

ANTI-CORRUPTION AND ANTI-BRIBERY

Policies and regulations

In 2021, EVRAZ reviewed two key documents to complete its full set of policies, which define the norms of ethical and responsible behaviour for employees in particular circumstances. Updated in the previous two years, the policies were now joined by those on the Anti-corruption Control System and on Business Gifts and Entertainment. These further strengthened the position of compliance and defined roles of various levels of management in mitigating risks of corruption, bribery and fraud. All relevant policies are available on the corporate intranet and employees bear personal responsibility for full compliance with them.

All anti-corruption policies and procedures are integral throughout the Group. Together with online training courses, they encourage all employees to seek guidance from compliance managers if there are questions about the expected course of action in difficult situations. EVRAZ urges everyone to voice concerns about any known or suspected violations.

Today, managers responsible for monitoring compliance with applicable anti-corruption laws work at every asset. They ensure that all possible non-compliance with policies receive proper attention immediately; monitor charity payments and hospitality spending; and act on whistleblower allegations of possible violations. They then present their findings and recommendations to local top managers, the Group's compliance manager and specialists reporting to the vice president for compliance and asset protection. The latter reviews investigation results and liaises with senior management as necessary.

The Group's compliance manager coordinates anti-corruption compliance work on sites, develops EVRAZ' own training system, maintains the corresponding risk register, and consistently communicates progress of all ongoing efforts to the Audit Committee, always striving for continuous improvement.

OUR APPROACH

EVRAZ has always considered corruption and bribery as a major obstacle to economic and social development around the world. Principle 10 of the UN Global Compact states that "Businesses should work against corruption in all its forms, including extortion and bribery". In following it, EVRAZ strictly complies with the Law of the Russian Federation No. 273 "On Preventing Corruption", the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents. EVRAZ considers consistent anti-corruption efforts an important integral part of its strategy, sees it as a priority and pays full attention to the development of anti-corruption compliance.

The Group has a developed system of well documented procedures that define the day-to-day routines of managers appointed to monitor compliance with applicable anti-corruption laws. Compliance specialists scrutinise all tender procedures, check potential and existing business partners, vet prospective new candidates and ensure that the principles set forth in the Anti-corruption Policy, Code of Conduct and other relevant internal regulations are followed conscientiously and fully. EVRAZ has been making consistent effort to develop its own platform for learning, dialogue and action to combat bribery and all unethical practices. The Group demonstrates to its employees, customers and suppliers that it has zero tolerance of bribery and corruption, including actions that impede business growth, escalate costs, undermine fair competition, pose serious legal and reputational risks, and distort development priorities.

Employees have access to a summary of relevant anti-corruption policies, as well as links to the full texts of top-level documents on the corporate intranet. Compliance managers discuss the essence of the adopted rules and procedures with management, employees and third parties. Newcomers are obliged to familiarise themselves with the Code of Conduct and the Anti-corruption Policy on their first day of work. They are also briefed about other relevant internal documents and procedures that pertain to the Group's anti-corruption efforts.

Risk analysis

At the end of each calendar year, compliance managers analyse potential anti-corruption risks across all assets. For this purpose, they consider every business process and redefine key risk areas as necessary. Each area is then evaluated to ensure that the existing controls and procedures mitigate the associated risks effectively.

The Group investigates carefully all signals suggesting potential violations of applicable law and internal anti-corruption policies.

KEY GROUP POLICIES TO REGULATE ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING EFFORTS



ANTI-CORRUPTION RISK MANAGEMENT CYCLE



As the Group's business processes are stable and consistent from year to year, compliance managers typically examine the same following processes for signs of risk:

- Purchases of goods and services.
- Payments.
- Sales of goods, works and services.
- Business gifts, hospitality, entertainment and travel expenses.
- Charity and sponsorship.
- Conflicts of interests.
- Interaction with government authorities.
- Vetting contractors or customers.
- Contract approval.

EVRAZ knows the risks and prepares for them, striving to recognise opportunities to improve business processes.

In January 2022, the compliance managers involved in the abovementioned processes assessed the risks based on their own statistics from checking tenders, approving contracts, monitoring purchases, conducting inventory checks and so on. The compliance managers routinely meet with the managers responsible for each asset to inform them of known or newly revealed risks and threats, as well as to recommend further actions. The compliance managers then monitor any corrective measures undertaken to mitigate the risks discussed. If the necessary follow-up is lacking or inadequate, the matter is raised to the vice president for compliance and asset protection for action.

In February 2022, the Group compliance manager presented the analysis along with the updated anti-corruption compliance risk

register to the Audit Committee. It revealed no significant violations of anti-corruption statutes or cases of non-compliance with EVRAZ policies. Nor did the risk register change significantly from the previous year. At the same time, one particular situation, where compliance was actively involved, showed that however much attention is paid to areas prone to risk, there is always a possibility of violations.

In March 2021, the company conducted an annual Conflict of Interest Survey in which managerial and other key employees must disclose any circumstances that may pose a possible conflict of interest. After every such survey the compliance and asset protection team investigates any positive responses to analyse and ensure no conflict exists.

Key developments in 2021

In 2021, the Group's compliance function initiated one investigation into signs of corrupt practices involving a state official. It was launched after it became known that an employee of Raspadskaya Coal Company LLC ("RCC") had been allegedly offering illegal monetisable services to a state official who was serving with the Russian Federal Environmental and Industrial Service. The said official responsible for overseeing coalmines operations is suspected of soliciting and accepting bribes from representatives of various coal companies in the Kemerovo region. The internal investigation revealed that one RCC director-level employee decided to establish a personal relationship with the suspect. For this, the employee, who had the necessary level of responsibility, provided to the public official the use of a company vehicle and a fuel card, both of which were paid for by RCC. This lasted for over two years and amounted to a benefit of approximately RUB1 million (equivalent to approximately £10,150). RCC (and employees other than the said director) had been unaware of the illegal arrangement until the Russian police started an investigation into extortion and other corrupt practices by the state official.

The RCC employee admitted his guilt and was demoted for violating internal key policies, but remains at RCC. He is fully cooperating with the police and has been questioned, but as a witness. An internal compliance check conducted immediately after the situation showed that there are no such or similar arrangements anywhere else in EVRAZ. Managers of RCC were all required to take an online course on the Anti-corruption Policy. Vice presidents once again held extensive discussions with managers in different Group companies about ethical principles and zero tolerance to corruption and bribery. Together with compliance managers, they explained the risks and the personal responsibility one would face should a violation of EVRAZ' strict requirements occur.

In addition, compliance managers' own leads regarding potential fraudulent schemes among unscrupulous managers and suppliers/providers also led to

several investigations. In 2021, there were five cases of evidently fraudulent intent: lobbying for money and/or kickbacks. The employees involved were dismissed. Vendors were either banned or they agreed to compensate company losses. The compliance function considers ongoing preventive efforts, various existing controls, the constant tone from the top and employees' adherence to the anti-corruption requirements as fully adequate for the existing risks.

In 2021, the Group continued the transition to its own anti-corruption courses run from its internal Learning Management System. All employees are being gradually signed up for EVRAZ training modules to refresh knowledge of the Anti-corruption Policy and the Code of Conduct. The new approach is leading to the further development of a full-scale internal training programme on anti-corruption. In 2021, over 2,200 managers throughout the Group completed online anti-corruption and/or ethics training. In addition, vendors continued to learn the anti-corruption principles of EVRAZ while taking a specific standalone course launched in December 2020.

Today, almost 3,000 managers from contractor and would-be partner companies passed this special course, which also became an important condition for participating in EVRAZ tenders. This work will continue in 2022.

The key learning objectives of all internal courses remain to:

- Confirm the Group's position and ensure full compliance with applicable anti-corruption laws.
- Explain existing controls to manage the risk of bribery and corruption.
- Raise awareness about the damaging effects of bribery and corruption.
- Draw attention to red flags and warnings about possible illegal payments or other corrupt activities.

For additional information, see the EVRAZ Sustainability Report for 2021, which is to be published in May 2022

OUTLOOK FOR 2022

In 2022, more relevant policies (for example, on anti-corruption training and on compliance investigations) will be updated to reflect existing and best practice, as well as the changes implemented within the compliance system since its launch. The policies related to the functioning of the Group hotline and on the rules and principles of dealing with government officials are also set to be renewed.

The lesson learned at RCC will now result in regular checks of how Group property is used. Such a practice will become a routine task of compliance managers across EVRAZ.

The Group compliance function plans to develop new training modules and tests to make anti-corruption courses more specific and relevant to life at EVRAZ. In addition, compliance is set to extend its educational reach and is working on a series of publications for the internal electronic newspaper. These articles will refer to various aspects of anti-corruption activity, provide more guidance on correct behaviour in challenging situations and help to develop a Group-wide platform for learning and dialogue.