

# DIRECTORS' REPORT

## Introduction

In accordance with section 415 of the Companies Act 2006, the Directors of EVRAZ plc present their report to shareholders for the financial year ending 31 December 2015, which they are required to produce by applicable UK company law. The Directors' Report comprises pages 142 to 147 of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

The Company was incorporated under the name EVRAZ plc as a public company limited by shares on 23 September 2011. EVRAZ plc listed on the London Stock Exchange in November 2011 and is a member of the FTSE 250 index.

Dividends	The Company's current dividend policy was adopted on 8 April 2014 and allows payment of regular dividends only when the net leverage (net debt/EBITDA) target of below 3.0x is achieved and the Company records a net profit. No dividends were paid in 2015. No dividend is recommended for the year-ended 31 December 2015.
Share capital	Details of the Company's share capital are set out in Note 20 to the Consolidated Financial Statements on page 208, including details on the movements in the Company's issued share capital during the year. As of 31 December 2015, the Company's issued share capital has consisted of 1,506,527,294 ordinary shares of which 98,383,582 ordinary shares are held in treasury. Therefore, the total number of voting rights in the Company is 1,408,143,712. The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.
Authority to purchase own shares and purchase during the year	Details of transactions with treasury shares are provided in Note 20 of the Consolidated Financial Statements on page 208. Details of the Company's authority to purchase its own shares, which will be sought at the forthcoming annual general meeting of the Company, will be set out in the notice of meeting for that AGM. As part of a share buyback by way of a tender offer, announced on Monday 20 April 2015, the Company agreed to repurchase 108,458,508 ordinary shares of US\$1.00 each in the capital of the Company, for consideration of US\$3.10 per share. Initially, following the share buyback, all 108,458,508 ordinary shares were held in treasury. At the time of the buyback, this represented 7.12% of the Company's issued share capital. On 28 May 2015, the Company transferred 10,074,926 ordinary shares out of treasury to the Company's Employee Share Trust. This represented 0.67% of the Company's issued share capital, and details are set out in Note 20 to the Consolidated Financial Statements on page 208. The Board considered this an appropriate means of returning capital to shareholders in a way that is earnings enhancing.
Directors	Biographical details of the directors who served on the Board during the year are set out in the Corporate Governance section on pages 104 to 107. In addition, Terry Robinson served as a director until his resignation on 18 June 2015. Deborah Gudgeon was appointed to the Board on 31 March 2015. Duncan Baxter and Olga Pokrovskaya stood down as directors on 14 March 2016.
Directors' appointment and re-election	The Board has the power at any time to elect any person to be a director, but the number of directors must not exceed the maximum number fixed by the Articles of Association of the Company. Any person so appointed by the directors will retire at the next AGM and then be eligible for election. In accordance with the UK Corporate Governance Code, the directors are subject to annual re-election by shareholders. Please see additional information about Directors' appointment and resignation in Corporate governance report, page 112. All of the continuing directors will stand for re-election at the 2016 AGM to be held on 16 June 2016.
Directors' interests	Detailed information on share ownership by directors can be found in the Remuneration Report on page 137. Members of EVRAZ plc Board do not receive share-based compensation.
Directors' indemnities and directors and officers liability insurance	As at the date of this report, the Company has granted qualifying third-party indemnities to each of its directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, directors and officers of the Company and its subsidiaries have been and continue to be covered by directors and officer liability insurance.
Powers of directors	Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company power to borrow money and also provide the power to make purchases of any of its own shares. The directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of AGM.
Major interests in shares	Notifiable major share interests of which the Company has been made aware are set out on page 144 of the Directors' Report.

Research and development	EVRAZ is constantly engaged in process and product innovation. EVRAZ research and development centres located at the Company's production sites improve and develop high-quality steel products to better meet customers' needs and to ensure that the Company remains competitive in the global and local markets. For examples of Company's efforts in R&D in different operations please refer to pages 53-79.
Sustainable development	The Corporate Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes. Details of the Company's policies and performance are provided in the Corporate Social Responsibility Section on pages 81-101.
Political donations	No political contributions were made in 2015.
Greenhouse gas emissions	In 2015, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, EVRAZ undertook to assess full greenhouse gases' (GHGs) emissions from facilities under its control. Details can be found in the Corporate Social Responsibility section on pages 88-90.
Employees	Information regarding the Company's employees can be found on pages 95-99.
Overseas branches	EVRAZ does not have any branches. A full list of the Group's controlled subsidiaries is disclosed in Note 34 of the Consolidated Financial Statements.
Financial risk management	Details of the Company's policies on financial risk management are outlined in the Audit Committee Report on pages 118-125.
Financial instruments	The financial risk management and internal control processes and policies and details of hedging policy and exposure to the risks associated with financial instruments can be found in Note 29 to the Consolidated Financial Statements, the Corporate Governance section of this report on pages 110-129 and in the Financial Review on pages 34-49.
Going concern	<p>The financial position and performance of the Group and its cash flows are set out in the Financial review section of the report on pages 34-49.</p> <p>The Directors have considered the Group's debt maturity and cash flow projections and an analysis of projected debt covenants compliance for the period to the end of June 2017. In doing so, the Directors recognise that the Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment. In the event that the financial results of the Group deteriorate and are below the management's current forecasts, the Group may not be in compliance with financial covenants under certain bank loans (up to a maximum of US\$750 million), which, if not resolved, may trigger a cross default under other debt instruments. Such an event would permit the Group's lenders to demand immediate payment of the outstanding borrowings under the relevant debt instruments.</p> <p>The Directors and management have put in place a viable set of actions to proactively address this situation, including, but not limited to, an agreed back stop facility in the amount of US\$300 million with one of the major banks. If the Group faces potential non-compliance with its financial covenants its actions will include, if and when necessary, a repayment of certain borrowings, a financial covenant reset, a waiver from its lenders and a refinancing of certain borrowings. The Group may incur additional costs related to these alternatives.</p> <p>Taking the above factors into account, the Board is satisfied that the Group has adequate resources available to ensure, that the Group will continue in operation for the foreseeable future and meet its liabilities as they fall due. For this reason, as disclosed in Note 2 to the consolidated financial statements, the Group continues to adopt the going concern basis in preparing its financial statements.</p>
Auditor	The Company's auditor, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the forthcoming AGM.
Future developments	Information on the Group and its subsidiaries' future developments is provided in the Strategic Report.
Events since the reporting date	The major events after 31 December 2015 are disclosed in Note 33 to the Consolidated Financial Statements on page 233.
Annual general meeting (AGM)	<p>An AGM shall be held in each period of six months beginning with the day following the Company's annual accounting reference date, at such place or places, date and time as may be decided by the Directors.</p> <p>The 2016 AGM will be held on 16 June 2016 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board Committees.</p> <p>Full details of the AGM, including explanatory notes, are contained in the Notice of AGM which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at <a href="http://www.evraz.com">www.evraz.com</a>.</p>
Electronic communications	A copy of the 2015 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at <a href="http://www.evraz.com">www.evraz.com</a> . Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.
Corporate Governance Statement	The Disclosure and Transparency Rules (DTR 7.2) require certain information to be included in a corporate governance statement set out in a company's Directors' Report. In common with many companies, EVRAZ has an existing practice of issuing, within its Annual Report, a Corporate Governance Report that is separate from its Directors' Report. The information that fulfils the requirement of DTR 7.2 is located in EVRAZ Corporate Governance Report on pages 110 to 129 (and is incorporated into this Directors' Report by reference), with the exception of the information referred to in DTR 7.2.6, which is located in this Directors' Report.

**Major shareholdings** | The Company's issued share capital as of 31 December 2015 and 14 March 2016 was 1,506,527,294 ordinary shares of which 98,383,582 ordinary shares are held in treasury, thus the total voting rights are 1,408,143,712 ordinary shares.

As of 31 December 2015 and 14 March 2016, the following significant holdings of voting rights in the share capital of the Company were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of ordinary shares	% of issued ordinary shares
Lanebrook Ltd. <sup>1</sup>	905,487,416	64.30
Lanebrook Ltd. Affiliates	38,807,306	2.76
Kadre Enterprises Ltd. <sup>2</sup>	83,751,827	5.95
Verocchio Enterprises Ltd. <sup>3</sup>	82,887,014	5.89

<sup>1</sup> Lanebrook Ltd. (the Major Shareholder) is a limited liability company incorporated under the laws of Cyprus on 16 March 2006. It was established for the purpose of holding a majority interest in the Group. Lanebrook Ltd. is controlled by Mr. Abramovich, Mr. Abramov, Mr. Frolov, and Mr. Shvidler.

<sup>2</sup> Includes shares held by Gennady Kozovoy, Kadre's shareholder, both indirectly through Kadre and directly.

<sup>3</sup> Verocchio Ltd. is owned by Alexander Vagin.

The following ultimate beneficial owners had interests in EVRAZ plc share capital (in each case, except for Mr. Kozovoy, held indirectly) as of 31 December 2015 and 14 March 2016.

Ultimate beneficial owner	Number of ordinary shares	% of issued share capital
Roman Abramovich	440,528,063	31.28
Alexander Abramov	306,774,676	21.79
Alexander Frolov	153,186,953	10.88
Gennady Kozovoy	83,751,827	5.95
Alexander Vagin	82,887,014	5.89
Eugene Shvidler	43,805,030	3.11

**Listing rule disclosures** | For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Item	Location
Interest capitalised	Note 9 to the Consolidated Financial Statements
Publication of unaudited financial information	Not applicable
Detail of long-term incentive schemes	Note 21 to the Consolidated Financial Statements, Remuneration Report
Waiver of emoluments by a director	None
Waiver of future emoluments by a director	None
Non pre-emptive issues of equity for cash	None
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	None
Parent participation in a placing by a listed subsidiary	None
Contract of significance in which a director is interested	None
Contracts of significance with a controlling shareholder	See section on the Relationship Agreement on page 145
Provision of services by a controlling shareholder	None
Shareholder waiver of dividends	None
Shareholder waiver of future dividends	None
Agreements with controlling shareholder	See section on the Relationship Agreement on page 145

## Significant contractual arrangements

**Relationship agreement** | The Major Shareholder and the Company have entered into a relationship agreement which regulates the on-going relationship between them, ensures that the Company is capable of carrying on its business independently of the Major Shareholder and ensures that any transactions and relationships between the Company and the Major Shareholder are at arm's length and on normal commercial terms. This agreement was last amended and restated in December 2014 in order to comply with certain changes to the Listing Rules.

This agreement terminates if the Major Shareholder ceases to own or control (directly or indirectly) at least 30% of the Ordinary Shares in the Company or if the Major Shareholder ceases to have a larger interest in the Company than the interest of any other shareholder of the Company.

Under the relationship agreement, the Major Shareholder and the Company agree that:

- the Major Shareholder has the right to appoint the maximum number of Non-Executive Directors that may be appointed while ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as it holds an interest in 30% or more of the Company with each appointee being a "Shareholder Director";
- the Major Shareholder and its Associates shall not take any action that would have the effect of preventing the Company from complying with its obligations under the Companies Act, the Disclosure and Transparency Rules;
- neither the Major Shareholder nor any of its Associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the listing rules;
- transactions, relationships and agreements between the Company and/or its subsidiaries (on the one hand) and the Major Shareholder or a member of the Major Shareholder Group (on the other) shall be entered into and conducted on an arm's length and normal commercial basis, unless otherwise agreed by a Committee comprising the Non-Executive Directors of the Company whom the Board considers to be independent in accordance with paragraph B.1.1 of the UK Corporate Governance Code (the "Independent Committee");
- the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, take any action which precludes or inhibits the Company and/or its subsidiaries from carrying on its business independently of the Major shareholder or any member of the Major Shareholder Group;
- the quorum for any Board meeting of the Company shall be two, of which at least one must be a Director other than a Shareholder Director and/or a Director who is (or has, in the 12 months prior to the relevant date) any business or other relationship with the Major Shareholder or any member of the Major Shareholder Group which could materially interfere with the exercise of his or her independent judgement in matters concerning the Company ("Lanebrook Director");
- the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, subject to specified exceptions, take any action (or omit to take any action) to prejudice the Company's status as a listed company or its suitability for listing or its on-going compliance with the Listing Rules and Disclosure and Transparency Rules;
- the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, exercise any of its voting or other rights and powers to procure any amendment to the Articles which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement, and will abstain from voting on, and will procure that the Lanebrook Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Major Shareholder or any member of the Major Shareholder Group;

- if any matter which, in the opinion of an independent Director, gives rise to a potential conflict of interest between the Company and/or its subsidiaries (on the one hand) and the Lanebrook Directors, the Major Shareholder or any member of the Major Shareholder Group (on the other), such matter must be approved at a duly convened meeting of the Independent Committee or in writing by a majority of the Independent Committee;
- for so long as the Major Shareholder holds an interest in 50% or more in the Company, the Major Shareholder undertakes that it will not and will use its reasonable endeavours to procure that no other member of the Controlling Shareholder Group becomes involved in any competing business (subject to certain exceptions) in Russia, the Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

The Board is satisfied that the Company is capable of carrying on its business independently of the major shareholder and makes its decisions in a manner consistent with its duties to the Company and stakeholders of EVRAZ plc.

The Independent Non-Executive Directors of the Company have conducted an annual review to consider the continued good standing of the Relationship Agreement and are satisfied that the terms of the Relationship Agreement are being fully observed by both parties. In accordance with LR 9.8.4R (14) it is confirmed that :

- the Company has complied with the independence provisions of the relationship agreement;
- so far as the Company is aware, the controlling shareholder has complied with the independence provisions of the relationship agreement; and
- so far as the Company is aware, the controlling shareholder has complied with the procurement obligations in the relationship agreement.

**Other agreements** | 9.50% notes due 2018, issued by EVRAZ Group S.A., contain change of control provisions. If a change of control occurs under the terms of these notes, note holders will have the option to require EVRAZ Group S.A. to redeem notes together with interest accrued, if any. At 31 December 2015, the principal amount of these notes amounted to US\$353 million.

The change of control provisions contained in the US\$500 million syndicated loan agreement dated 12 August 2014 specify that if a change of control occurs, each lender has a right to cancel its commitments and request prepayment of its portion of the loan. However, a change of control does not constitute an event of default under the agreement.

The US\$350 million high-yield bonds issued by EVRAZ Inc. NA Canada on 7 November 2014 contain change of control provisions. If a change of control occurs under the terms of these notes, the Issuer should make an offer to purchase all outstanding notes together with accrued interest, if any.

**Articles of association** | The Company's Articles of Association were adopted with effect from June 2012 and contain among others provisions on the rights and obligations attaching to the Company's shares, including the redeemable non-voting preference shares and the subscriber shares. The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

**Share rights** | Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the Directors. The Company may also issue

shares which are, or are liable to be, redeemed at the option of the Company or the holder and the directors may determine the terms, conditions and manner of redemption of any such shares.

**Voting rights** | There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the 2016 notice of AGM.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share held by him.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he been present in person. Unless the directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him to the Company in respect of that share remains unpaid.

The trustee of the Company's Employee Share Trust is entitled, under the terms of the trust deed, to vote as it sees fit in respect of the shares held on trust.

**Transfer of shares** | The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. As of the date hereof, the Company does not have certificated shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

**Audit information** | Each of the Directors who were Members of the Board at the date of the approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware.
- He/she has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The EVRAZ Directors' Report as set out on pages 142 to 147 inclusive has been prepared in accordance with applicable UK company law and was approved by the Board on 14 March 2016.

By the order of the Board



**ALEXANDER FROLOV**

Chief Executive Officer  
EVRAZ plc

14 March 2016