

ENGAGEMENT FACTSHEET

Severstal

ENGAGEMENT RATIONALE

Severstal is an integrated player in steel, a sector with one of the highest contributions to man-made greenhouse gas emissions. According to the International Energy Agency (IEA) the iron and steel industry accounts for approximately 6.7% of global CO₂ emissions.

BACKGROUND

The steel sector is highly carbon intensive, and the goal of this engagement is to:

- a raise awareness within the company of climate change challenges;
- b improve the company's reporting of climate-related risks;
- c encourage the company to set long-term carbon reduction targets; and
- d encourage the company to mitigate climate risks in line with the guidelines set by the Taskforce on Climate-related Financial Disclosures.

THEME FOR ENGAGEMENT

- x Climate change strategy



ENGAGEMENT OBJECTIVES

- x An important goal for this engagement is that of climate transparency. The company needs to report on its direct emissions (scope 1 and 2), and potentially those it is indirectly responsible for (scope 3).
- x It should also report to Carbon Disclosure Project (CDP), and disclose its overall climate change risks and mitigation plans in the annual report.

DEVELOPMENT



MILESTONE



ENGAGEMENT RESULTS

Kempen started the engagement process with Severstal in the winter of 2016. In 2018 we had five contacts with the company. Severstal increased communication with investors on ESG, following recommendations of the investor community, including Kempen, and made efforts on the following topics.

- x Severstal now reports on ESG factors in every half-year presentation and the management spends time during investment calls explaining ESG metrics (health and safety and environmental).
- x Severstal hired an ESG-dedicated specialist for the team, following calls with Kempen.
- x The company as in 2018, for the first time, reported to CDP on its carbon footprint.
- x Severstal commenced implementation of scope 1 and 2 reporting in its annual sustainability report.
- x In December 2018 Severstal launched a new section on their website, which contains information about the company's efforts on ESG, including long-term objectives, relevant policies, highlights and achievements.

We engaged with the company both directly, via the Kempen High Dividend Fund, and also as a lead investor for the company for both the Institutional Investors Group on Climate Change (IIGCC) and the Climate Action 100+ initiative.

NEXT STEPS

The next steps in regard to the engagement with Severstal are:

- x Assess the new sustainability report and its carbon footprint reporting.
- x Share feedback with the company.
- x Discuss potential targets and KPIs for the management in regard to environmental performance.
- x Encourage the company to report in line with TCFD guidelines.

SDG



COMPANY

Headquartered in Cherepovets, Severstal is a Russian integrated steel and steel-related mining company

COUNTRY

Russia

SECTOR

Steel Industry

MARKET CAP

Large Cap

ISSUE

The company is active in a very carbon-intensive sector and had no policies nor disclosure on the subject. It also had no oversight within the board or management of climate risks.

MATERIALITY

Potential violation of environmental standards such as UN Global Compact Principle 7 – 'Businesses should support a precautionary approach to environmental challenges', and Principle 8 – 'Undertake initiatives to promote greater environmental responsibility.'

COMPANY INVOLVEMENT

The company operates in one of the most carbon-intensive sectors in the world.

MSCI ESG RESEARCH

UN Global Compact: Pass
ESG Rating: CCC