

APPROVED BY
decision of the Board of Directors
of OJSC MMK
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Chairman of the Board of Directors

_____ **V.F. Rashnikov**

CODE OF BUSINESS ETHICS
OF
OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON AND STEEL WORKS

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Introduction

The Code of Business Ethics (hereinafter, "the Code") of the Magnitogorsk Iron and Steel Works Open Joint Stock Company (hereinafter, "the Company") organizes into a system the rules of the Company employees' behavior regardless of their specialty, qualification or job title, for the purpose of securing the Company's reputation in the sphere of entrepreneurial or other business activities. The Code regulates employees' situational behavior based on the principles of conscientiousness, reasonability, fairness and partnership which contribute to the Company's successful performance. The purpose of its adoption is to increase confidence in the Company's activities on the part of the state and partners.

1 Terms and definitions

Business ethics shall mean the body of rules regulating relationship arising in the ordinary course of business.

2 Development strategy of OJSC MMK

The Mission is to be a reliable supplier of high-quality steel products meeting the demands of Russian customers with a view to make the Company the global leader in terms of efficiency, to create shareholder value-added and to improve quality of life and well-being of our employees and people in locations of the Company's assets.

The Strategic goal is to become a leader among steel-making companies globally with comparable production output in terms of total shareholders return.

3 The Company's Social Values and Responsibility

The Company is totally committed to ethical principles and standards. The Company places the highest value on honesty and conscientiousness and believes that invariable loyalty to these standards is a key pre-requisite of the Company's continuing success on the international markets.

The Company proclaims that social responsibility principles are part of any business relations. Adhering to the principles of partnership and cooperation between business and the State, the Company implements social programs on a voluntary basis.

The implementation of the Company's social and sponsorship programs, the quality and efficiency of relations with governmental and local authorities are all factors instrumental to enhancing the Company's business reputation, its investor attractiveness and competitiveness, and contributing to achieving social peace, security and well-being of citizens, preserving the environment, upholding human rights, and ensuring sustainable development of the Company as a self-reliant and responsible entity.

4 Industrial and Labour Safety and Environment Protection

The Company regards human life as the ultimate value. Employees' health and security constitute key priorities in the Company's business.

The Company shall:

- insure the priority of preserving its employees' lives and health in the production process;
- constantly raise the level of its employees' knowledge and competence in the matters of industrial and labour safety and environment protection;
- devise and carry out plans aimed at preventing the environment pollution, potential accidents or emergencies;
- strive to comply with official standards and requirements in the sphere of health care, industrial and labour safety and environment protection;
- develop and apply resource-saving techniques and consistently reduce the negative impact of industrial processes on the environment and man.

All the Company's employees shall:

- improve their knowledge in the sphere of industrial and labour safety and environment protection;
- have knowledge of risks related to their activity and affecting their life and health and those of other persons;
- make economical use of natural and power resources, treat the environment with care, in the awareness of its uniqueness and the necessity of preserving it for future generations.

Ensuring production conditions safe for the life and health of the Company's employees and protecting the environment is the immediate responsibility of executives at all levels of the Company's hierarchy.

5 Observance of Employees' Labour Rights

The Company regards the employees' labour rights as an inalienable part of human rights in general. In its activity the Company shall observe the employees' labour rights as established by law, recognize an employee's right to adequate remuneration for the results of his/her labour, contribute to prevention of any form of discrimination or forced labour, and involve employees in the decision-making process regarding fundamental issues of the Company's development.

The Company shall implement personnel development programs involving training and employees' professional development, provision of social benefits and labour motivation incentives, and creation of comfortable conditions for rest and free time.

The Company shall foster its personnel's labour traditions and the so called "labour dynasties" (succession of family members in the same trade), instrumental in promoting corporate loyalty, labour discipline and productivity, and the efficiency of educational work in labour teams.

6 The Company's Corporate Culture

The corporate culture is a set of values, convictions, traditions, and moral standards mandatory for all employees of the Company and determining their behavior.

6.1 Interpersonal Relations

All employees are entitled to work in an atmosphere of respect and understanding.

Relations between the Company's employees shall be based on the principles of mutual respect and subordination.

In interactions among themselves the Company's employees shall use the language excluding any insults or offense to dignity of the partner in conversation.

6.2 Requirements for the Workplace and the Employees' Appearance

The workplaces and the interior of the production and office buildings shall be designed bearing in mind the requirements of labour protection, industrial safety, fire security, ergonomics, esthetics and shall not cause any inconvenience in performing job functions.

The Company shall provide employees with special clothes and footwear and other individual means of protection depending on the actual working conditions and seasonal factors.

Employees not provided with such special clothes and footwear shall be allowed not to conform to uniformity in their dress. Nevertheless any clothes must conform to the business dress style and be modest and conventional.

6.3 Relations with the Company's Contractors

The Company's employees shall make their best efforts to maintain maximum objectivity and impartiality in dealing with the Company's contractors and shall be guided by the principles of honesty, fairness and mutual respect and observance of ethical conduct standards and the Russian federal laws.

The Company's employees must strive to meet the interests of the contractors:

- to provide them with complete and accurate information;
- to provide courteous and proper treatment;
- must abide by the agreements reached in a part of payment for the product, the delivery time of products, quality of products supplied.

The Company's employees shall not distort, conceal or otherwise misuse any information for the purpose of self-profit at the expense of the Company's contracting parties or the Company itself.

6.4 Gifts, Participation in Events and Hospitality Expenses

The Company does everything necessary to ensure a fair and unbiased attitude to all the persons and organizations with whom it maintains commercial relations. For this reason the Company's employees must not give or accept gifts, offer participation in gala, sports or entertainment events or agree to take part in such events, pay costs from the hospitality allowance, take any other actions which might influence, or be construed as influencing, commercial decisions.

Employees are entitled on behalf of the Company to give gifts to and accept gifts from other persons and organizations, take part in events, bear hospitality expenses only if such gifts and expenses meet all of the following criteria:

- gifts and expenses directly relate to the Company's legitimate objective or to national holidays, red-letter days, anniversaries and do not have systematic nature;
- gifts and expenses are not luxury goods, cash or securities;
- gift's value does not exceed RUB 4,000;

- gifts and expenses do not represent a covert payment for services, actions, omissions, granting rights, making a certain decision on a transaction, agreement, license, approval, etc. or an attempt to influence the recipient of such a gift with any other illegal or unethical goal;
- gifts and expenses will not compromise the Company, its employees or other persons in case of disclosure of information about them;
- gifts and expenses do not contradict the principles and requirements of this Code, the Company's Anti-Corruption Policy and applicable law;
- there has been no solicitation for a gift on the part of the employee.

As for gifts and expenses intended for government officials the employees of the Company shall be guided by the requirements of the Russian legislation which defines the grounds and procedure for giving gifts or performing other types of remuneration.

6.5 The Company's Attitude to Corruption

All the Company's employees shall be guided by the requirements of the Company's Anti-Corruption Policy.

6.6 Employees' Loyalty to the Company

The Company's employees must take pride in their employment with the Company. Therefore, both inside and outside the Company they shall show loyalty when speaking of the Company and its activities.

The Company's employees must always be aware that directly or indirectly they are representatives of the Company, and its reputation may to a large extent depend on their actions and behavior.

6.7 Use of the Company's Resources

The Company's resources include everything involved in the Company's operations, such as people, machines, materials, intellectual property, reputation, information and its sources, documentation, means and channels of communications, software and monetary funds.

Maintenance of the Company's resources in good condition and their protection against theft, wasteful use or use for the purpose of self-profit shall be ensured by the Company's employees acting in conjunction with the Company's special departments and law enforcement bodies.

To ensure efficient use of the Company's resources every employee shall:

- provide a prudent use of the Company's resources, not use the Company's resources for the purpose of self-profit with a mercenary motive;
- use electronic communications means (telephone, access to the Internet and e-mail) only for purposes related to the Company's operations;
- protect all software, data, messages and written materials against accidental access by third persons according to the RF current law and local regulations of the Company on commercial secrets;
- use the Company's resources only for legitimate purposes determined by the employee's job function and the purpose of the asset in question.

The Company does not rule out situations where employees of the Company may need to use the Company's electronic communication means, office equipment or the Company's cars for purposes not related to the Company's operations.

In the event of such situations the Company is entitled to request an employee to compensate damages incurred by the Company as provided for by the RF law.

7 Information and Documents

7.1 Confidential Information

The Company's employees are obliged to protect the confidentiality of restricted information, access to which is necessary for the performance of their job duties, and strictly conform to all the Company's regulations on obtaining, keeping and using such information.

The Company's employees must prevent any unauthorized access to confidential information and promptly report any cases of inappropriate submission, receipt or misuse of confidential information or other cases of incorrect use of such information.

7.2 Disclosure of Information by the Company

The Company is considered an open joint stock company, and in accordance with the applicable laws, the Company must disclose information on its business.

The Company has created all the conditions for a timely and full disclosure of information. Any attempts to provide incorrect, misleading or incomplete information on behalf of the Company may cause significant damage to the Company and result in prosecution in accordance with applicable laws.

8 Conflict of Interests

The Company shall pursue a policy aimed at preventing conflicts of interests of the Company's employees and the Company itself.

A conflict of interests arises when the Company's employees engage in activities, have interests or enter into relations which may be regarded as affecting the observance of the Company's interests by such persons.

The Company's employees should take actions to avoid such personal interests as may have an adverse effect on the efficiency of their work for the Company and the Company's interests. The Company's employees shall advise the Company of an existing conflict of interests or the possibility of its appearance.

8.1 Specific Cases

This Code does not establish all situations which may give rise to a conflict of interests. Some of the possible situations which may generate such a conflict are as follows:

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- commercial activity performed by an employee's family;
- commercial activity performed by the employee him/herself;
- existence of financial interests in another entity with which the Company maintains contractual relations;
- taking of another job;
- work as a director or an officer in another entity;
- hiring of an employee's family members by another entity.

A conflict may arise if the Company's employees or their family members:

- are parties, beneficiaries, intermediaries or representatives in a transaction with the Company;
- own (separately or jointly) 20 (twenty) or more percent of the shares of a legal entity which is a party, beneficiary, intermediary or representative in a transaction;
- hold positions in the governing bodies of a legal entity which is a party, beneficiary, intermediary or representative in a transaction, or positions in the governing bodies of an organization managing such a legal entity.

No conflict of interests exists when a transaction party is related to an employee of the Company only in that a member of such an employee's family is employed by such a party, and the employee in question cannot, due to the nature of his/her position or job, exert any influence over the conclusion of the transaction, its material terms and conditions or its execution.

For the purposes of this Code, "family members" shall mean the following:

- spouses;
- parents;
- children;
- full or half brothers and sisters;
- adoptive parents and adopted children.

The foregoing notwithstanding, members of the Company's governing bodies who are not the Company's employees, and their family members may have a significant financial interest in or be affiliated with the Company's contracting parties, competitors or third parties with whom the Company has, or intends to have, commercial relations.

Such members of the Company's governing bodies, however, must communicate to the Company's Board of Directors, Internal Audit Committee and the Company's Auditor the following information:

- legal entities in which they, separately or jointly with their affiliated person(s), own 20 (twenty) or more percent of the voting shares;
- legal entities in whose governing bodies they hold positions;
- transactions being made or about to be made known to them, in which they may be recognized as interested parties.

Moreover, such transactions, before they are made, must be approved by the Company's Board of Directors or general shareholders' meeting in accordance with Russian law.

Combining work in different entities, though not welcome by the Company, does not constitute a breach of this Code per se. However, an employee opting for such work must realize that it might give rise to a conflict of interest. The Company expects such employees to make a point of separating their work and interests with regard to their position with the Company from their work in any other organization.

In case of an employee of the Company being appointed to a position in the governing body of another organization, if the interests of this other organization are or may be contradictory to the interests of the Company, such an employee shall notify the head of the structural subdivision (department) thereof. This rule does not apply to members of the Company's Board of Directors who are not employed by the Company.

8.2 Disclosure of Information Regarding Conflict of Interests

The Company requires that its employees make a full disclosure with respect to any situation which gives rise, or may give rise, to a conflict of interests.

To assure that there is no conflict of interests, an employee of the Company may, on a voluntary basis, provide the following information to the head of the structural subdivision (department) regarding:

- his/her income and property;
- commercial activities of his/her family members;
- commercial activity of his/her own;
- financial interests in other entities;
- taking a job with another entity;
- position of a director or an officer with another entity;
- employment of one's family members by the Company.

Based on the information received from the employee of the Company, the head of the structural subdivision (department) shall pass the information to the Company's security service to preclude any conflict of interests.

The Company shall, at its own expense, protect the information provided by the employee from misuse according to the procedure established for the protection of information containing commercial secrets.

9 Practical Application of the Code

9.1 Knowledge of the Code

The Company's employees must know and observe this Code and apply their best efforts to make sure that it is observed by others. The Company's managers must demonstrate personal commitment to the Code, creating a work environment that promotes compliance with this Code.

Heads of the Company's departments and divisions shall arrange for briefings on the Code to be held for the employees at least once every six months and for tests of the employees' knowledge of the Code at least once a year.

The Company's department in charge of personnel issues shall make sure that:

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- all persons newly hired by the Company receive an introductory briefing on the Codes' provisions;
- the Company's employees have studied any updated versions of the Code within 1 month, at the latest, of such a version approval;
- the employees' knowledge of the Code is tested during regular and special personnel evaluations.

After studying the Code every employee of the Company shall sign the form of a Commitment to Accept and Observe the Code attached hereto (See Annex). The signed Commitment shall be kept in the Company's department in charge of personnel issues.

The Code is a public document which is disseminated among the Company's employees (divisions) by placing it on bulletin boards, in reception and meeting rooms, etc.

The text of the Code shall also be placed on the Company's website.

9.2 Violations of the Code

Violations of the Code include:

- Violation of the principles of mutual respect;
- Insults or offense to dignity of the partner in conversation;
- Obtainment of self-profit at the expense of the Company's contracting parties;
- Significant deviations in clothes from business style;
- Violations of the requirements of this Code with regard to giving / receiving gifts;
- Violations of the requirements of this Code regarding occurrence of a conflict of interests;
- Negative impact on the reputation and image of the Company through incorrect statements about the Company's activities;
- Misuse of the Company's resources.

When in doubt whether their actions are correct, the Company's employees shall consult with the head of the structural subdivision (division), and apply to the Ethics Committee, if necessary.

9.3 Reporting the Code's Violations

The Company shall encourage its employees to openly discuss the Code and shall take a positive view of any constructive proposals for the Code's improvement. Regarding any issues of the Code's application or any instances of its violation the Company's employees or other persons can pass their messages (either anonymously or identifying themselves):

- by phone: 24-30-30;
- by e-mail: 24-30-30@mmk.ru;
- by mail to the address: ul. Kirova 93, 455000, post box "000".

Where an employee of the Company identifies him/herself thus enabling the Company to contact him/her for further information, the Company shall keep such information confidential to the extent it is warranted by the circumstances and contributes to the implementation of this Code.

9.4 Investigation of the Code's Violations

All instances of the Code's violation revealed or reported by the Company's employees, shall be investigated by the Company's departments, which revealed violations. In the event that there are unresolved disputes on the qualification of actions of the Company's employees, violations verification documents shall be passed to the Ethics Committee for review and decision-making regarding qualification of the violating employees' actions in each specific case with regard to violation of the Code.

After reviewing individual cases of violations of the Code, the Ethics Committee has the right to submit proposals to appropriate structural divisions in order to change local regulations (in terms of inclusion of requirements to conduct of the employees in local regulations).

The Company has established that disciplinary measures may be applied to any employee of the Company for any infringement or improper implementation of this Code in accordance with Russian law and the Company's bylaws and regulations. Also a violation of the Code may be the basis for the review of information about him in the labour collective.

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Annex to the Code of Business Ethics
of OJSC MMK

COMMITMENT TO ACCEPT AND OBSERVE THE CODE OF BUSINESS ETHICS
OF OJSC MMK

I have read the Code of Business Ethics of OJSC MMK ("the Code") in full and understood OJSC MMK's principles and values in respect of business ethics and behaviour.

I hereby express my agreement with the Code and undertake to observe the provisions thereof and be guided thereby in making decisions in my professional activities.

I am aware of and assume my personal responsibility for any infringement on my part of the Code and the laws of the Russian Federation or any bylaws or internal regulations of OJSC MMK, and know that I must advise the head of the structural subdivision (department) of such infringements, if any.

«_____» _____ 20__ .

signature

Last name

First name

Patronymic