

Anti-corruption and anti-bribery

OUR APPROACH

EVRAZ is fully committed to strict compliance with the Law of the Russian Federation no. 273 “On Preventing Corruption,” the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents.

Preventing corruption, bribery, and moral unscrupulousness is one of the Group’s top priorities. EVRAZ has implemented and further developed policies and procedures that define compliance managers’ day-to-day efforts. Today, they scrutinise tender procedures,

check potential and existing business partners, vet prospective new candidates, and ensure that principles set forth in the Group’s Anti-corruption Policy and Code of Ethics are adhered to throughout its operations.

Policies and regulations

All EVRAZ subsidiaries strictly comply with the Code of Conduct and Anti-corruption Policy, which are the key documents that define the norms of ethical and responsible behaviour for employees in all circumstances. These and other relevant policies are available on the corporate intranet and employees bear personal responsibility for full compliance with them. Staff are also consistently encouraged to approach compliance managers whenever they have questions about the expected course of action in difficult situations or when they want to voice concerns about known violations.

Compliance managers are present at every major asset and are also responsible for anti-corruption and anti-bribery matters in the Group’s smaller local businesses. They investigate possible non-compliance with policies; monitor charity payments and hospitality spending; and act on whistle-blower allegations of possible bribery, corruption,

fraud and malfeasance. They then present their findings and recommendations to local managing directors, as well as the Group’s compliance manager and specialists reporting to the senior vice president for business support. The latter review and scrutinise investigation results to liaise with senior management as necessary. Compliance managers routinely inform the Audit Committee about the status of ongoing anti-corruption efforts and prepare memos at the committee’s request.

EVRAZ has implemented and tested all elements of its compliance system throughout its operations in Russia, Ukraine, the US, Canada, and Kazakhstan. All Group assets have implemented corporate policies to duly cover business processes bearing high corruption risk. The compliance and asset protection units present at all sites closely monitor the effectiveness of and adherence to these regulations. The internal audit and legal departments provide assistance where necessary. →

Risk analysis

Once a year, compliance managers perform a comprehensive analysis of potential anti-corruption risks across all assets. For this purpose, they analyse every business process and define key risk areas. →

Compliance managers have examined the following processes for signs of risk:

- Purchase of goods or services;
- Payments;
- Sale of goods, work, and services;
- Business gifts, hospitality, entertainment and travel expenses;
- Charity and sponsorship;
- Interaction with government authorities;
- Hiring and transferring staff;
- Vetting contractors or customers;
- Contract approval;
- Company property management.

→ KEY COMPANY POLICIES TO REGULATE ANTICORRUPTION AND ANTI-MONEY LAUNDERING EFFORTS



For more information, see **Short summary of relevant anti-corruption policies** on page 269.

The compliance, internal audit, legal, and business support functions jointly developed the methodology applied during the analysis specifically for this purpose. They evaluate specific random events for signs of predefined risks, including tenders, contract approvals, purchases, inventory checks and charitable donations.

The compliance managers meet with top managers of each asset to inform them of the investigation results, discuss any threats revealed, and recommend further actions. The compliance managers then monitor any corrective measures that are undertaken to mitigate the discussed risks.

The Group's compliance officer then presents a consolidated analysis to the Audit Committee.

In early February 2018, the compliance officer presented to the Audit Committee the analysis for 2017, which revealed no significant violations of anti-corruption statutes or cases of noncompliance with Group policies.

Key developments in 2017

EVRAZ is pleased to report that its compliance function was not required to initiate any investigations into suspected signs of corruption or bribery in 2017. We believe that this is an indication of our successful policy and ongoing preventative efforts.

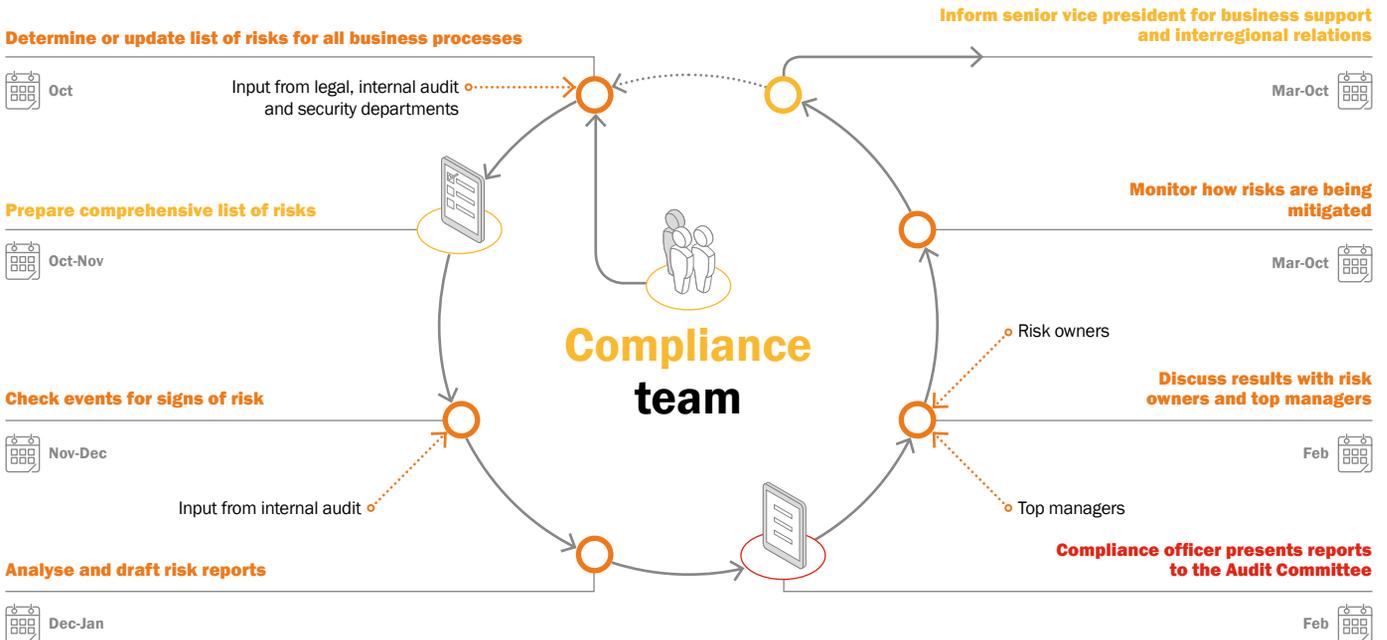
The Group has additional compliance control measures in place for payments to non-resident companies (specifically offshore entities), which have proven their effectiveness at its Russian and Ukrainian assets. Compliance managers use electronic means to approve such payments, as well as gifts and hospitality to be provided or accepted.

In 2017, the Group continued to develop a set of measures to ensure compliance with the EU Market Abuse Regulation (the "MAR") which came into force in July 2016. Following the request from the Board, the management together with Linklaters have agreed on the

following approach to regular legal updates with a view to ensure compliance with policies and procedures under the Market Abuse Regulation: preparation of the EVRAZ Compliance Manual with updated content tailored for EVRAZ' continuing obligations as a UK premium-listed company and developing in-person training for the management team in EVRAZ' Moscow office. A team of c.25 managers will be trained during Q1 2018. The training will be based on the topics covered in the EVRAZ Compliance Manual and was followed by test.

In addition, nearly 3,000 more managers in the US, Canada, Russia, Ukraine and Kazakhstan completed online anti-corruption training developed by Thomson Reuters. Overall, almost 8,000 employees have received this training to date. The programme will continue in 2018 and those previously trained will also refresh their active knowledge of anti-corruption principles and best practices.

ANTI-CORRUPTION RISK MANAGEMENT CYCLE



EXAMPLES OF ANTI-CORRUPTION RISKS TESTED IN COMPANY'S BUSINESS PROCESSES

In the process "purchase of goods or services", compliance managers have defined and tested for the following risks:

- considerable changes in the volume of goods purchased or work performed after the tender has already been considered and awarded;
- purchasing goods or services via middlemen and agents when direct contracts are possible;
- purchasing goods, work or services at prices and on terms that are above the market average.

Other corruption risk indicators include lacking supporting documents; violating the existing approved procurement procedures; and reimbursing expenses that are not mentioned in the contract or addendums.

Compliance managers further examine each process to highlight fundamental risks. For example, they analyse gifts and hospitality events to reveal whether:

- event expenses are inconsistent with the event's format or do not match the expense items stated in the event preparation documents;

- there is no business purpose to justify expenses or the purpose may cause reasonable doubts when scrutinised by auditors or regulators;
- business hospitality expenses exceed the limits set by corporate policies;
- there are violations of the procedure for approving expenses and participation in events;
- a business event is held at resort or tourist area;
- there is a lack of or inconsistency in supporting documents when reimbursing expenses to employees.