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CORPORATE GOVERNANCE





3.1

APPROACH TO CORPORATE GOVERNANCE

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

OVERVIEW

- The company ensures equal and fair treatment of all shareholders as they exercise their right to participate in the governance of the company

STRATEGY

MANAGEMENT

- Shareholders are provided equal and fair opportunities to share in the company's profits by receiving dividends

KEY INDICATORS

- The corporate governance system and practice ensures equal conditions for all shareholders owning shares of the same category (type), including minority shareholders and foreign shareholders, and equal treatment of them by OMK

SUSTAINABLE DEVELOPMENT

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- 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. OMK's operations are based on global best practices and corporate governance standards. An important aspect of OMK's corporate governance policy is that the company 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





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OMK implements a set of functional strategies, which are reflected in the constituting documents of the corporate governance system. One of these is the Declaration of Corporate Ethics.

OVERVIEW

The basic objective of this document is to ensure that members of the Management Board, managers and 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.

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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.

KEY INDICATORS

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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.

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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 provisions of the Declaration 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 on.

The Declaration of Corporate Ethics is an open document which is available on the OMK website and its internal portal. Employees also received an email containing the text of the new version of the document. Specialists in corporate governance have published several articles in the company publication *OMK Team*, explaining how the provisions of the Declaration are applied.



3.2 MANAGEMENT STRUCTURE

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A very important project was implemented in 2016 with regard to the reorganization of the OMK Group. OMK Steel and OMK Holding were merged into VSW, which became the parent company for the majority of the group's production assets and service companies. This step will make it possible to optimize the structure and administrative processes.

The Chairman of the Management Board exercises the authority of the sole executive body. Company operations are managed by the Chairman of the Management Board (sole executive body) and the collegial executive body – the Management Board, which consists of nine elected members. Some of the authorities for managing the company are delegated to the President and Deputy Board Chair.

The authorities of Chairman of the Management Board Anatoly Sedykh include management of strategic issues, expansion of the company, new projects, investment, marketing, and efficiency.

The role of the President focuses on managing production, one of the most important areas of management. The directors of production units report to the President. Deputy Board Chair Natalya Eremina is responsible for overall management of other areas of operations.

The Russian company VSW is the sole shareholder of the core OMK companies (Trubodetal, Almeteyevsk Pipe Plant (APP), Blagoveshchensk Valves Plant (BVP), Chusovoy Metallurgical Works (CMW), and OMK).

The controlling company, OMK, managed the routine operations of the primary companies in the group (VSW, Trubodetal, APP, CMW and BVP) in 2016, having been given the functions of the sole executive body of these companies. OMK provides corporate governance for the OMK Group.





3.2 MANAGEMENT STRUCTURE

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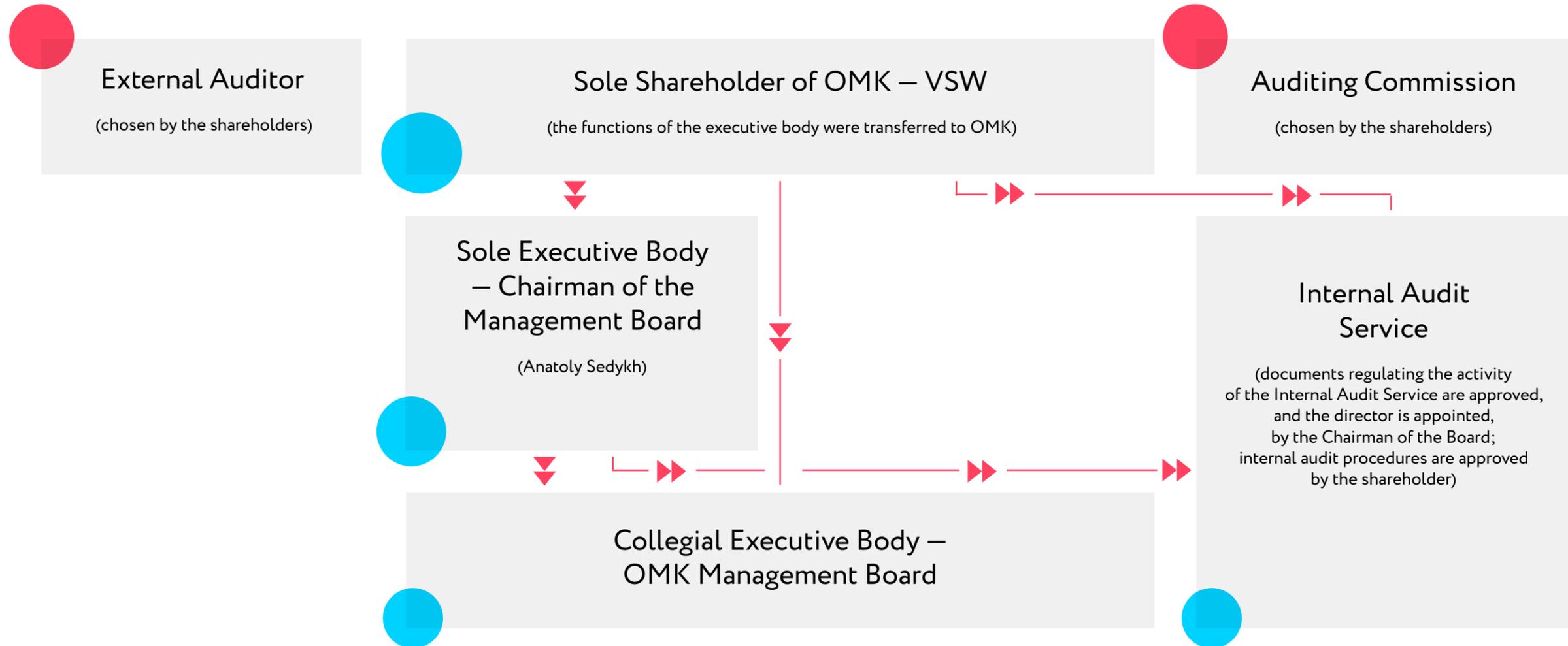
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3.3 MANAGEMENT BOARD

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In 2016, 125 meetings of the OMK Management Board were held (20 in person and 105 in absentia), during which 224 issues were reviewed.

OVERVIEW

The time spent on decision-making was reduced in comparison with 2015 by optimizing the work of the collegial bodies. The speed of administrative decision-making was increased by 21%.

STRATEGY

The following committees and commissions operate within OMK:

MANAGEMENT

The Chairman of the Board is a member of and heads the following committees: efficiency management, operations, HR, audit, finance, strategic development, information technology, and economic security.

The President manages the committee on production safety and the research council.

KEY INDICATORS

The Deputy Board Chair manages the working group on economic security, the ethics committee, and the committee on interaction with government bodies.

SUSTAINABLE DEVELOPMENT

The OMK Management Board has nine members. One change has been made in comparison with 2015: Efficiency Management Director Petr Trushin has joined the Board.⁶

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The key areas of the Board's work in 2016 were: improving the efficiency of the businesses, budgeting and achieving objectives, implementing social programmes in areas where the company operates, strategic development, and future projects.

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.

A matrix of the functions of the first and second levels of OMK was developed and approved. This matrix defines the areas of the company's operations and assigns responsible supervisors and owners for the core functions: development of functional strategies, policy, standards, rules, procedures, processes, functional budgets, organizational structures, delegation of authorities, and description of the operations of subdivisions.



STATISTICS

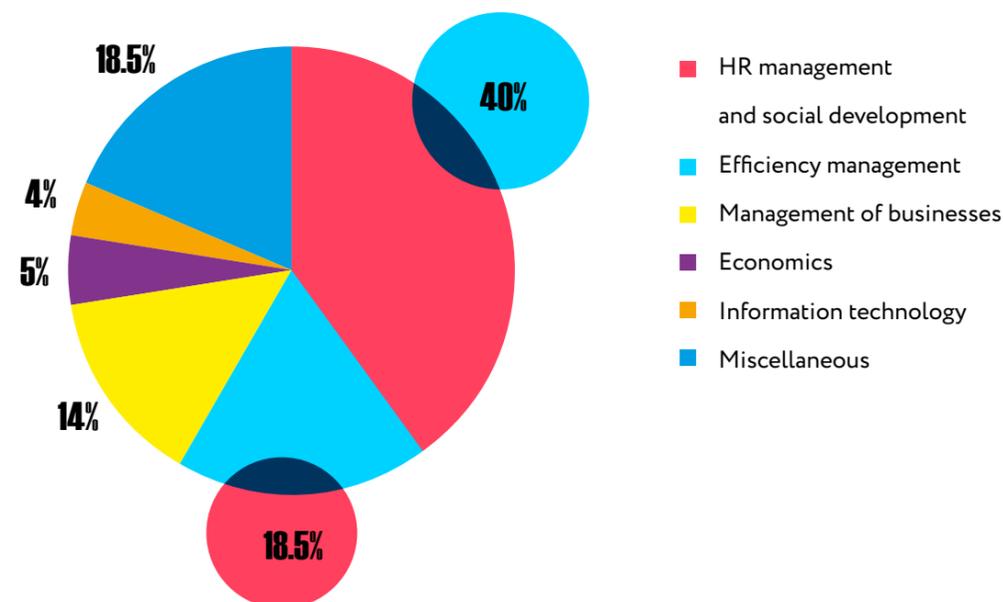
Meetings of Management Board

125 +11%

Meetings of collegial bodies

331 +37%

Key issues discussed at meetings of collegial bodies (% of total meeting time)





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Anatoly Sedykh

Chairman of the Management Board

Anatoly Sedykh was elected Chairman of the OMK Management Board at the General Meeting of Shareholders on 29 January 2013.

He has held leadership positions in the company since 1999. Initially, he headed Vyksa Steel Works and led the company out of crisis. Subsequently, he was appointed OMK Director General and Chairman of the Board of Directors of VSW. In 2002, he was elected Chairman of the Board of Directors of the Company, and was OMK President between 2003 and 2006.

Anatoly Sedykh is a member of and heads the following committees and commissions: efficiency management, operational activity, HR, audit, financial, strategic development, information technology, and economic security.

He was born in 1964 and graduated from the Moscow Institute of Steel and Alloys (Ph.D. in Economics).





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Vladimir Markin

President

Vladimir Markin rose from pipe finishing subforeman at the Vyksa Steel Works to OMK President, a post he has held since April 2006.

He has held management positions in the company since 2001. He has been Director General of the OMK Technical Centre, OMK Marketing and Sales Director, Deputy Large Diameter Pipe Shop Foreman, Marketing and Sales Manager, and Deputy General Director.

Vladimir Markin is a member of the following committees and commissions: efficiency management, HR, audit, financial, strategic development, economic security, and operational activity. He heads the production safety committee.

He was born in 1954 and graduated from the Moscow Institute of Steel and Alloys with a degree in Metallurgical Engineering.



Natalya Eremina

Deputy Board Chair

Natalya Eremina joined OMK as the Head of the Controlling Department in 2001. In 2004, she was appointed Director for Corporate Finance and Investor Relations.

She was appointed OMK Vice President in 2006. She previously worked at Metallinvestbank as Head of the Interbank Credit Department, Head of the Lending Division, and Deputy Chairman of the Management Board.

Natalya Eremina is a member of the following committees and commissions: efficiency management, HR, audit, financial, production safety, strategic development, information technology, and economic security. She heads the government relations committee, ethics commission, and economic security working group.

She was born in 1971 and graduated from the Department of Mechanics and Mathematics at Lomonosov Moscow State University.



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Dmitry Chernyshev

Director of the Asset Development and Investment Department

Dmitry Chernyshev was appointed Director of the Asset Development and Investment Department in February 2016. He was appointed Vice President and Director for Research and Strategy in November 2007.

He has been working with the company since 2002 as Project Manager and First Deputy Director General of APP and Director for Strategic Development of VSW. Throughout 1996–2001, he held different positions in the business development divisions of various Russian industrial companies.

Dmitry Chernyshev is a co-chairman of the R&D council and a member of the following committees: HR, financial, and government relations.

He was born in 1974 and graduated from Lomonosov Moscow State University and the Academy of the National Economy of the Government of the Russian Federation with a degree in Strategic Management.



EDUARD STEPANTSOV

Head of Commercial Department

Eduard Stepantsov has been the Head of the Commercial Department since February 2016.

Previously, he was appointed Vice President in December 2008. He joined OMK in 1999 as OMK Technical Centre Director General. In 2001, Eduard Stepantsov was appointed OMK Deputy Director General and Director for Commercial Issues. He worked in the investment business from 2003 to 2008.

Eduard Stepantsov is a co-chairman of the R&D council and a member of the following committees and commissions: operational activity, financial, strategic development, information technology, government relations, and production safety.

He was born in 1963 and graduated from the Irkutsk Institute of the National Economy with a degree in Economics and Procurement Planning.



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Yulia Shkhiyants

Director of the Economy and Finance Department

Yulia Shkhiyants has been the Director of the Economy and Finance Department since February 2016. She was previously appointed OMK Vice President in February 2013.

Yulia Shkhiyants joined the company in May 2007 as Director for Economy and Finance. She previously served as Chief Financial Officer of Greenoak Holdings, Finance Director of Zepter International, and as a senior auditor at KPMG.

Yulia Shkhiyants is a member of the following committees: strategic development, efficiency management, audit, financial, information technology, and government relations.

She was born in 1975 and graduated from the Peoples' Friendship University of Russia with a degree in Economics.



Svetlana Nikolashina

Director of the Human Resources Department

Svetlana Nikolashina has been the Director of the Human Resources Department since February 2016. She was appointed HR Director in 2003 and Vice President in February 2015.

From 2002 until 2003, Svetlana Nikolashina was HR Director of VSW. She previously worked for Severstal in project teams and as HR Director in the company's subsidiaries.

Svetlana Nikolashina is a member of the HR and information technology committees, and the production commission.

She was born in 1979 and graduated from the St. Petersburg State University of Engineering and Economics with a degree in Finance and Credit and the Academy of National Economy of the Government of the Russian Federation with an MBA in Strategic Management. She has also taken HRM training courses.



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Alexey Mitenkov

Director of IT and Intelligent Security Systems

Alexey Mitenkov has been Director for IT since February 2013. In February 2016, he was appointed Director of the new Intelligent Security Systems Department, which is tasked with preventing risks and investigating fraud.

Alexey Mitenkov worked as Director General of OMK-Audit from February 2009 until February 2016.

He joined the company in April 2008 as Deputy Director for Economy and Finance. From 2000 to 2008, he worked at KPMG.

Alexey Mitenkov is a member of the information technology committee and economic security commission. He was born in 1977 and graduated from the Finance Academy under the Government of the Russian Federation with a degree in Finance and Credit.



Petr Trushin

Efficiency Management Director

Petr Trushin was appointed Efficiency Management Director and became a member of the OMK Board in February 2017.

He previously headed OMK's Target Setting and Evaluation Department. He joined the company in 2008 as the Head of Business Consulting. He has also held management positions in company subdivisions involved in internal audit and improving the efficiency of business processes. Prior to joining OMK, he worked at Siberian Coal Energy Company (SUEK) and PwC.

Petr Trushin is a member of the operational activity and IT committees.

Petr Trushin was born in 1982. He graduated from the National Research University Higher School of Economics in Moscow with a degree in Management.