RISKS AND RISK MANAGEMENT

RISK MANAGEMENT

Our approach

As a major international mining and steelmaking group, EVRAZ faces inherent business risks that have the potential to impact its operations. Identifying and mitigating risks is one of the most important aspects of the Group's strategy and daily activities. The basic risk management processes that EVRAZ follows are outlined below.

TOP-DOWN APPROACH

Oversight, identification, assessment and management of risks at the corporate level.

CEO

Has ultimate responsibility for risk management, ensuring that it is in place and effectively functioning.

Board of Directors

- Has an oversight role.
- Ensures that risk management processes are in place, adequate and effective.
- Approves the risk appetite in accordance with the risk management methodology adopted by EVRAZ.

Risk Management Group

Identifies, assesses and monitors Group-wide risks and mitigation actions.

Audit Committee

- Supports the board in monitoring risk exposure against risk appetite.
- Reviews the effectiveness of risk management and internal control systems.

Internal audit

Supports the Audit Committee in reviewing the effectiveness of risk management and internal control systems.

Effective risk management

The risk management process aims to identify, evaluate and manage potential and actual threats to the Group's ability to achieve its objectives

BOTTOM-UP APPROACH

Identification, assessment and management of risks at regional and site levels and across functions.

Site levels

- Identification, assessment and mitigation of risks.
- Promoting risk awareness and safety culture.

Regional business unit management teams

- Adopt regional risk appetite.
- Support the Risk Management Group in reviewing and monitoring effectiveness of risk management.
- Identify, assess and manage risks at the regional level.
- Monitor the risk management process and effectiveness of internal control.

For more information, read risk management and internal control section of the corporate governance report **on pages 122-123**

Risks assessment in 2021

Identifying and assessing risks, as well as developing measures to mitigate them and monitoring their implementation, are ongoing challenges for both management and the internal audit function.

In 2021, management continued to actively manage the risks that the Group faces. In late 2021, EVRAZ conducted a detailed analysis and reassessment of both existing and potential new risks as well as their impact and probability. As it pays increased attention to the risks of sustainable development and climate change, the Group has integrated risk assessment into the process of drafting a long-term development strategy and has added a new risk – Decarbonisation – to the list of principal risks (see page 92 for details). Given the importance of managing such risks, the Board's HSE Committee has been renamed the Sustainability Committee given the expanded range of issues and responsibilities under its purview.

For more details, visit the Group's website at the following link: https://www.evraz.com/en/company/governance/policies/#tabs-reference

In addition, starting from 2021, EVRAZ has created a permanent Sustainability Management Committee at the level of the Group's management. The committee is headed by the CEO and its tasks include considering and assessing all risks associated with climate change and sustainable development that could impact the Group's activities (see more details on governance at page 59).

The market recovery that began in late 2020 continued into 2021. This led to higher demand for EVRAZ's products, but also increased such risks as the cost of materials, equipment and services that the Group purchases. The government's introduction of additional duties for steel companies also showed that the risks of regulatory actions are growing. While remaining acutely aware of the high volatility and uncertainty on markets due to the ongoing COVID-19 pandemic, management is paying increased attention to risk management in these areas.

Management is closely monitoring risks that could negatively impact the Group's operations and financial position as the COVID-19 pandemic continues. EVRAZ has developed a system of measures that aim to both reduce the incidence of illness, as well as promptly identify and isolate sick employees. To reduce the risk of illness, many office staff now work remotely. In addition, EVRAZ has altered many of its internal processes to improve its efficiency in this new environment. Over the past two years, the Group has shown that it is in control of the situation and is dealing with it quickly and efficiently.

A detailed analysis of their impact and probability of negative consequences for the Group led to a recalibration in the assessment of certain risks. The Audit Committee carefully reviewed this assessment on behalf of the Board.

The assessment also included other risks that were not recognised as principal, for example, HR and employee risks (including the risks of a lack of skills, the failure of succession planning and diminished productivity due to labour unrest or poor job satisfaction), taxation and compliance risks (including anti-corruption and antibribery matters), social and community risks, risks related to respect for human rights and other risks. While the impact and probability analysis suggests that such risks could affect operations to some extent, management believes they are being adequately managed and does not deem them to be capable of seriously affecting the Group's performance, future prospects or reputation.

Despite growing risks in logistics, the Group's supply system works efficiently and delivers all the necessary materials and equipment on time. To reduce risks associated with product delivery to customers, including coal to ports, EVRAZ actively uses railcars that can handle increased loads and long-haul trains.

To enhance its focus and control over Environmental, Social and Governance risks, EVRAZ published its new Environmental Strategy in 2021 with emissions reduction targets set for 2030, including GHG emissions. In addition, EVRAZ updated its qualitative assessment of specific climate change risks. This will provide more transparency on how the Group addresses related risks.

For more details, **see pages 92-96**

Key developments in 2021 and outlook for 2022

In 2021, EVRAZ continued to roll out the health and safety risk management tools that it has developed. A significant level of employee engagement in the process and heightened focus on safety were among the key aspects that contributed to a reduction in injury rates. While focusing on employee safety, the Group continues to work on improving its processes in this area and developing a risk culture throughout all stages of production.

EVRAZ also assessed the risks of changes in international and national legislations associated with the introduction of carbon emission taxes and is taking the necessary steps to reduce emissions[1]. To this end, possible taxes on CO_2 emissions are taken into account when evaluating new and ongoing investment projects. The use of energy-efficient equipment and an environmental impact assessment have also become part of the evaluation process when considering investment projects.

In addition, an ongoing programme to improve project management practices involves revisions to the risk management approach, regular updates to the investment project risk register and appropriate employee training. These

1. EVRAZ is set to incorporate TCFD principles into the Group's risk management processes.

measures are intended to ensure more predictable results when implementing investment projects.

After a computer virus impacted its assets in North America in spring 2020, the Group strengthened its IT security and accelerated work in the area. The EVRAZ Information Security Operations Centre also proved its ability to quickly process information about potential information security threats and act promptly to eliminate them.

Environmental risk has always been a focal point for management and is recognised as a principal risk for EVRAZ. The Group mitigates environmental risk by implementing air emission reduction programmes at all plants, participating in developing greenhouse gas emission regulations in Russia, implementing energy efficiency projects and, as a result, reducing greenhouse gas emissions.

The COVID-19 pandemic did not have a material impact on the risk management processes in place at EVRAZ in 2021. Overall, the Group's financial and operating results indicate that it implemented effective measures to overcome the uncertainty seen during the period.

Whilst there have not been direct impacts on the Group to date, the Board continues to monitor the situation in Ukraine and the response of international governments. The Directors have considered additional scenarios for the purposes of its going concern assessment (see page 189) and the viability statement (see page 97).

Emerging risks

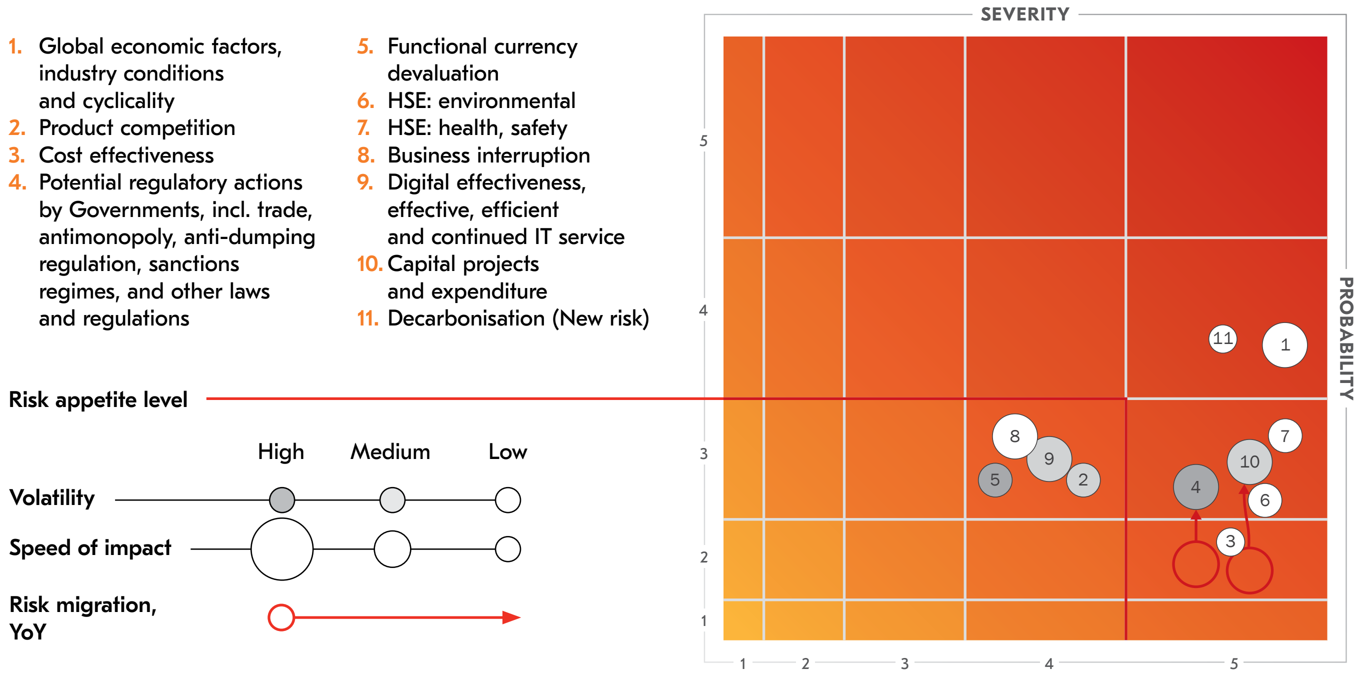
In addition to principal risks, management pays particular attention to threats that could become significant over a certain time, known as emerging risks. The Group defines these as events that could meaningfully impact EVRAZ' activities and results, but have a lower likelihood of materialising in the next three to five years. They include:

- Climate-related issues.
- Liabilities incurred due to environmental impairments.
- Geopolitical instability.
- Changes in technology.
- Societal issues.
- Demographic imbalance.

Emerging risks may be transferred to the class of current risks depending on their circumstances and materialisation. Management works continuously to monitor and manage emerging risks and devise mitigation measures.

The major part of the Group is based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. Worsening situation related to Ukraine has further increased the economic uncertainty and the risk of the imposition of sanctions. These conditions and future policy changes could affect the operations of the Group and the realisation and settlement of its assets and liabilities.

PRINCIPAL RISKS AND UNCERTAINTIES HEAT MAP IN 2021



Principal risks and uncertainties

Our basis

- Sustainable development
- EVRAZ Business System

Strategic priorities

- Debt management and stable dividends
- Prudent CAPEX
- Retention of low-cost position
- Development of product portfolio and customer base

Direction of risk change

- No changes
- Decreased
- Increased

RISK	DESCRIPTION AND IMPACT	RISK OWNER(S)	MITIGATING/RISK MANAGEMENT ACTIONS IN 2021	THE TREND OF RISK EXPOSURE
1. **Global economic factors, industry conditions, industry cyclicality**	EVRAZ' operations are dependent on the global macroeconomic environment, as well as economic and industry conditions, for example, global supply and demand balance for steel, iron ore and coking coal, which affect both product prices and volumes across all markets. The Group's operations involve substantial fixed costs, and global economic and industry conditions can impact its operational performance. New capacity and lower demand amid the economic recession put significant pressure on prices.	CEO, VP of strategy and performance management	This is an external risk that is largely beyond the Group's control; however, it is partly mitigated by exploring new market opportunities, focusing on expanding the share of value-added products, further downscaling inefficient assets, suspending production in low-growth regions, reducing and managing the cost base with the goal of being among the sector's lowest-cost producers, and improving the balance sheet/gearing.	No changes
2. **Product competition**	EVRAZ faces excessive supply on the global market and greater competition, mostly in the steel products market, primarily due to competitors' activity and the commissioning of new facilities. Other risks include low demand for construction products and increasing competition in this segment. Competition is rising in the rail product segment. The Group also has to deal with excessive supply of slabs on the global market and intensified competition.	VP of sales, VPs of business units	EVRAZ mitigates this risk by expanding its product portfolio and penetrating new geographic and product markets. It is continuously developing and improving its loyalty and customer focus programmes and initiatives. The Group is also implementing quality improvement initiatives and strives to increase the share of value-added products.	No changes

RISK	DESCRIPTION AND IMPACT	RISK OWNER(S)	MITIGATING/RISK MANAGEMENT ACTIONS IN 2021	THE TREND OF RISK EXPOSURE
3. **Cost effectiveness: cost position vs competitors** EBS	Most product groups in the steel industry are highly cost competitive and this is particularly relevant to the Group's key markets in Russia and North America. The majority of the Group's steel production remains cost and price sensitive. EVRAZ is increasingly moving its products to semi-finished commodities, which requires less customer service and is more cost driven. Steelmaking is a high capital cost industry and the impact of lower plant utilisation increases the underlying cost per tonne of crude and rolled steel, reducing any profit margin. Digital transformation is having a significant impact in the sector as companies seek to use new technologies to support efforts to improve productivity and margin across the value chain. The failure to employ and use digital transformation to solve the most urgent business problems could lead to the diminished flexibility of operations and cost advantage. Mining production is a high capital cost industry. Inefficiency in mining costs contributes to higher production costs both for mining and steel products.	VPs of business units	For both the mining and steelmaking operations, EVRAZ is implementing cost reduction projects to increase asset competitiveness. The Group's focused investment policy aims to reduce and manage the cost base. EVRAZ also seeks to mitigate this risk through the control of its Russian steel distribution network, the development of high value-added products and the implementation of EVRAZ Business System transformation projects that focus on increasing efficiency and effectiveness. In addition, the Group's digital projects help to reduce risks associated with primary equipment and improve effectiveness.	–
4. **Potential regulatory actions by governments, including trade, antimonopoly, anti-dumping regulation, sanctions and other laws and regulations**	Governments could adopt new laws and regulations or otherwise impact the Group's operations. This could limit EVRAZ' ability to obtain financing on international markets or sell its products (for example, restriction of trade, export or import quotas, pricing control or capital flow restrictions). EVRAZ may also be adversely affected by government sanctions that are imposed on Russian businesses or otherwise reduce its ability to conduct business with counterparties. Introduction of duties and tariffs on steel products in North America.	CEO, CFO, VP of legal, VP of sales, VPs of business units	EVRAZ and its executive teams are members of various national industry bodies. As a result, they contribute to the development of such bodies and, when appropriate, participate in relevant discussions with political and regulatory authorities. The Group seeks to monitor potential legislative changes before their introduction at the point when new laws are being drafted: • identification of key stakeholders among government authorities; • monitoring of the legislative agenda planned by key stakeholders; • proactive approach to building regulatory rules (acting as metals and mining experts). Further development of control over antimonopoly and anti-dumping regulation: • issuing and monitoring of the Group's trade policies; • preventing anti-dumping policies among competitors/customers – Introduction of an IT tool with a dashboard for antimonopoly risk management. Ongoing liaison with both US and Canadian governments and the American and Canadian steel associations and ongoing engagement with the Canadian government to monitor and implement anti-dumping measures.	↑

RISK	DESCRIPTION AND IMPACT	RISK OWNER(S)	MITIGATING/RISK MANAGEMENT ACTIONS IN 2021	THE TREND OF RISK EXPOSURE
			Development and enhancement of internal controls in order to introduce preventive measures to monitor risks associated with duties and other negative measures against the Group. Pricing on products subject to anti-dumping duties is tightly monitored and controlled in order to ensure duties are reduced or eliminated. Taxation control function monitors planned changes to tax laws, analyses their impact on EVRAZ's operations and reports them to the Company's management on a quarterly basis. EVRAZ and its executive teams are members of various national industry bodies and, as a result, contribute to and participate in relevant discussions with political and tax authorities.	
5. Functional currency devaluation	The devaluation of functional currencies leads to foreign exchange losses (included in the consolidated statement of operations) on US dollar borrowings, as well as exchange losses on intercompany loans between entities with different functional currencies. In times of severe devaluation, while the Group's EBITDA and cash generating capacity may increase (at least in the medium term) because a large proportion of sales are priced in dollars, its profit and retained earnings may decrease significantly.	CFO	This is an external risk which is largely beyond the Group's control, however management is reducing the risk through proper disclosure and monitoring.	–
6. **HSE: Environmental**	Steel production involves an inherent risk of environmental impacts and incidents due to such diverse issues as water usage, the quality of water discharged, air emissions, metallurgical waste recycling, and community discontent. Consequently, EVRAZ faces risks, including regulatory fines, penalties and adverse impacts on its reputation or, in extreme cases, the revocation of plant environmental licenses, thereby curtailing operations for an indefinite period. Globally, there has been an increase in regulatory scrutiny and pressure as well as the expectations of investors and customers. This will require more investment in the medium to long-term. Mining production involves an inherent risk of environmental impacts and incidents, mostly due to tailings management, water quality and the less significant risk of air emissions. Operations are subject to a wide range of HSE laws, regulations and standards, which, if breached, may result in fines, penalties, the suspension of production or other sanctions.	Sustainability Committee under the Board of Directors and management level	EVRAZ monitors its environmental risk matrix on a regular basis, and it develops and implements mitigation measures in response to these risks. Risk assessment is regularly reviewed within the Sustainability Committee's agenda. Senior management also devotes greater attention to the monthly monitoring of environmental risk trends and factors. EVRAZ has developed an environmental strategy until 2030 and updated its list of projects in accordance with the strategy to achieve its strategic goals regarding emissions and waste. The strategy is being implemented through dedicated programmes in each division. Most of the Group's operations are certified in accordance with ISO 14001, and work is ongoing to bring the remaining plants into compliance with this international standard. EVRAZ is currently compliant with REACH requirements. It is obtaining integrated environmental permits for compliance with the new regulation. For its North American operations, EVRAZ is formulating a strategic 3-5 year plan to be competitive in reducing greenhouse gasses and its carbon footprint through utility and energy utilisation, including through such projects as Big Horn renewable energy at the Pueblo facility. EVRAZ is also involved in drafting GHG emissions regulation in Russia.	–

RISK	DESCRIPTION AND IMPACT	RISK OWNER(S)	MITIGATING/RISK MANAGEMENT ACTIONS IN 2021	THE TREND OF RISK EXPOSURE
7. **HSE: Health, safety**	Safety risks are inherent to steelmaking and mining operations. Employees face a range of risks, including the potential dangers of fire, explosions and electrocution. Additional risks specific to individual mines include methane levels, rock falls caused by geological conditions and accidents involving equipment and/or vehicles. Operations are subject to a wide range of HSE laws, regulations and standards, which, if breached, may result in fines, penalties and adverse impacts on the Group's reputation or, in extreme cases, the revocation of mining operational licenses, thereby curtailing operations for an indefinite period. In addition, there is a risk of employees being infected with COVID-19, which could lead to the mass quarantine of workers.	Sustainability Committee under the Board of Directors and management level	To mitigate these risks, EVRAZ is taking the following actions: • Review of the Lockout Tagout (LOTO) procedure as the main cause of fatalities in 2021 - and further development and implementation of the occupational safety risk management programme. • Transformation of the Health & Safety operational model with the implementation of roles and responsibilities, reviewing training processes as well as monitoring and continuing improvements. • Further development/update of health and safety tools (behaviour safety observations, contractual safety, etc.) based on a regular analysis of major causes of incidents. • Introduction and development of safety audits. • Consideration of the implementation of proactive KPIs and indicators. In addition, EVRAZ is utilising the EBS roll-out in order to further prompt employees to identify improvements and/or safety concerns and to increase visibility and enable the Group to prioritise, execute and communicate safety improvements and abatement measures. It is also driving the utilisation of a risk matrix in the incident management system through safety initiatives, taking it down to the front line in order for supervisors to implement higher levels of safety controls and risk reduction measures and working to change the safety culture through the Leadership Development Programme. In the coal segment, EVRAZ is implementing the following programmes with a focus on the safety of its operations: • Further execution of the five-year degassing programme. • Mine collapse prevention programme. • Prevention of spontaneous coal combustion in working spaces (performance control). • Dust and explosion safety of mines.	–

RISK	DESCRIPTION AND IMPACT	RISK OWNER(S)	MITIGATING/RISK MANAGEMENT ACTIONS IN 2021	THE TREND OF RISK EXPOSURE
8. **Business interruption**	Prolonged outages or production delays, especially in coal mining, could have a material adverse effect on the Group's operating performance, production, financial condition and future prospects. In addition, any long-term business interruption may result in a loss of customers and competitive advantage, as well as damage to the Group's reputation.	VPs of business units	The Group has defined and established disaster recovery procedures that are subject to regular review. Business interruptions in mining mainly relate to production safety. Measures to mitigate these risks include methane monitoring and degassing systems, timely mining equipment maintenance, as well as employee safety training. Implementation of quick actions that reduce risks on the main equipment at mines (digital projects). Creation of the equipment maintenance and repair (TORO) system, including certain digital projects and its circulation at mines. EVRAZ performs detailed incident cause analyses to develop and implement preventive actions. Records of minor interruptions are reviewed to identify any other significant underlying issues. The repairs and maintenance process continues to undergo transformation in Siberia and the Urals.	–
9. **Digital effectiveness and effective, efficient and uninterrupted IT service**	The failure to proactively use IT capabilities to increase the efficiency of business operations may result in the loss of competitive advantage and margins. Increased digital transformation and the convergence of IT and operational technology also makes companies more vulnerable to continued rogue activity in the sector. IT and information security risks have the potential to cause prolonged production delays or shutdowns.	VPs of business units, VP of IT and IT Architecture Committee	Digital transformation is a part of the Group's IT strategy. EVRAZ continuously assesses and monitors information security risks, and it takes mitigation measures based on external assessments by an independent advisor. The Group conducts regular continuity testing for the most critically important IT systems. Other mitigating actions includes: • Further improvement of IT processes with a focus on fast and efficient project implementation. • Building and improving IT competences in high-demand areas: data science, back- and front-end programming, design and information security. • Realisation of the IT security improvement programme.	–

RISK	DESCRIPTION AND IMPACT	RISK OWNER(S)	MITIGATING/RISK MANAGEMENT ACTIONS IN 2021	THE TREND OF RISK EXPOSURE
10. **Capital projects and expenditures**	The Group's development plans largely rely on capital projects and depend on their economic viability, efficiency and effective execution, as well as the availability and cost of capital to finance capital expenditures. Economic issues outside of those factored into the Group's business plans, including regulatory approvals, may also impact anticipated free cash flow and cause certain components of the planned capital expenditures to be re-phased, deferred or abandoned with a consequential impact on the Group's planned future performance. In addition, the profitability of new projects may be impacted by higher than expected operating and life of mine costs due to variables such as lower than expected coal and iron ore quality, coal seam economics, as well as technical processing and engineering factors. An ambitious corporate investment programme may cause a shortage of qualified project staff.	CFO, Strategy Committee, Investment Committee, VPs of business units	EVRAZ reviews all proposed capital projects on a risk return basis. The current list of projects has been reviewed and updated. Each project is presented for approval against the Group's risk matrix to assess its potential downside and any possible mitigating actions. EVRAZ has created a list of typical project risks and a database of lessons learned. Project delivery is closely monitored against project plans, which allows for high-level action to manage project investment for both timely delivery and planned project expenditures. New mine development and the definition of feasibility plans are reviewed and signed off by independent mining engineers. The Group regularly revisits key assumptions for its main investment projects and performs scenario analyses, which may result in the suspension and/or postponement of certain projects. EVRAZ also uses financial modelling to define the strategy of each individual asset and the enterprise in general for the purpose of long-term FCF forecasting, including investment projects. The project management system's transformation is ongoing. A pilot project is being conducted at one mine on a long-term detailed planning of LOM (life of mine) using a 3D model and restrictions on air, gas and sinking.	
11. **Decarbonisation** **See page pages 92-96** for more details.	Russia and the markets to which EVRAZ exports steel could impose different systems of carbon emissions control. These systems could vary, but will most likely include selling CO2 emissions per tonne of production, which will be gradually reduced to zero in 2050-60.	Sustainability Committee under the Board of Directors and management level	Assessing, verifying, and monitoring Scope 1, 2, and 3 GHG emissions on a yearly basis. Reducing GHG emissions. Setting an internal carbon price for assessment of new investment projects. Following the decarbonisation initiatives roadmap. Assessing the financial impacts of decarbonisation on EVRAZ in 2022	New risk

Climate change risks

The identification, determination of significance and probability of climate-related risk is scored and fully aligned with the Group's unified process of managing risks. This framework encompasses all business processes and day-to-day activities. The method used to categorise risks as either principal or non-principal is also applied to managing climate-related risks. All risks are reassessed annually to ensure that they are appropriately documented and that timely risk management procedures have been developed throughout the Group and at operational levels based on the Group's risk management approach.

For more details, **see pages 84-86, 122-123**

EVRAZ has been assessing climate-related risks and opportunities based on the recommendations and terms of the Task Force on Climate-related Financial Disclosures (TCFD) since 2020. In late 2021, the Group conducted a qualitative risk reassessment, which resulted in climate-related risks being integrated into its principal risks in the form of decarbonisation risk, as well as its overall score being elevated (for more details, see page 85). We consider climate-related risks up to 2050 due to the unpredictability of social and economic aspects related to climate

EVRAZ

change and the uncertainty of changes in the business strategy past 2050. However, transitional climate-related risks, such as carbon price, the Carbon Border Adjustment Mechanism (CBAM), and other regulatory risks, are already moving into the short-term risk category amid increased scrutiny from stakeholders.

Changes in regulation, including in climate regulation, being kept under review and monitored closely. In addition, in 2022, we are planning to incorporate climate-related risks into financial sustainability models and conduct a quantitative analysis to assess how climate risks will affect our financial stability and performance.[1]

Climate-related risk identification and assessment process:

- EVRAZ determines climate risk materiality according to the Group approach, which includes a five-point scale of the impact and a five-point scale of the likelihood of the risks. The risk impact/likelihood scale goes from 1 (Insignificant/Rare) to 5 (Major/Almost certain). The final risk score varies from one to 25 and reflects the overall risk rating.
- The assessment process includes identifying risks in relation to all major divisions of the Company (Urals, Siberia, North America, Coal and Vanadium).
- Our risk identification process is in line with three climate scenarios: low-carbon development, Paris-compliant and business-as-usual. These align with SSP1-2.6, SSP2-4.5 and SSP5-8.5, and focus on time horizons that are llong (2050), medium (2030) and short (2025).
- The Group uses SSP2-4.5 (2.0°C) as the primary scenario for strategic planning, assessing risk materiality, and evaluating impacts and opportunities. We consider SSP2-4.5 the most likely scenario for the industry and have aligned the Company's decarbonisation pathway accordingly.
- Each risk is analysed based on information from various sources, such as the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA) scenarios, World Steel Association, International Council on Mining and Metals (ICMM), national reports and peer-reviewed scientific articles.

All risks, including climate-related risks, are closely monitored and taken into account when planning the Group's strategy. To mitigate the consequences, EVRAZ has developed a list of initiatives that will assist in lowering the risk scores and consequently reducing its impact on the climate. For more details about our increased resilience plans and decarbonisation pathway, see page 63. In case our assessment detects a risk of any sort, we consider mitigating it no matter the strength of impact or its financial consequences. EVRAZ compares the financial potential losses against the risk mitigation cost. If a significant change affects the risk assessment results, EVRAZ is set to adjust its strategy accordingly.

Transition risks

Transitional risks are currently being managed by assessing new regulations related to our operations in various countries, publicly disclosing climate-related risks and opportunities following the TCFD recommendations, and tracking the development of new steel production technologies.

Materiality

Very high | High | Medium | Low

EVRAZ considers SSP2-4.5 (2.0°C) as the primary scenario for assessing risk materiality.

Direction of risk change

No changes | Decreased | Increased

Time horizons

Short | Medium | Long-term

All risks have been evaluated against short (2025), medium (2030), and long-term (2050) time horizons.

RISK	DESCRIPTION	CONSEQUENCES	RISK MANAGEMENT INITIATIVES	THE TREND OF RISK EXPOSURE
Carbon price 1.5°C – Very high **2.0°C** – Very high 4.5°C – High Short	Includes the introduction of carbon pricing and emission charges, and the introduction of taxes on greenhouse gas emissions.	When additional fees are introduced related to direct GHG emissions, the Group's annual variable costs may rise. Accordingly, the price for end consumers might increase, which could cause a decrease in the Group's sales.	Regularly assessing, verifying, and monitoring Scope 1, 2, and 3 GHG emissions. Setting an internal carbon price. Developing decarbonisation initiatives and reducing GHG emissions.	Increased

1. A quantitative risk assessment will allow us to understand better the financial impact of climate-related issues on the Company. We plan to include the effects of climate scenarios in the analysis and describe the processes used to determine which risks and opportunities have arisen. Results will be published in the 2023 disclosure.

RISK	DESCRIPTION	CONSEQUENCES	RISK MANAGEMENT INITIATIVES	THE TREND OF RISK EXPOSURE
CBAM 1.5°C **2.0°C** 4.5°C	The introduction of cross-border carbon regulation law (CBAM). EU importers will be required to compensate for CO2 emissions arising from production processes by purchasing CBAM certificates. Other countries might also implement such initiatives in the future.	The price for consumers in the EU, US and China might increase (both due to the direct cost of purchasing CBAM certificates and preparing and verifying quarterly carbon reports). Accordingly, the Group's sales in the EU and other countries that introduce the CBAM may decrease.	Regularly assessing, verifying, and monitoring Scope 1, 2, and 3 GHG emissions.. Regularly monitoring international regulatory changes. Setting an internal carbon price. Developing decarbonisation initiatives and reducing GHG emissions.	
Other regulatory risks 1.5°C **2.0°C** 4.5°C	The risk of increased government demands includes changes in national regulations, regulations to meet the Paris Agreement objectives and climate change-related disclosures. This risk is also associated with the Group's non-compliance with the new listing rules and insufficient disclosure of climate-related information according to TCFD recommendations.	An inadvertent violation of new carbon regulation in the context of emerging legislation decreases the speed of decision-making on adopting changes and coordinating the Group's activities.	Regularly monitoring regulatory changes in regions of presence. Reducing GHG emissions. Disclosing climate-related information according to TCFD recommendations.	
Reputational risks 1.5°C **2.0°C** 4.5°C	Reputational risk includes the risk of a change in investor attitudes, which is associated with a loss of interest in the event of insufficient public information about the following: • The impact of climate change on the Group's activities and the measures that the Group is taking in response. • Levels of GHG emissions, carbon intensity of production and other climate-related metrics and goals.	If investors' expectations regarding the Group's ESG initiatives continue to rise, EVRAZ will have to make additional efforts to comply with the new requirements. Otherwise, investors might ask for higher yields.	Interacting with investors on climate change and other themes related to sustainable development. Disclosing climate-related information on the development and progress of the Group's decarbonisation initiatives. Disclosing the Group's climate-related and other non-financial data in accordance with international rating agencies.	
Technology risks 1.5°C **2.0°C** 4.5°C	Technology risk is associated with a tendency for a demand for metallurgical products to shift towards less carbon-intensive products.	Clients are likely to favour products with a lower carbon footprint. The Group may either have to incur additional costs to maintain a competitive level of carbon intensity (for example, for carbon capture) or survive a drop in demand.	Monitoring and analysing potential technological trends and opportunities for EVRAZ; Increasing investments in R&D projects. Developing decarbonisation initiatives and reducing GHG emissions.	
Market risks 1.5°C **2.0°C** 4.5°C	This risk is associated with the trend of a technical modernisation towards less carbon-intensive products, as well as a decrease in demand for raw materials for production processes. Market risk also includes an increase in the cost of electricity and heat in Russia.	• A decrease in profits is possible due to the reduction in demand for products with a high carbon footprint when compared with competitors. • With an increase in the cost of electricity used, the cost of production might increase.	Seeking opportunities in new markets related to the transition to a low-carbon economy, as well as climate change adaptation and mitigation. Striving to implement new technologies to introduce decarbonisation and resource- and energy-efficiency projects.	

Physical risks

The categories of physical risks listed below have been designated as ones that require regular monitoring. Extreme weather, which is expected to become more frequent in the future, will receive the most attention. Our supply chain is the second primary focus, with consideration given to anticipated disruptions and delays in transportation supplies due to extreme weather events such as storms, hurricanes, road erosion, power outages, and smoke from forest fires.

Materiality

Very high · High · Medium · Low

EVRAZ considers SSP2-4.5 (2.0°C) as the primary scenario for assessing risk materiality.

Direction of risk change

No changes · Decreased · Increased

Time horizons

Short · Medium · Long-term

All risks have been evaluated against short (2025), medium (2030), and long-term (2050) time horizons.

RISK	DESCRIPTION	CONSEQUENCES	RISK MANAGEMENT INITIATIVES	THE TREND OF RISK EXPOSURE
Changes in air temperature 1.5°C – Low **2.0°C** – Low 4.5°C – Medium Long-term	With an increase in the number of extreme weather events in regions of operation due to temperature fluctuations, an increase in days with extreme heat (temperatures above + 30°C) and heat waves (prolonged periods with high temperatures) is expected.	Overheating and breakdown of equipment, which can also lead to emergencies and the suspension of operational activities; the deterioration of health and increased injury of employees; premature wear of buildings and equipment.	Monitoring the condition of our equipment, as well as conducting timely repairs.	No changes
Change in average annual precipitation 1.5°C – Low **2.0°C** – Low 4.5°C – Low Long-term	There is a trend towards an increasing number of dangerous rain showers. The risk of increased intensity of spring floods is due to the melting of snow accumulated during the winter season, which leads to more pronounced peaks during spring floods.	Premature wear and tear of buildings and structures; erosion of the road surface; destruction to infrastructure; the breakthrough of hydraulic structures and the flooding of buildings, structures, and mines.	Monitoring the condition of our facilities, as well as conducting timely repairs.	No changes
Droughts and fire hazards 1.5°C – Low **2.0°C** – Low 4.5°C – Medium Long-term	An increase in average annual temperatures and a change in precipitation norms could increase the danger of fires in natural ecosystems (fire hazard).	Damage to the Group's property (increased repair and maintenance costs), smoke pollution of production facilities, injury to employees, potential disruption of operational activities (such as an interruption of the mining process).	Considering climate risks when making investment decisions. Continuing projects for water recycling and closed-loop water treatment technologies.	No changes
Dangerous meteorological phenomena — strong winds, floods and storms 1.5°C – Low **2.0°C** – Low 4.5°C – Medium Long-term	The impact of hazardous events is determined by the materiality of damage and destruction to the Group's various assets and the impact of such events on local communities.	Damage to the Group's property (increased repair and maintenance costs), power outages, injuries to employees, penalties due to delays in exports shipped by sea, loss or damage to products transported by sea and the flooding of warehouses.	Considering climate risks when making investment decisions. Monitoring the Group's own supply chain operations.	No changes

OPPORTUNITIES:

Climate change represents a challenge for EVRAZ. However, rapid and proactive actions will enable the Group to leverage the opportunities that arise from this global transition. Below are some of the actions that we are taking and opportunities identified.

Resource efficiency

- Enhanced use of scrap metal.
- Improved efficiency of water resources management (closed-loop water systems).
- Increased use of internally produced coke oven gas and reduced consumption of natural gas.

Resilience

- Using scenario analyses in planning our medium- and long-term strategy.
- Introducing climate-related risk assessments into corporate management processes.
- Collaborating and participating in partnership programmes for the development of low-carbon solutions and and exchanging best practices through the World Steel Association and Russian Steel.

Energy sources

- Improving the energy efficiency of existing processes.
- On-site generation of renewable energy.
- Gradually transitioning to less carbon intensive and more efficient energy resources.
- Gradually increasing of renewable energy in the Group's energy mix.
- Using hydrogen.

Markets and products

- Identifying opportunities in new markets and new products related to the low-carbon economy transition and climate change adaptation and mitigation.
- Producing carbon-free steel.