

ANTI-CORRUPTION AND ANTI-BRIBERY

Our approach

EVRAZ has always striven for consistency in its strict compliance with the Law of the Russian Federation No. 273 “On Preventing Corruption”, the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents. Battling bribery and unethical practices are core aspects of EVRAZ’ anti-corruption efforts.

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. Today, 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.

Policies and regulations

In 2020, EVRAZ continued to review its key documents defining the norms of ethical and responsible behaviour for employees in particular circumstances. The Code of Conduct and Anti-corruption Policy, which were previously updated to reflect changes in processes that the Group has made, were joined by the Regulating Conflict of Interest Situations Policy and the Sponsorship

and Charity Policy. These new and updated policies enable compliance managers to refer to clearer definitions and a wider range of recommended patterns to avoid risks of corruption. All relevant policies are available on the corporate intranet and employees bear personal responsibility for full compliance with them.

All internal policies and procedures related to anti-corruption compliance consistently encourage employees to seek guidance from compliance managers whenever they have questions about the expected course of action in difficult situations. The Group urges everyone to voice concerns about any known violations.

Today, managers responsible for monitoring compliance with applicable anti-corruption laws are present at every major asset and responsible for controlling risks and handling anti-bribery matters. 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 bribery, corruption, fraud and malfeasance. They then present their findings and recommendations to local managing directors, the Group’s compliance manager and specialists reporting to the vice president for compliance and asset protection. The latter reviews investigation results to liaise with senior management as necessary.

The Group’s compliance manager regularly updates the Audit Committee on the status of ongoing anti-corruption efforts and prepares memos at the committee’s request.

Employees have access to a brief summary of relevant anti-corruption policies as well as links to the full texts of top-level documents on the corporate intranet. Where necessary, the compliance managers discuss the essence of the adopted rules and procedures with all interested parties. New employees 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 if necessary. Each area is then evaluated to see if existing controls and procedures effectively mitigate the associated risks. In its Anti-corruption Policy, EVRAZ declares zero tolerance for bribery and corruption.

The Group investigates carefully and discreetly 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



Examples of anti-corruption risks tested in the Group's business processes

In the process "sale of goods, works and services", compliance managers define risk indicators to look and then test for:

- Goods sold at prices and on terms that are significantly different from the market average.
- Goods, works and services sold via middlemen and agents when direct contracts are possible.
- Discounts or mismatched conditions in supply contracts that contradict the Group's trade policy requirements.

Other corruption risk indicators here include unexplained/unjustified bonuses to the buyer based on the amount of purchased products, lack of primary

and shipping documentation, and granting a delay in payment that violates the current internal requirements. So, random transactions — recent or past — are singled out and carefully considered for signs of said risks. Should compliance managers reveal systemic or significant violations of anti-corruption procedures, this is drawn to the attention of the Group's compliance manager and the top management, locally or at the Group level. Compliance managers then ensure that risks are properly addressed and mitigated.

Similarly, compliance managers further examine every major process for signs of corruption risks, unethical practices

or bribery. So, in another example, they consider charity and sponsorship payments to make sure:

- There were no violations of the approval procedure for charity and sponsorship projects.
- All the required and correct documents were properly supplied for consideration to decide if the charity or sponsorship payment can be made.
- Potential recipients of charity or sponsor support are allowable in accordance with the internal policy.

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:

- Purchase of goods or services.
- Payments.
- Sale of goods, works and services.
- Business gifts, hospitality, entertainment and travel expenses.
- Charity and sponsorship.
- Interaction with government authorities.
- Vetting contractors or customers.
- Contract approval.
- Group property management.

In January 2021, 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, etc. 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. In the event that the necessary follow-up is lacking

or inadequate, the matter gets presented to the vice-president for compliance and asset protection for consideration.

In February 2021, the compliance officer presented to the Audit Committee the analysis for 2020, which revealed no significant violations of anti-corruption statutes or cases of non-compliance with Group policies.

Key developments in 2020

In 2020, the Group's compliance function did not initiate any investigations into signs of corrupt practices involving state or public officials. However, compliance managers' own leads regarding potential fraudulent schemes between unscrupulous managers and suppliers/providers led to investigations. In the past year, there were four cases of fraudulent intent, namely lobbying for money and kickbacks. The employees involved were dismissed and vendors banned. The compliance function considers ongoing preventive efforts, effective existing controls, the tone from the top and employees' adherence to the anti-corruption requirements as effective and adequate for the existing risks.

In 2020 alone, close to 2,200 managers throughout the Group completed online anti-corruption training developed by a leading international provider in the field. Also in 2020, the compliance officer developed several internal EVRAZ training modules to familiarise employees with or refresh their active knowledge of the Anti-corruption Policy and the Code of Conduct. In 2021, the new approach will be developed further to create a full-scale internal training

programme in anti-corruption operated from the EVRAZ Learning Management System. This will greatly improve the capacity to train new employees, as well as to help existing ones to refresh their knowledge of anti-corruption principles and best practices. Another initiative launched in December 2020 and currently being tested is to invite vendors to learn the anti-corruption principles of EVRAZ. So far, close to 200 managers from contractor companies have passed this special course. This trend will also develop further in 2021.

The key learning objectives of all internal courses is 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 2020, which is to be published in May 2021

Outlook for 2021

In 2021, more anti-corruption policies (for example, on vetting vendors, gifts and hospitality) will be updated to reflect existing and best practice, as well as the changes implemented within the compliance system since its launch. The Group plans to fully transfer to internal training modules and tests to make anti-corruption courses much more specific and relevant to life at EVRAZ.