved individual objectives. These focused primarily on improving the efficiency of management teams, transforming the role of the supervisory function in the business and relaying changes to employees, effective presentation, mentoring, and so on.



* The new Board was formed in early 2018.