INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVRAZ PLC

OPINION

In our opinion:

- EVRAZ plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the Group's and the Parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EVRAZ plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise:

GROUP	PARENT COMPANY
Consolidated statement of operations	Separate statement of comprehensive income
Consolidated statement of comprehensive income	Separate statement of financial position
Consolidated statement of financial position	Separate statement of cash flows
Consolidated statement of cash flows	Separate statement of changes in equity
Consolidated statement of changes in equity	Related notes 1 to 11 to the financial statements including a summary of significant accounting policies
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the procedures below:

Going concern modelling	• We gained an understanding of the approach taken by management to assess going concern, to model cash flows and to measure covenants over the forecast period. • We agreed the starting cash position to our audit work and tested the mathematical integrity of this modelling.
Commodity prices	• With assistance from our valuation specialists we compared management's forecast prices for steel, iron ore and coal to recent externally sourced information, including analyst expectations.
Sales volumes	• We confirmed the consistency of sales volumes to the forecasts that we have audited as part of our work on impairment (see below).
Financing arrangements and covenants	• We agreed the terms of financing arrangements modelled to contractual terms and our audit work on related facilities, including related covenants. • We confirmed that no new financing that is currently un-committed is assumed in the forecasts.
Base case and pessimistic case	• We evaluated the pessimistic scenario testing performed by management, noting that the assessment is more sensitive to a reduction in liquidity than remaining in compliance with covenants. • We noted that this pessimistic scenario reduced liquidity to minimal operating levels towards the end of the assessment period to 30 June 2023, principally as a result of the repayment of $750m of bonds maturing in March 2023. This scenario does not assume any mitigating actions and does not take account of actual results in January and February 2022 which are expected to be significantly stronger than the pessimistic scenario. This pessimistic scenario was effectively a reverse stress test. • We evaluated potential mitigating actions identified by management and whether these were realistic and within management's control were a significant and sustained reduction in prices to occur. • To further challenge the resilience of liquidity to a reduction in prices below the lower end of market expectations, we modelled a further scenario which assumed certain mitigations under management's control are actioned. We then assessed how much further prices could fall over the going concern period under this revised scenario. • We considered how climate change related risks could impact management's assessment of going concern.
Severe business interruption scenario	• In the context of the worsening situation with respect to Ukraine, we challenged management and the directors as to how potential actions by international governments could impact EVRAZ's business, including on operations, exports and its ability to service debt. • We assessed the extent of downside reflected in the resulting scenario against the effects of Russian exports outside the CIS being reduced to nil in conjunction with absorbing further downside as a result of other factors. • We evaluated the additional mitigations identified and determined by management to be in their control for reasonableness..
Other considerations	• We considered the appropriateness of the period of management's going concern assessment, being to 30 June 2023. • We assessed whether management had appropriately considered the potential impacts of COVID-19 on the forecasts and related disclosures. • We evaluated whether there were any events expected to occur beyond the assessment period that should impact conclusions relating to going concern.
Disclosures	• We assessed the appropriateness of disclosures in the financial statements and elsewhere in the Annual Report, including whether management had disclosed its considerations of the potential effect of climate change risks on going concern.

In forming our conclusion, we considered the uncertainties as a result of potential responses by international governments to the worsening situation with respect to Ukraine. We noted that the Group has considered the effects of a severe and sustained business interruption and has also identified a range of mitigating actions that could be deployed were such a scenario to arise. In addition, this scenario does not reflect any new financing being raised over the going concern period. These mitigations would also be relevant in a scenario where prices were to fall over a sustained period.

Based on the work we have performed, we have not identified material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 16 months from the date the financial statements are authorised for issue, being management's going concern assessment period. Going concern has been determined to be a key audit matter in the current year.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

OVERVIEW OF OUR AUDIT APPROACH

Audit scope	• We performed an audit of the complete financial information of seven components, audit procedures on specific balances for a further two components, specified procedures on seven components and review procedures on one component. • The nine reporting components where we performed full or specific audit procedures accounted for 73% of the Group's EBITDA, 85% of the Group's revenue and 92% of Total assets (with 60%, 85% and 87% respectively represented by the seven full scope components and 13%, 1% and 5% respectively by the two specific scope components). • The eight reporting components where we performed specified procedures accounted for 27% of the Group's EBITDA, 11% of the Group's revenue and 8% of Total assets.
Key audit matters	• Recoverability of goodwill and other non-current assets • Demerger of Raspadskaya coal business • Investment impairment considerations and related potential impact on distributable reserves (Parent company only)
Materiality	• Group materiality of $150 million (2020: $66 million), which represents approximately 3% (2020: 3%) of EBITDA.

AN OVERVIEW OF THE SCOPE OF THE PARENT COMPANY AND GROUP AUDITS

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account the size and risk profile of each component, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and any other relevant factors when assessing the level of work to be performed at each component of the group.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 48 reporting components of the Group, we selected 17 components covering entities in Russia, USA, Canada, UK, Switzerland, Czech Republic and Luxembourg which represent the principal business units within the Group.

The EVRAZ Group has centralised processes and controls over the key areas of our audit focus with responsibility lying with Group management for the majority of estimation processes and significant risk areas. We have tailored our audit response accordingly and thus for the majority of our focus areas, audit procedures were undertaken directly by the Group audit team with testing undertaken by the component audit teams on the verification of operational data and other routine processes.

Of the 17 components selected, we performed an audit of the complete financial information of 7 components ("full scope components") which were selected based on their size or risk characteristics. For a further 2 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The nine reporting components where we performed full or specific scope procedures accounted for 73% (2020: 76%) of the group's EBITDA, 85% (2020: 87%) of the group's revenue and 92% (2020: 86%) of the group's total assets.

For the current year, the full scope components contributed 60% (2020: 68%) of the group's EBITDA, 85% (2020: 86%) of the group's revenue and 87% (2020: 80%) of the group's total assets.

For 8 further components the primary team performed procedures directly focussing on specific areas of identified risk ("specified procedures components"). The specified procedure components contributed 26% (2020: 1%) of the Group EBITDA, 11% (2020: 9%) of the Group's revenue and 8% (2020: 1%) of the Group's total assets.

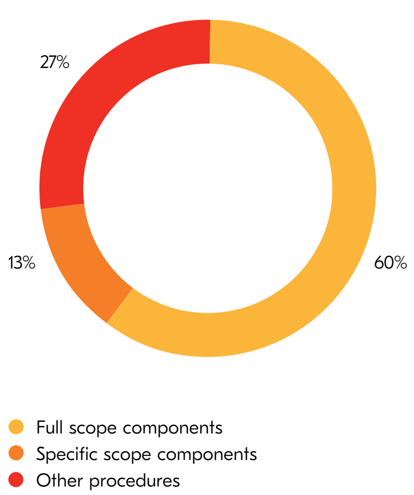
In 2020 an additional 18% of EBITDA, 1% of revenue and 3% of total assets was covered by review scope locations (in the current year these components are specified procedures).

The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. A further breakdown of the size of these components compared to key metrics of the Group is provided below.

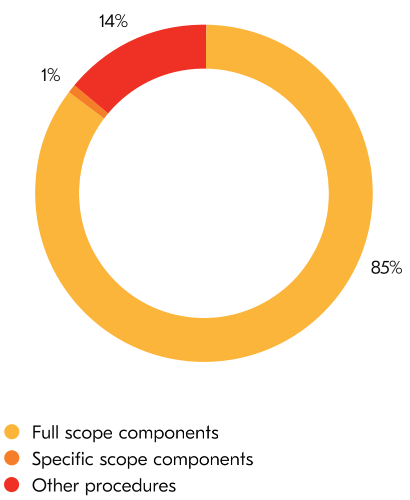
Of the remaining 31 components none represented more than 1% of the group's EBITDA either individually or in aggregate. For these components, we performed other procedures, including analytical review, review of the findings of Internal Audit during the year and testing of consolidation journals, eliminations and foreign currency translation effects to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

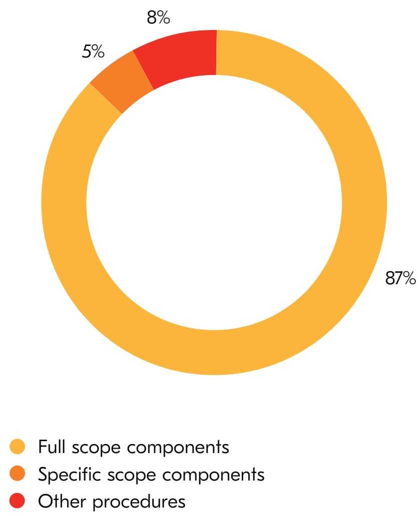
EBITDA



Revenue



Total assets



Changes from the prior year

There have not been significant changes to the scoping of the group's components in the current year.

Involvement with component teams

The senior statutory auditor is based in the UK, but, since group management and many operations reside in Russia, the group audit team includes members from both the UK and Russia who work together as an integrated primary and group team throughout the audit process (collectively the Primary Team).

The approach to involvement in component teams is established by the senior statutory auditor. In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

Of the seven full scope components, audit procedures were performed on one component directly by the primary audit team with procedures on others performed by component audit teams. Of the two specific scope components the primary team performed audit procedures on one of these components. Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The audit, including involvement with component teams, was planned in order to respond to uncertainties and restrictions around physical travel as a result of the COVID-19 pandemic. We agreed a timetable with management to provide sufficient time for our procedures to be completed remotely. In instances where physical access to sites was expected to be restricted, we planned and conducted inventory counts remotely using mobile video technology.

In lieu of the number of physical visits and meetings that we would normally expect to do in performing oversight, the Primary Team, including the Senior Statutory Auditor, increased the frequency of interaction with component teams throughout the audit cycle. These interactions were principally via video meetings and took place throughout the audit process. These interactions involved discussing the audit approach with component teams and any issues arising from the audit and conclusions reached on all significant matters. In addition, using EY's audit software, the Primary Team directly accessed the audit working papers of component teams, remotely reviewing all areas significant to the audit and retaining copies of more important workpapers. Observations and questions arising from this review were then discussed and resolved with the component team auditor.

The Senior Statutory Auditor was able to make a site visit in January 2022 to Russia, spending time both in Moscow and visiting the EVRAZ NTMK plant with senior members of management and a number of the Independent non-executives. He also met with component teams and other members of the integrated Primary Team to discuss findings arising from their work including discussing the approach for, and results arising from, impairment testing on CGUs in Russia. Due to restrictions in travelling to North America, the Senior Statutory Auditor joined meetings with the component teams and local management via video calls to discuss the audit procedures performed and results of the audit.

In addition, the Primary Team had direct responsibility for the majority of work on the Key Audit Matters discussed below, including impairment considerations for CGUs in North America which were considered at heightened risk of impairment, considerations relating to the demerger of the coal business, and the recoverability of the parent company's investments in subsidiaries.

These procedures, together with the additional procedures performed at a group level, gave us appropriate evidence for our opinion on the group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact EVRAZ. The group has determined that the most significant future impacts from climate change on its operations will be around decarbonisation including potential carbon taxes in Russia and investment to reduce emissions and improve energy efficiency. These are explained **on pages 284-287** in the required Task Force for Climate related Financial Disclosures and **on pages 86 to 95** in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the discussion of significant accounting judgments and estimates at note 2 of the consolidated financial statements governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards. Significant judgements and estimates relating to climate change have been described in note 2 and related sensitivity disclosures included in note 6, Impairment of non-current assets in the consolidated financial statements of the impact of reasonably possible changes in key assumptions.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed **on pages 86 to 95** have been appropriately considered in estimating the recoverable value of non-current assets and/or associated disclosures where values are determined through modelling future cash flows. Details of our procedures and findings with respect to impairment are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the group has stated its commitment to the aspirations of the Paris Pledges by 2050, the group is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

RECOVERABILITY OF GOODWILL AND OTHER NON-CURRENT ASSETS

- At 31 December 2021 the carrying value of goodwill was $457 million (2020: $457 million) and the carrying value of property, plant and equipment (PP&E) was $3,169 million (2020: $4,315 million). In the current year the Group did not recognise any impairment of goodwill (2020: $148 million) but recognised impairment of $22 million in respect of individual items of PP&E (2020: $162 million).
- We consider that estimating the recoverable value of the Group's non-current assets requires significant estimation around a number of assumptions, including future volumes, prices, and the discount rate applied. We particularly focus our audit effort on cash generating units (CGUs) which have limited headroom, particularly a number of those in North America.
- Consideration is also required under IAS 36 Impairment of Assets whether a reasonably possible change in assumptions could lead to an impairment. Where this is the case the disclosure of sensitivities is appropriate. Such assumptions include the effects of climate change on the recoverable value of the Group's non-current assets.
- Despite the strengthening of prices in 2021, given the limited historic headroom in a number of the Group's CGUs, we consider that the risk of impairment remains broadly consistent with the prior year, particularly for CGUs in North America.

Refer to the Audit Committee report on **page 126**, the estimates and judgements disclosed in note 2 and note 6, Impairment of non-current assets in the Consolidated Financial Statements.

Our audit response to the risk

Our audit procedures on CGUs in North America were performed mainly by the Group audit team with assistance from EY valuation specialists and input from our component teams on specific assumptions. Audit procedures on CGUs outside of North America were performed by component teams with assistance from EY valuation specialists under instruction from the Group team.

Indicators of impairment	• We assessed the completeness of management's assessment of indicators of impairment for CGUs that were not already being tested for impairment as a result of carrying goodwill.
Valuation methodology adopted	• We gained an understanding of the methodology applied in estimating the recoverable value of each CGU tested for impairment, assessing this against usual industry practice, including where terminal values had been applied. • With assistance from EY valuation specialists we tested the integrity of the cash-flow models for mechanical and mathematical accuracy.
Key assumptions applied- volumes	• With assistance from EY valuation specialists we assessed management's forecasts of future sales volumes. • Where available we developed expectations of the total market in which respective CGUs operate using external analyst and industry data and by using statistical analysis where market size was identified as being correlated to external indicators (most significantly the tubular businesses to oil and gas prices). • We assessed management's expected market share against historic data and indicators of changes in respective markets. • We evaluated the consistency of mine production forecasts with the independent assessments of proved and probable mineral reserves performed by IMC Montan Group LLC. We assessed the competence, capabilities and objectivity of IMC Montan as a specialist engaged by management. • We challenged management if its assumptions were not within the range identified by EY, most significantly the forecast size of the market for the OCTG CGU.
Key assumptions applied- prices or EBITDA/tonne	• With assistance from EY valuation specialists we have evaluated management's assumptions for future prices of steel, iron ore, coal and ferrovanadium. We developed an expected range of future prices using external analyst and industry data. • Where appropriate we performed analysis on the future forecast EBITDA/tonne applied by management, including the use of statistical methods to set expectations based on factors including forecast sales volumes in relevant markets. • We challenged management if its assumptions were not within the range identified by EY.

RECOVERABILITY OF GOODWILL AND OTHER NON-CURRENT ASSETS	
Key assumptions applied- other	• With assistance from EY valuation specialists we performed an independent calculation of the discount rate expected to be applicable to each CGU tested for impairment. • We assessed management's assumptions with respect to the modelling of the future impacts of legislation in North America around anti-dumping duties and Section 232 tariffs with assistance from our component team.
Climate change considerations	• We made enquiries of management as to its assessment of whether climate change risks impact the modelled recoverable value of the Group's CGUs. This was done with reference to the Group's assessment of the risks of climate change, commitments made around climate change initiatives and the analysis performed by the Group to date of the potential impact of such initiatives, including on potential future investment. • We challenged the extent of discussion of climate change with respect to key estimates around impairment testing in the financial statements. • Where the financial impacts of climate related risks and related initiatives are either yet to be determined and/or not reflected in management's estimates of recoverable value we challenged what sensitivities may be appropriate in the financial statements to demonstrate the reasonably possible impact of these.
Additional considerations relating to impairment testing	• We considered the historical accuracy of management's budgets and forecasts against subsequent actual results.
Disclosures	• We tested the appropriateness of the related disclosures provided in the Consolidated Financial Statements. In particular we ensured the adequacy of the disclosures regarding those CGUs with material goodwill balances and where a reasonably possible change in certain assumptions, including as a result of climate change risks, could lead to impairment charges.

Key observations communicated to the Audit Committee

- We conclude that the final estimates of recoverable value for each CGU tested for impairment are reasonable. These estimates appropriately reflected amendments to assumptions following EY challenge as appropriate. We therefore agree with management's conclusion that no impairment at the CGU level has arisen in the year.
- We consider that the disclosure of estimation uncertainty and reasonably possible changes to assumptions as sensitivities are adequate. These include additional detail around accounting estimates and sensitivities relating to the potential future impacts of climate change risks following our challenge.

DEMERGER OF RASPADSKAYA COAL BUSINESS

- In January 2021, the Board of directors agreed to progress a possible demerger of the Raspadskaya coal business via a dividend in specie. Preparation for this transaction has progressed during 2021.
- This is a material transaction for the Group and the accounting and disclosure for the coal business as at 31 December 2021 requires judgment based on the facts and circumstances at that date. Specifically, the timing of the classification of this business as an asset held for distribution (AHFD) under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is dependent on the success of the transaction being concluded as highly probable ahead of the year end.
- Once such a conclusion is reached, this designation materially impacts the presentation of the consolidated statement of financial position, as well as being reported as a discontinued operation in the other primary statements. In addition, this also impacts the presentation of the parent company's investment in the coal business in the separate statement of financial position.
- This is a new key audit matter in the current year.

Refer to the Audit Committee report on page 126, the judgement disclosed in note 2 and note 13, Discontinued operations in the Consolidated Financial Statements.

Our audit response to the risk

Our audit procedures on this judgment were performed by the Group audit team.

Evidence of the distribution being highly probable as at 31 December 2021	• We monitored the progress of the proposed transaction throughout 2021, including attending regular meetings of the Group's external advisors for this transaction. • We evaluated management's conclusion that the principal event in early 2022 that would be expected to determine the success of the transaction was the shareholder vote at an EGM scheduled for early January 2022. Also that the subsequent UK court approval of the reduction in share capital required ahead of the transaction did not create significant additional uncertainty. • We confirmed the level of shareholder vote at the EGM that was procedurally required to approve the transaction. • We critically assessed whether management's judgment only considered information available as at 31 December 2021 and not the actual outcome of the EGM in January 2022. In doing so, we joined a meeting of the Audit Committee and management on 31 December 2021 to assess the evidence available as at that date. • We obtained analysis provided by Georgeson to management in December 2021 around its expectation of shareholder voting at the January EGM (as below). • We assessed whether there was evidence that may be contrary to the Georgeson conclusions, including consideration of past EVRAZ shareholder voting patterns and making enquiries around the nature of shareholder reactions to the Project Gemini circular issued in mid-December 2021. • We evidenced that proxy agencies had issued a positive recommendation for the transaction ahead of 31 December 2021. • We considered the result of the actual vote in January 2022 to assess whether this provided any contrary evidence not previously identified. • We considered whether there may be bias in management's conclusion that the transaction was highly probable as at 31 December 2021.
Georgeson analysis	• We met with Georgeson to gain an understanding of their analysis performed and the basis for their conclusions as reported to management. • We gained an understanding of how Georgeson had considered the voting propensity of different groups of EVRAZ shareholders in estimating its scenarios of potential voting behaviours. • We assessed the competence, capabilities and objectivity of Georgeson as a specialist engaged by management. • We performed our own analysis to explore how significant a negative vote by shareholders other than the main three shareholders of the Group would need to be to prevent shareholder approval, using different levels of assumed attendance at the EGM.
Recoverable value of the coal business	• As an AHFD, we evaluated whether there was any indication that the market value of the coal business was below carrying value as at 31 December 2021, including with reference to the market capitalisation of Raspadskaya at that date.
Disclosures	• We confirmed the appropriate classification of the coal business in the balance sheet as at 31 December 2021, as well as being reflected as a discontinued operation, testing related reclassifications. • We reviewed related disclosures in the financial statements, including around the judgment made by management as at 31 December 2021 and discussion of progress in 2022 in the subsequent events note.

Key observations communicated to the Audit Committee

- We agreed with management's conclusion that there was a reasonable basis to conclude that the transaction was highly probable as at 31 December 2021.
- We agree that the coal business is carried at the lower of carrying value and market value as at 31 December 2021.
- We consider that the related presentation of the coal business, and related disclosures in the financial statements, are appropriate.

INVESTMENT IMPAIRMENT CONSIDERATIONS AND RELATED POTENTIAL IMPACT ON DISTRIBUTABLE RESERVES (PARENT COMPANY ONLY)

- Investments in subsidiaries ($13,994 million, 2020 $15,057 million) are more sensitive to changes in recoverable value than the Group's underlying CGUs assets because certain investments were re-measured in 2019 as part of a group restructuring.
- In 2021 the Company's investment in Raspadskaya ($1,468 million) has been transferred to an AHFD in line with the related key audit matter above.
- The principal driver of the recoverable amount of investments in subsidiaries is the estimated value of underlying CGUs held by the Group's subsidiaries. Refer to related considerations in the related key audit matter above.
- Changes to assumptions could lead to material changes in estimated recoverable amounts, resulting in either impairment or reversals of impairment taken in prior years (2021 aggregate impairment reversal of $393 million, 2020 aggregate impairment of $76 million).
- We consider that the risk associated with this key audit matter has remained consistent with the prior year.

Refer to note 3 of the Parent Company financial statements

Our audit response to the risk

Our audit procedures on this area were performed by the Group audit team with assistance of EY valuation specialists and using the output from the impairment related key audit matter above.

Valuation methodology applied	• We have assessed the methodology used by management to estimate the recoverable value of each investment for which an impairment test was performed to ensure that this is consistent with accounting standards. • We have validated that relevant assets and liabilities of each investment have been appropriately included in the assessment of recoverable value, including the effects of intercompany balances.
Key assumptions applied	• Refer to the key audit matter above with respect to procedures performed relating to the recoverable value of individual CGUs tested for impairment. • Where a current year impairment test has not been performed on CGUs underlying investment we have evaluated how the result of the most recent previous impairment test would be expected to change in the period to December 2021. We particularly focussed on changes that could negatively impact recoverable value. • We considered the potential impact of climate related risks on the recoverability of the Company's investments, in line with the considerations in the key audit matter above. • Where reference was made to the market capitalisation of Raspadskaya we confirmed this to share price as at 31 December 2021.

Key observations communicated to the Audit Committee

- We confirmed that our observations with respect to the recoverable amount of underlying CGUs are also relevant for the recoverable amount of investments in subsidiaries.
- We agreed that there is no impairment of subsidiaries in the year and that the reversal of historic impairment in EVRAZ Group S.A was appropriate.

In the prior year, our auditor's report included key audit matters in relation to the Recoverability of deferred tax assets related to EVRAZ North America and the Completeness of related party transactions. Whilst the former remains an area of audit focus, we do not consider this to be a key audit matter as a result of a reduction in these deferred tax assets and these starting to be utilised in the year and an increase to our level of materiality. The latter remains an area of audit focus and our audit procedures remain consistent with the prior year but it is not concluded to be a key audit matter given the lower extent of audit effort on this area compared to those items above.

As in prior years we continue to identify revenue recognition as a fraud risk for the audit. However, we do not consider this to be a key audit matter as the majority of the Group's sales transactions are routine and the above areas have a greater impact on the allocation of senior resources in the audit and directing the efforts of the engagement team.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY $150 MILLION	PERFORMANCE MATERIALITY $75 MILLION	REPORTING THRESHOLD $7.5 MILLION

Materiality

We determined materiality for the Group to be $150 million (2020: $66 million), which is set at approximately 3.0% (2020: 3%) of EBITDA.

We have used an earnings-based measure as our basis of materiality. As in prior years we considered that EBITDA is a more appropriate measure than Group profit before tax due to the historic volatility of this latter metric. EBITDA is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We also noted that market and analyst commentary on the performance of the Group uses EBITDA as a key metric. We therefore, considered EBITDA to be the most appropriate performance metric on which to base our materiality calculation as we considered that to be the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent Company to be $14.3 million (2020: $19.1 million), which we calculated as 1.5% (2020: 1.5%) of Equity adjusted to exclude non-distributable reserves which arose due to the group restructuring in 2019.

Performance materiality

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that given the number and monetary amounts of individual misstatements (corrected and uncorrected) identified in prior periods as well as the nature of the misstatements, overall performance materiality for the Group should be 50% (2020: 50%) of materiality, namely $75 million (2020: $33 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was $13.0 million to $42.3 million.

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $7.5 million (2020: $3.3 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An amount below which identified misstatements are considered as being clearly trivial.

OTHER INFORMATION

The other information comprises the information included in the annual report is set out on pages 1 to 163 including the Strategic report, Corporate Governance sections (including Corporate governance report, Remuneration report, Directors' Report and Directors' Responsibility statement) and additional information sections, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements. Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CORPORATE GOVERNANCE STATEMENT

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified **set out on page 163;**
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate **set out on page 97**;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities **set out on page 97**;
- Directors' statement on fair, balanced and understandable **set out on page 162**;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks **set out on page 85**;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems **set out on page 122**; and;
- The section describing the work of the audit committee **set out on page 127.**

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 162, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK adopted international accounting standards, the Companies act 2006 and the UK Corporate Governance Code), relevant tax, legal, environmental and health and safety regulations in the jurisdictions in which the Group operates, most significantly Russia, the USA, Canada and the UK.
- We have considered the impact of the existing sanctions against Russia on the Group's operations, customer base and credit risk. Nothing has come to our attention to suggest that the operations or the liquidity of the group have, to date, been adversely affected directly by sanctions other than the negative impact on capital markets and the financing options available to management. We have reviewed management's ongoing assessment of the impact of current sanctions on the Group and external advice received by the Group.
- We understood how EVRAZ plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures, the company secretary and the Audit Committee. We corroborated our enquiries through our review of Board and Board Committee minutes as well as papers presented to the Audit Committee during the audit. We assessed legal and regulatory frameworks by involvement of the integrated Group and component team members based in Russia and the USA. We also considered the response by management to instances of suspected non-compliance that have been reported to the Audit Committee during the year.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to

understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed incremental audit procedures to address each identified fraud risk, including with respect to revenue recognition, the recoverability of goodwill and other non-current assets and investment impairment considerations for the Parent Company. Our procedures also included journal entry testing with a focus on manual journals.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing; enquiries of legal counsel, internal audit, group management, component management at all full and specific scope components; and focused testing, including the procedures referred to in the key audit matters section above.
- Specific enquiries were made with the component teams to confirm any non-compliance with laws and regulations and this was reported through their audit deliverables based on the procedures detailed in the previous paragraph. We have considered the effect on our audit procedures of suspected non-compliance that have been reported to us by component teams or to the Audit Committee by management during the year, determining if and what incremental audit procedures may be required.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- Following the recommendation from the Audit Committee, we were appointed by the company in 2011 to audit the financial statements for the year ended 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is eleven years, covering periods from our initial appointment in 2011 through to the year ended 31 December 2021.
- The audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Trotman
(Senior statutory auditor)
London
for and on behalf of Ernst & Young LLP, Statutory Auditor

24 February 2022