

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 its anti-corruption efforts.

The Group has a developed system of well documented and adhered to procedures that define day-to-day routine 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 2019, EVRAZ reviewed its top-level documents that define the norms of ethical and responsible behaviour for employees in all circumstances: the Code of Conduct and Anti-corruption Policy. The updates reflect changes in processes that the Group has made since the previous edition. They enable compliance managers to refer to clearer definitions and a wider range of recommended patterns to avoid risks of corruption. These and other 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 senior vice president for business support. The latter review investigation results to liaise with senior management as necessary.

The Group’s compliance manager routinely informs the Audit Committee about 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

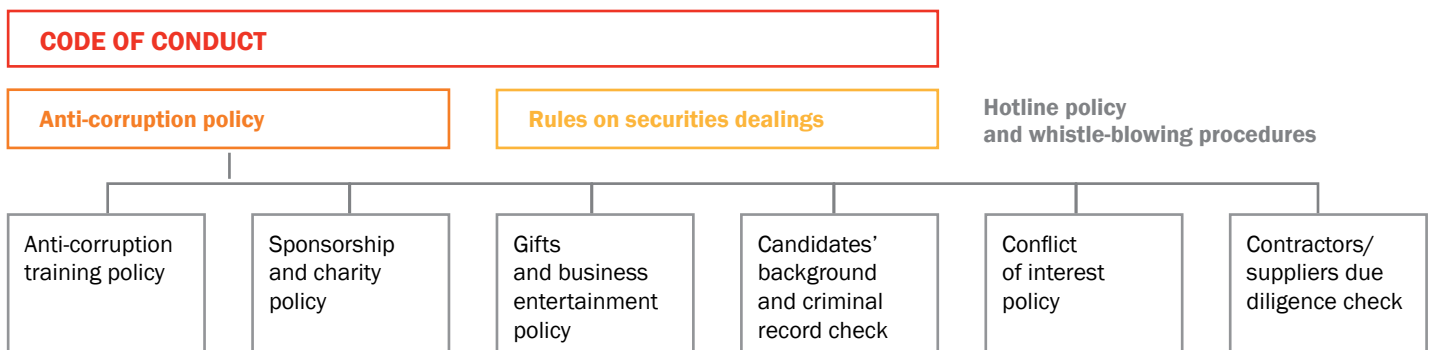
At the end of each calendar year, compliance managers perform analysis of potential anti-corruption risks across all assets. For this purpose, they consider every business process and redefine key risk areas if necessary. Each area is then evaluated to see if existing controls and procedures effectively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

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 2019, 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.

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 are sold at prices and on terms that are significantly different from the market average.
- Goods, works and services are sought to be sold via middlemen and agents when direct contracts are possible.
- There are discounts or mismatched conditions set 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



The compliance managers routinely meet with the managers responsible for each asset to inform them of known or newly revealed risks and threats and to recommend further actions. The compliance managers then monitor any corrective measures undertaken to mitigate the risks discussed. Should there be that the necessary follow-up is lacking or inadequate, the matter is presented to the senior vice-president for business support for consideration.

In early January 2020, the compliance officer presented to the Audit Committee the analysis for 2019, which revealed no significant violations of anti-corruption statutes or cases of non-compliance with Group policies.

KEY DEVELOPMENTS IN 2019

In 2019, EVRAZ compliance function did not initiate any investigations into signs of corrupt practices involving state or public officials. However, there were signs of potential collusion between Group employees and vendors, and all of these were carefully investigated. In addition, compliance managers’ own leads regarding potential fraudulent schemes between unscrupulous managers and suppliers/providers also led to investigations. In the past year, there were four cases of fraudulent intent, namely lobbying for money, kickbacks. The employees involved were dismissed and vendors banned. Compliance 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 2019 alone, over 2,000 more managers throughout the Group have completed online anti-corruption training developed by a leading international provider in the field. Overall, close to 13,000 licences have been used so far by the Company employees to undergo online training. The programme will continue in 2020. Those previously trained receive invitations to refresh their active knowledge of anti-corruption principles and best practices.

This course defines bribery and corruption and examines the implementation of anti-bribery legislation in Russia. The training also covers a business-wide system of controls aimed at managing and reducing bribery risks.

- The key learning objectives remain to:
- Confirm the Group’s position and 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 EVRAZ Sustainability Report for 2019, which is to be published in May 2020.**

OUTLOOK FOR 2020

In 2020, more anti-corruption policies (for example, on conflict of interests and on sponsorship) will be updated to reflect existing and best practice as well as the changes implemented within the compliance system since its launch. There are plans to launch own Group-specific training modules and tests to complement the current anti-corruption course. Other new online options will also be considered in further search for the optimum system of ongoing training.