

THE ROLE AND COMPOSITION OF EACH COMMITTEE

Committee name	Function	Composition	Link to committee report
Audit Committee	Audit, financial reporting, risk management and controls	All three members are independent non-executive directors	See on pages 120–123
Nominations Committee	Selection and nomination of Board members	All five members are non-executive directors, of which three are independent	See on pages 124–125
Remuneration Committee	Remuneration of Board members and top management	All three members are independent non-executive directors	See on pages 128–135
HSE Committee	HSE issues	Two of the three members ⁴ are non-executive with an independent chairman who is also a non-executive director of the Company	See on pages 126–127

⁴The members of the Health, Safety and Environment Committee at 31 December 2017 were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who has continued as a non-executive member of the HSE Committee following her cessation as a Board member of the Company on 14 March 2016. With more than 50% of EVRAZ' operations based in the Russian Federation, the Committee continues to value the contribution she brings in terms of her technical and regional experience.

Shareholder engagement

The Company continues to encourage shareholder engagement. The annual general meeting was held on 20 June 2017 and all directors, including all committee chairs, were in attendance. All shareholders are welcomed to attend, ask questions and discuss issues with individual directors. A further special general meeting was held on 23 May 2017 to approve the disposal of Evraz Nakhodka Trade Sea Port to a wholly-owned subsidiary of Lanebrook Limited, a related party.

The CEO, supported by the chief financial officer and the vice president of investor relations, brief analysts and institutional investors fully after the publication of the Company's half-year and full-year results.

In October 2017, an investor day was held for analysts and institutional investors, where key members of the management team gave presentations to explain the Group's operations and performance. Sir Michael Peat, the senior independent non-executive director and chairman of the Nominations Committee attended, and presented on the Company's corporate governance structure as well as meeting with investors, as did Deborah Gudgeon, an independent non-executive director and chairman of the Audit Committee.

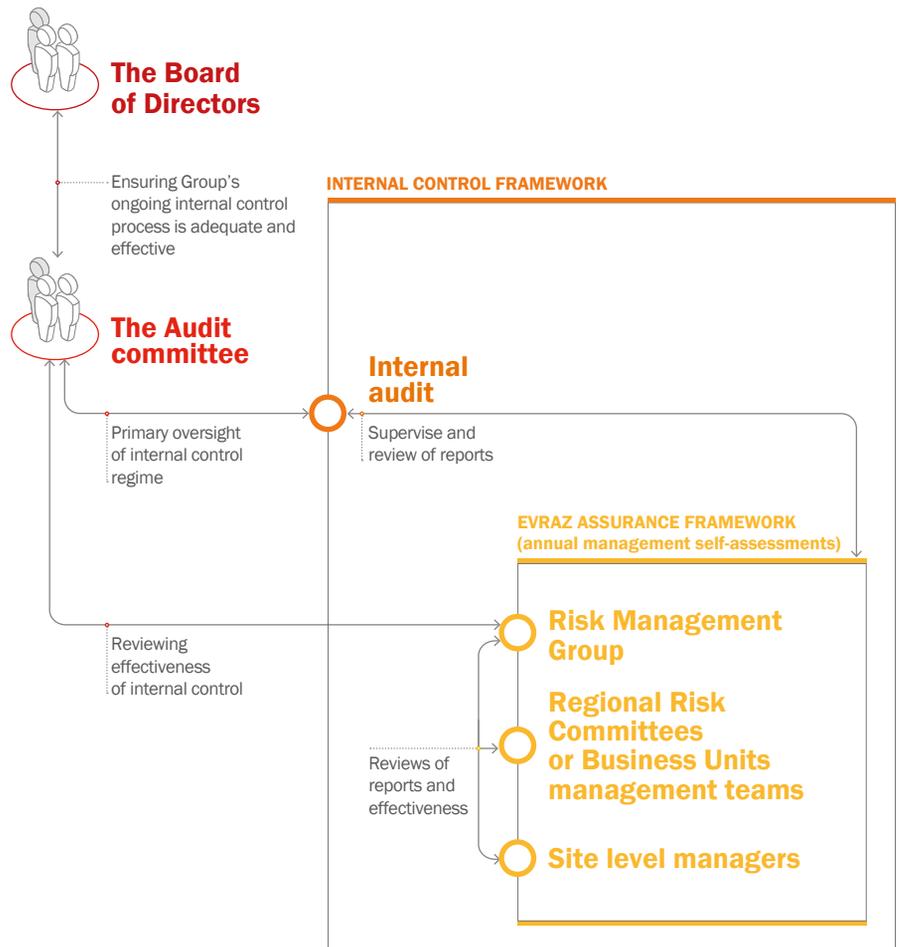
Risk management and internal control

EVRAZ maintains a comprehensive financial reporting procedures (FRP) manual detailing the Group's internal control and risk management systems and activity. The manual was last updated in December 2017, in line with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal

Control and Related Financial and Business Reporting issued in September 2014 . The aim of the risk management process is to identify, evaluate and manage potential and actual threats to the Group's ability to achieve its objectives.

EVRAZ' Enterprise Risk Management (ERM) process is designed to identify, quantify, respond to and monitor the consequences of these threats. The management maintains a risk register that encompasses both internal and external critical threats. The level of risk appetite

INTERNAL CONTROL



➔ **COMPONENTS OF THE INTERNAL CONTROL SYSTEM**

Component	Basis for assurance	Action in 2017
Assurance framework – principal entity-level controls to prevent and detect error or material fraud, ensure effectiveness of operations and compliance with principal external and internal regulations	<ul style="list-style-type: none"> • Self-assessment by management at all major operations • Review of the self-assessment by the internal audit function 	In 2017, the internal audit function reviewed and assessed effectiveness of the internal control system, and established a more straightforward connection between the result of the management’s internal control self-assessment and the internal audit plan
Investment project management	<ul style="list-style-type: none"> • Monitored by established management committee and sub-committees • Reviewed by the internal audit function 	Continuous enhancement of procedures regarding quality and reporting control, as well as other elements of the project oversight process
Operating policies and procedures	<ul style="list-style-type: none"> • Implemented, updated and monitored by management • Reviewed by the internal audit function 	Operating policies and procedures were updated as per the internal initiatives by operational management and in response to recommendations from the internal audit function
Operating budgets	<ul style="list-style-type: none"> • Monitored by controlling unit • Reviewed by the internal audit function • Approved by the Board 	Operating budgets were prepared and approved by the Board
Accounting policies and procedures as per the corporate accounting manual	<ul style="list-style-type: none"> • Developed and updated by the reporting department • Reviewed by the internal audit function 	Accounting policies and procedures were updated as part of the standard annual review process

approved by the Board is used to identify particular risks and uncertainties that require specific Board oversight. In 2017, the process in relation to principal risks and uncertainties was consistent with the UK Corporate Governance Code, the FRC Guidance on the Strategic Report issued in June 2014, and the abovementioned FRC guidance issued in September 2014.

The executive management is responsible for introducing the agreed internal controls and mitigating actions related to risk management throughout EVRAZ’ business and operations, as well as at all levels of management and supervision. This serves to encourage a risk-conscious business culture.

EVRAZ applies the following core principles to identifying, monitoring and managing risk throughout the organisation:

- Risks are identified, documented, assessed and monitored, and their profile is communicated to the relevant levels of the management team regularly. The business management team is primarily responsible for ERM and accountable for all risks assumed in the operations.
- The Board is responsible for assessing the optimum balance of risk (risk appetite) through the alignment of business strategy and risk tolerance on an enterprise-wide basis. In addition, the Board oversees risks above the Group’s defined risk appetite and

internal control weaknesses measured in excess of the risk appetite.

- The Group has established a reporting process involving business unit management teams and other relevant bodies at major enterprises. Its aim is to identify, evaluate and establish management actions for risk mitigation at a regional level, as well as at EVRAZ’ major steel and mining operations. The Risk Management Group maintains a corporate risk register representing a summary of this information. Business unit management teams and other relevant bodies are accountable to the Risk Management Group by way of membership of the latter (vice presidents of business units and functions).
- All acquired businesses are brought within the Group’s system of internal control as soon as practicable.

For additional information about principal risks and uncertainties, see Strategic report on pages 36–41.

The Board has delegated primary oversight of the Group’s internal control process to the Audit Committee. The committee has tabled for the directors’ consideration the major internal control findings in the areas where the Board’s risk appetite has been exceeded.

To ensure that control is exercised effectively across operations, the Group has adopted annual management self-assessments of

the internal control system using the EVRAZ Assurance Framework. The management rates and evaluates the individual components of the framework. In 2017, all major production sites were certified as having effective internal control.

A department headed by Senior Vice President Leonid Kachur has specific responsibility for preventing and detecting business fraud and abuse, including fraudulent behaviour by employees, customers and suppliers that may cause a direct economic loss to the business. Solid internal controls help to minimise the risk, and EVRAZ’ Business Security department ensures that appropriate processes are in place to protect the Group’s interests.

Internal audit

Internal audit is an independent appraisal function that the Board has established to evaluate the adequacy and effectiveness of controls, systems and procedures at EVRAZ with an aim to reduce business risks to an acceptable level and in a cost-effective manner.

The Board approved the latest version of the internal audit charter on 28 February 2017.

The internal audit function’s role in the Group is to provide an independent, objective, innovative, responsive and effective value-added internal audit service. This is achieved through a systematic and disciplined approach based on assisting management in controlling risks,

monitoring compliance, and improving the efficiency and effectiveness of internal control systems and governance processes. Once a year, the function provides an opinion of the overall effectiveness of the Group's internal controls.

In 2017, EVRAZ' head of internal audit, as secretary of the Audit Committee, attended all the committee's meetings and addressed any reported deficiencies in internal control as required by the committee. The committee continued to engage with executive management during the year to monitor the effectiveness of internal control and, consequently, considered certain deficiencies that had been identified in internal control together with the management's response to such deficiencies.

The internal audit planning process starts with the Group's strategy; includes the formal risk assessment process, consideration of the results of the management internal control self-assessment, and the identification of management concerns based on the results of previous audits; and ends with an internal audit plan, which the Audit Committee then approves. Audit resources are predominantly allocated to areas of higher risk and, to the extent considered necessary, to financial and business controls and processes, with appropriate resource reservation for ad hoc and follow-up assignments.

In 2017, internal audit projects covered the following Group risks:

- Product competition;
- Cost effectiveness;
- Health, safety and environment;
- Capital projects and expenditure;
- Treasury and working capital management;
- Human resources;
- Compliance;
- Business interruption, and equipment and infrastructure downtime management;
- Transportation, sourcing, raw materials and energy supply;
- IT security and IT infrastructure risk management;
- Quality.

EVRAZ' internal audit function is structured on a regional basis, reflecting the geographic diversity of the Group's operations. The internal audit function works to align common internal audit practices throughout the Group via quality assurance and improvement programmes.

Our approach to risk appetite

Risk appetite is an important part of the risk management process that serves as a measure of the risks EVRAZ' management is willing to accept in pursuit of value. The Board has

approved a risk appetite in accordance with the risk management methodology adopted by the Group.

Risk appetite is considered in evaluating strategies and setting objectives within EVRAZ' strategic cycle, in decision making and in developing risk management actions and methods, as well as in identifying particular risks and uncertainties that require specific Board oversight. The Group's strategic objectives are aligned with and risk mitigation actions are reflective of the risk appetite approved by the Board. The Group adopts a robust approach in relation to risk management. Risk appetite for some specific business processes (eg in fraud, security, bribery and corruption, as well as in the health and safety process) is assessed, defined and evaluated separately from the rest of the processes.

The management reassesses the risk appetite at least annually via the Risk Management Group, which reports on the analysis performed to the Audit Committee. The committee then makes recommendations to the Board regarding the level of risk appetite. The Risk Management Group and the Audit Committee last reviewed the Group's risk profile in October 2017 and finalised the assessment in January 2018. Based on the results of the most recent review, the management concluded that the approach for acceptance of risks within the Group had not changed and that the risk appetite remained the same as in the prior year. An appropriate recommendation regarding the level of risk appetite was made to the Audit Committee and to the Board.

Objectives for 2018

Further development and integration of the risk management system and risk management practices is planned for 2018.

Within risk analysis in individual processes, the methodological update for occupational safety risk assessment is scheduled to be finalised in 2018.



Further information regarding EVRAZ' internal control and risk management processes can be found at: www.evraz.com/governance/control.

For the reports from each committee, please see pages 120–135.

