BlackRock

Investment Stewardship Group

Voting Bulletin: Evraz plc

As part of our fiduciary duty, BlackRock's Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our engagement priorities based on our observation of market developments and emerging governance themes, and evolve them year over year as necessary. The BIS team's key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

Our approach to investment stewardship is grounded in an expectation that the board will oversee and advise management, influencing management's approach to key business issues. When effective corporate governance is lacking, we believe that voting against the responsible director(s) is often the most impactful action a shareholder can take.

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	**Evraz plc**
Market	United Kingdom, Russia
Meeting Date	16th June 2020
Key Resolutions[1]	**Item 9:** Re-elect Karl Gruber as Director
Board Recommendation	**Item 9:** FOR
BlackRock Vote	BIS voted AGAINST the re-election of Karl Gruber as Director for the company's lack of progress on climate-related reporting.

[1] Full meeting agenda and resolutions can be accessed at: https://www.evraz.com/en/investors/shareholders/gm/#2020

Overview

BIS believes that as companies face material climate risks, they must demonstrate that management have assessed how climate may impact operations and have determined an appropriate business strategy. As we describe in our commentaries on our Approach to Engagement on Climate Risk and Emissions, Engagement, and Transition to a Low-Carbon Economy, we expect robust disclosures of climate-related risks and opportunities in line with the recommendations of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Greater transparency will contribute to improved market-level data, better engagements with shareholders, and more informed voting decisions aligned with long-term value creation.

In our engagements with companies on managing climate-related risks and opportunities and adapting to the energy transition, we are mindful of both the need for an acceleration of the market's approach to disclosure, and the challenges inherent to that task. We recognize that producing comprehensive disclosures requires a significant investment in resources and time on the part of a company. We also recognize that each company is unique, starting from its own baseline, with its own capacities and limitations. We seek to achieve a balance between recognizing a company's current position, while encouraging the appropriate urgency in advancing reporting and the practices underlying it.

Climate Risk

Evraz plc (Evraz) is a steel, mining and vanadium company listed in the UK with operations in the Russian Federation, the United States, Canada, the Czech Republic, and Kazakhstan. The company's principal activities include manufacturing steel and steel products, iron ore mining and enrichment, coal mining, manufacturing vanadium products, and trading operations and logistics. Evraz is controlled by a group of shareholders which in aggregate own 57% of the company.[2]

As a fiduciary on behalf of our clients, BIS has engaged with Evraz over the past several years on a range of governance and material sustainability topics, including climate-related disclosures. In November 2017, we wrote a letter to Evraz CEO and chairman of the board, asking the company to closely review the TCFD framework and to consider reporting in alignment with its recommendations.[3]

Since sending our letter, Evraz set a 5-year target to maintain an intensity ratio of less than two tons of carbon dioxide equivalent (tCO_2e) per ton of crude steel cast. For 2019 the company achieved 1.97 tCO_2e per ton of crude steel cast, which, while meeting the company's target, remains above the average in the steel industry (average of 1.83 tons of CO_2 were emitted for every ton of crude steel cast).[4]

Evraz has a section on greenhouse gas (GHG) emissions and climate change in both the annual and sustainability reports describing carbon emissions as a result of operations.[5] The current reporting provides some insights about operational carbon emissions but is not aligned with the TCFD framework. Hence, these disclosures fall short of our expectations.

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[2] A relationship agreement has been established between the company and Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited.

[3] In Q4 2017, we sent letters to the CEOs and General Counsels at over 100 of the most carbon-intensive companies globally in BlackRock's equity portfolio. We asked them to review the TCFD's recommendations and consider reporting in alignment with them, and to engage with us so we can better understand the changes in reporting that might be necessary for them to achieve alignment and any obstacles the company anticipates.

[4] World Steel Association, Sustainable Steel: Indicators 2018 and industry initiatives: https://www.worldsteel.org/media-centre/press-releases/2018/Sustainable-steel---indicators-2018-and-industry-initiatives.html.

[5] Evraz's 2019 Sustainability report: https://www.evraz.com/upload/iblock/e79/e7913899499df5a8146a9709d209da7c.pdf and 2019 Annual report: https://www.evraz.com/upload/iblock/816/81649498534e5569eceb9f164d7d40fe.pdf.

The annual report does mention that the company is working on the formalization of a new climate change policy and strategy, including scenario analysis and mapping of risk and opportunities. We are encouraged by this review and look forward to seeing refreshed disclosures and commitments in the near future. **However, the company's limited progress in explicitly aligning its reporting with the TCFD recommendations and lack of public commitments to move towards TCFD-aligned reporting falls short of our expectations of large carbon emitters with a previous history of engagement with BIS on this topic.**

The company's inadequate public disclosure is increasingly putting it at odds with its global peers regarding long-term climate adaption strategies and raises concerns about how Evraz is managing climate risk and the transition to a lower-carbon economy. We expect greater action on target -setting and conveying the justification for company's approach relative to its peers.

This is in line with our view that the risks of climate change and the transition to a lower carbon economy present material regulatory, reputational, and legal risks to companies. As a fiduciary for our clients, we see it as material to better understand how these risks are being adequately disclosed and overseen.

Rationale for BlackRock vote

Item 9: Re-elect Karl Gruber as Director (AGAINST)

Evraz is not an official TCFD supporter and has made no public commitment regarding the alignment of its disclosures with the recommendations of the TCFD. Despite sections in the company's 2019 annual and sustainability reports dedicated to GHG emissions and climate change, these climate-related disclosures do not demonstrate sufficient progress towards Evraz aligning its reporting with the TCFD recommendations, particularly since the company received BIS' letter in 2017.[6]

In addition to the lack of explicit reference to the TCFD, the company's disclosures do not address some of the recommended disclosures of the TCFD framework such as a more detailed discussion on board oversight, climate-related risks and opportunities over the short, medium and long-term, the resilience and the impacts on strategy and risk management, relevant scope 1, 2 & 3 metrics and medium/long-term targets. Currently, Evraz does not publicly disclose scope 3 GHG emissions.

In line with our approach of holding directors accountable when a company is not effectively addressing a material issue, we voted against the re-election of Karl Gruber as director for lack of progress in relation to climate-risk reporting. Mr. Karl Gruber is chairman of the health, safety and environment committee, which is the most relevant board committee responsible for the oversight of climate-related issues.

BIS voted in favour of all other management proposals.

We will continue to engage with the company on its governance practices and reporting. Absent progress on public climate-related disclosures in alignment with the TCFD recommendations, we will continue to signal our concerns by voting against relevant board members who are responsible for such oversight.

[6] See footnote 3.