

Chairman's introduction



Dear Shareholder,

2018 was a robust year for the business reinforced by strong global metals markets, EVRAZ efficiency initiatives and diligent strategic efforts.

For the Board of Directors, 2018 was an important year with key initiatives implemented across the Group. These include a major new drive in the area of Health, Safety and Environment to strengthen the safety culture, adherence to new UK corporate governance code, implementation of the new dividend policy and much more. It was a busy agenda for the Board, and much was achieved.

Health, safety and the environment

The absolute priority of the EVRAZ executive management has always been to achieve and maintain zero injuries and fatalities in the workplace. However, six of the Group's employees and four contractors lost their lives in 2018. This outcome underscores the view of the Board that more effort will be needed in this area with a focus on changing the safety culture. Such change could be achieved with the involvement of each employee in the process of identifying and eliminating risks in the workplace and production process. The Board, and particularly its Health, Safety and Environment Committee, under the chairmanship of Karl Gruber, will continue to engage closely with the management team to address this challenge.



I am very proud of EVRAZ achievements in 2018 and wish to thank the Group's customers, employees, shareholders and local communities for their loyalty and support over the past year.



Audit Committee report

[See pages 112-115.](#)



Nominations Committee report

[See pages 116-117.](#)

In 2018, the HSE Committee members reviewed the HSE Policy and Cardinal Safety Rules and approved new five-year environmental targets that incorporate the important aim of maintaining the greenhouse gas intensity ratio.

Governance

The Board continues to work to ensure that the Group operates in line with international best practices so that it complies with the guidelines laid out in the UK Corporate Governance Code. During 2018, the UK Financial Reporting Council published a revised Corporate Governance Code, which comes into force for the financial year commencing on 1 January 2019. The Board has reviewed the updated code and is introducing several changes in procedures and practices in order to achieve full compliance with the updated Corporate Governance Code for the 2019 financial year.

As part of its commitment to support the interests of all stakeholders, the Board takes a long-term view of how the business needs to develop within its industry and geographical markets. It has reviewed the latest developments in technology on the market to ensure that EVRAZ assets are fully modernised to remain competitive, while necessary financing is in place to meet the Group's requirements over the medium- to long-term to implement projects with strategic significance for the business.

At its January 2019 meeting, following the annual review of Board Performance effectiveness, the Board agreed an action plan for 2019, which continued and developed the review and approval function of the management's strategy proposals. Under the plan, the Board will strengthen its focus on safety, environmental and other CSR issues, as well as HR policy, in addition to commercial issues.

In September 2018, Lanebrook Limited, a major shareholder of the Group and with whom EVRAZ had previously entered into a relationship agreement, notified the Group that it had

distributed all of its shares in the Group to its direct shareholders in proportion to their holdings in joint controlling of Lanebrook Limited. The relationship agreement between Lanebrook Limited and the Group was terminated and, following a detailed review of the transaction, the Board approved the entry into new relationship agreements with its new controlling shareholders, Crosland Global Limited and Greenleas International Holdings Ltd, under substantively the same terms as the previous shareholder. Subsequently, in December 2018, Crosland Global Limited, notified it that it had transferred a certain number of ordinary shares in the Group to Abiglaze Ltd. Following a detailed review of the transaction, the Board approved the entry into a revised relationship agreement with Crosland Global Limited, Greenleas International Holdings Ltd and a new relationship agreement with Abiglaze Ltd under substantively the same terms as the previous shareholder. In 31 January 2019 the Company entered into above mentioned relationship agreements with its controlling shareholders in accordance with the Listing Rules.

☐ See pages 106–107 for details.

Board changes

In August 2018, on the recommendation of the Nominations Committee, the Board appointed Laurie Argo, a highly experienced industry and geographic expert, as an independent non-executive director. She has also been appointed as a member of the Audit Committee in place of Mr. Karl Gruber, who stepped down from the Audit Committee with immediate effect.

I would like to welcome Laurie Argo to our Board. Her appointment reflects her invaluable experience and skill set, but it also underlines the Group's commitment to increase the representation of women across the business.

Our people

The Board pays particular attention to the development of the Group's human resources policies, recognising that people

are our most valuable asset. Ahead of the introduction of the revised 2018 UK Corporate Governance Code, which contains important new provisions concerning engagement with employees as key stakeholders, the Board's Remuneration Committee worked alongside the human resources function to implement new policies and procedures to ensure correct implementation of the letter and spirit of the revised code. This requires effective engagement with employees with the aim of their full participation in the life of the Group.

Dividends

In 2018, the Board agreed a dividend policy, whereby EVRAZ aims to declare annual dividends of at least US\$300 million, subject to the financial performance of the business, to be paid in semi-annual instalments of at least US\$150 million each, following interim and full-year results. Based upon the financial performance of the business, the Board may consider a higher distribution level, taking into account the outlook for the Group's major markets, the Board's view of the long-term growth prospects of the business and future capital investment requirements, as well as the Group's commitment to maintain a strong balance sheet. In line with the Group's existing capital allocation policy, no dividends will be paid out if the net debt/ EBITDA ratio exceeds 3.0x.

During the year, the Board also discussed in detail the proposals to pay: an interim dividend of US\$0.13 per ordinary share, totalling US\$187.6 million, on 22 June 2018; a second interim dividend of US\$0.40 per share, totalling US\$577.34 million, on 6 September 2018; and a third interim dividend of US\$0.25 per share, totalling US\$360.8 million, on 21 December 2018.

In consideration of EVRAZ robust performance in 2018, EVRAZ has announced an interim dividend. On 27 February 2019, the Board of Directors voted to disburse a total of US\$577.34 million, or US\$0.40 per share. The record date is 8 March 2019 and payment date is 29 March 2019.



HSE Committee report

☐ See pages 118–119.



Remuneration report

☐ See pages 120–127.

Alexander Abramov
Non-Executive
Chairman