



**Public Joint Stock  
Company  
MAGNITOGORSK IRON  
AND STEEL WORKS  
(PJSC MMK)**

APPROVED BY  
Resolution of the PJSC MMK  
Board of Directors  
Minutes # 4, dated 25.08.2017

Chairman of the Board of  
Directors

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V.F. Rashnikov

## **REGULATIONS**

**on Procedure of Preparation of Annual Report  
of the Magnitogorsk Iron and Steel Works  
Public Joint Stock Company**

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## 1 General

1.1 These Regulations ("the Regulations") establish the contents of the Company's Annual Report, the procedure of its provisional approval by the Company's Board of Directors, its presentation to the Company's Annual General Shareholders' Meeting and publication.

1.2 The purpose of information disclosure in the Company's Annual Report is to provide data to shareholders and potential investors on a timely basis for their evaluation of the Company's operations.

1.3 The Company's Annual Report shall be prepared (in the Russian and English languages) based on the Company's financial and business results for the reporting period and shall contain information as set out in Section 4 hereof, with attachment of financial statements.

## 2 References

2.1 These Regulations have been developed on the basis of the following regulatory documents:

2.1.1 Federal Law "On Joint Stock Companies" dated December 26, 1995, # 208-FZ;

2.1.2 Regulations on Disclosure of Information by Securities' Issuers approved by the Order of Bank of Russia dated December 30, 2014, # 454-P;

2.1.3 Corporate Governance Code recommended for use by the letter of Bank of Russia dated April 10, 2014, # 06-52/2463;

2.1.4 Directive of the Federal Financial Markets Service "On the Approval of the Regulations on Additional Requirements for the Procedure of Preparing, Convening and Conducting General Shareholders Meetings" dated February 02, 2012, # 12-6/pz-n;

2.1.5 Charter of the Magnitogorsk Iron and Steel Works Public Joint Stock Company approved by decision of PJSC MMK's Annual General Shareholders Meeting on May 26, 2017;

2.1.6 Corporate Governance Code of the Magnitogorsk Iron and Steel Works Open Joint Stock Company approved by decision of the OJSC MMK Board of Directors dated September 21, 2001.

## 3 Terms and Abbreviations

3.1 The following terms and abbreviations are used in the Regulations:

**Annual Report:** report of the Magnitogorsk Iron and Steel Works Public Joint Stock Company approved by decision of PJSC MMK's Annual General Shareholders Meeting;

**MMK Group:** cluster of organizations grouped under the unified system of governance and control, operations of which are aimed at attaining the unified strategic goal;

**The Law:** Federal Law "On Joint Stock Companies" dated December 26, 1995, # 208-FZ;

**Corporate Governance Code:** Corporate Governance Code recommended for use by the letter of Bank of Russia dated April 10, 2014, # 06-52/2463;

**Curriculum Vitae:** specifies a brief curriculum vitae of the members of the Company's management and the Audit Committee, as follows: date of birth; citizenship; information on education; principal place of employment; information on positions held in the past five years, including positions in management bodies of other organizations; date of appointment to members of management and the Audit Committee of the Company;

**The Company:** the Magnitogorsk Iron and Steel Works Public Joint Stock Company;

**The Board of Directors:** Board of Directors of the Magnitogorsk Iron and Steel Works Public Joint Stock Company.

**IFRS:** International Financial Reporting Standards;

**RAS:** Russian Accounting Standards.

## **4 Contents of the Company's Annual Report**

4.1 The Company's Annual Report shall contain:

4.1.1 address of Chairman of the Board of Directors;

4.1.2 information on PJSC MMK strategy and implementation thereof, as well as on prospects of the Company's development;

4.1.3 information on the Company's sales operations, description of the competitive environment, market trends, including information on the Company's market share, changes in the market situation, existing and potential trade barriers, product price trends, and the relevant laws and regulations, etc;

4.1.4 information on the Company's position within the sector, including information of the share of the Company in the sector, products of the Company and dynamics of the Company's performance indicators for at least 2 preceding years, etc.;

4.1.5 dynamics of the Company's key financial indicators for at least 2 preceding years;

4.1.6 data on the Company's production dynamics for at least 2 preceding years, including information on the utilization and condition of production capacities and QMS functioning;

4.1.7 data on procurement of equipment, materials and power, including information on the raw materials market, degree of self-sufficiency in raw materials, long-term contracts, volume of each of energy resource used by the Company in the reporting year in terms of quantity and in terms of money;

4.1.8 prioritized spheres of activities of the Company;

4.1.9 report of the Board of Directors on the results of the Company's development in prioritized spheres;

4.1.10 reports on payment of declared/accrued dividends on the Company's shares for at least 2 preceding years;

4.1.11 description of key risk factors associated with the Company's operations, information on functioning of the Company's comprehensive risks management system and information on the performance of the Company's internal control system and assessment of efficiency of this system. Description of the role of the Board of Directors in the organization of an efficient risk management system and internal control in the Company, as well as the results of the review by the Board of Directors of the efficiency of the risk management system and internal control in the Company;

4.1.12 information on the Company's securities, including information on issues of shares and annual equity movement (changes in the list of shareholders owning at least 5% of the Company's shares) and bond-based borrowings during the reporting period;

4.1.13 list of the Company's transactions during a reporting year deemed to be major transactions in accordance with the Law, and other transactions to which the Company's procedure for the approval of major transactions is applied in accordance with the Company's Charter, with description of each transaction's material terms and conditions and reference to the Company's governing body that approved such a transaction;

4.1.14 list of the Company's transactions during a reporting year deemed to be interested party transactions in accordance with the Law, with an indication of interested party(ies), each transaction's material terms and conditions and the Company's governing body that approved such a transaction;

4.1.15 general information on the Company's corporate governance, including the objectives and tasks of corporate governance, structure of the Company's management, information on the competence and procedures of the Company's governing bodies;

4.1.16 information on the membership of the Company's Board of Directors, including:

- information on changes in the membership of the Board of Directors during a reporting year, and information on members of the Board of Directors, including their Curriculum Vitae, ownership of the Company's shares during the reporting year (percentage of their participation in the authorized capital of the Company), and if during the reporting year the members of the Board of Directors have committed transactions on acquisition or disposal of the Company's shares, the information about such transactions indicating (for each transaction) the date of the transaction, the content of the transaction, the number of the Company's shares that were the subject of the transaction;

- information on the number of meetings of the Board of Directors, and individual attendance by the Board directors;

- information on non-executive, independent directors complying with the criteria for independence established by the Company's bylaws and internal documents;

- information on the Board of Directors' Committees, including the number and names of Committee members, information on the number of Committee meetings and members' individual attendance;

- report on the work of the Board of Directors' Committee for Nominations and Remuneration, including information on the criteria for selecting candidates for the Board of Directors of the Company, the procedure of the nomination and consideration of candidates for the Board of Directors (in accordance with the Company's Charter and internal documents);

- report on the work of the Board of Directors' Committee for Audit, including information on the competitive selection of the Company's auditor and recommendations for the size of remuneration to be paid for the services of the auditor;

- information on the functions of the Chairman of the Board of Directors;

- assessment of the work of the Board of Directors and its Committees;

4.1.17 information on the person holding the position of the Company's individual executive body, and members of the Company's Management Board, and

a Corporate Secretary, including their Curriculum Vitae, ownership of the Company's shares during the reporting year (percentage of their participation in the authorized capital of the Company), and if during the reporting year the foregoing persons have committed transactions on acquisition or disposal of the Company's shares, the information about such transactions indicating (for each transaction) the date of the transaction, the content of the transaction, the number of the Company's shares that were the subject of the transaction;

4.1.18 information on the Company's Audit Commission, including its membership and Curriculum Vitae of the members;

4.1.19 basic provisions of the Company's policy regarding remuneration and (or) reimbursement of expenses, as well as information on each of the Company's governing bodies (except for the person holding the position of the Company's individual executive body), specifying all types of remuneration, including salaries of members of the Company's management, who were the Company's employees, such as those working part-time, bonuses, commissions, fees, separately paid for their participation in the work of the administration, and other types of remuneration that were paid by the Company during the reporting year, and stating the amount of expenses related to the performance of the functions of members of the Company's management, compensated by the Company during the reporting year. If the Company had paid the remuneration and (or) compensation of expenses to a person who is simultaneously a member of the Board of Directors of the Company and was a part of the collective executive body of the Company, the remuneration paid to the person and (or) compensation of expenses, associated with the implementation of his functions as a member of the Board of Directors of the Company are included in the aggregate amount of the remuneration paid and (or) compensation of expenses of the Board of Directors of the Company, and other forms of remuneration paid and (or) compensation of expenses of such person are included in the aggregate amount of remuneration and (or) compensation of expenses of the collective executive body of the Company;

4.1.20 information on the Company's registrar;

4.1.21 information (report) on the Company's compliance with the principles and recommendations of the Corporate Governance Code;

4.1.22 the Company's balance sheet and income statement prepared in accordance with the RAS (included only in the Annual Report in Russian);

4.1.23 financial statements prepared in accordance with the IFRS with attachments.

4.2 It is recommended to supplement the information contained in the sections of an Annual Report with the data on final results of operation of the MMK Group for the reporting period in the respective spheres of activities.

## **5 Procedure of the Provisional Approval of the Company's Annual Report**

5.1 The Company's Annual Report prepared in accordance with Section 4 hereof, shall be signed by the person holding the position (performing the functions) of the Company's individual executive body and by the person, performing accounting and tax accounting, and preparation of financial and other statements of the Company.

5.2 The authenticity of data contained in the Annual Report shall be confirmed by the Company's Audit Commission.

5.3 The Company's Annual Report shall be submitted to the Chairman of the Board of Directors of the Company not later than 12 days before the meeting of the Board of Directors, which will consider the issue of the Annual Report's provisional approval.

5.4 The Annual Report shall be provisionally approved by the Board of Directors not later than 30 days before the date of the Company's Annual General Shareholders' Meeting, and shall carry a note of such provisional approval.

## **6 Procedure of the Annual Report's Submission**

6.1 It is mandatory that the Company's Annual Report be made available to the persons entitled to participation in the Annual General Meeting. The Annual Report shall be made available at a venue whose address is stated in the notice of the general shareholders' meeting and on the Company's Internet site under the heading "Shareholders' Meetings".

6.2 The Company shall, at the request of a person entitled to participation in the Annual General Shareholders' Meeting, provide such a person with a copy of the Annual Report. Such a copy shall be provided for a fee not exceeding the cost of its making and delivery.

6.3 Following the approval of the Annual Report by the Annual General Shareholders' Meeting the Company shall disclose it in line with the requirements of the Russian law and the Company's internal documents and shall also send it to stock exchanges within the time frame and according to the procedure prescribed by such exchanges. The Company's individual executive body shall determine the number of copies and arrange for the Annual Report to be printed in the Russian and English languages.

## **7 Responsibility**

7.1 The responsibility for the preparation of the Company's Annual Report shall reside with the Company's individual executive body in accordance with the Law, other regulations of the Russian Federation and the Company's Charter.

7.2 The responsibility for making the Annual Report and/or (copies thereof) available to persons entitled for participation in the Annual General Shareholders' Meeting, and to persons having the right of access to documents as provided for by p.1 of Article 91 of the Law, shall reside with the Corporate Secretary of the Company in accordance with the laws in force in the Russian Federation.