

RISKS MIGRATION IN 2019 AND ROBUST ASSESSMENT

In 2019, the management carried out a robust reassessment of the principal risks facing the Group. The Audit Committee has carefully reviewed this assessment on behalf of the Board.

The assessment focused on the risks that could adversely affect the Group's strategies. It included an evaluation of risks identified at the operational level and their relevance and significance for the Group, as well as a detailed assessment of specific areas where new risks have been identified or the risk profile has changed significantly. The management also considered the speed of impact and volatility of each risk in their assessment. As a result, the principal risks have been updated.

The Group's development plans are focused on capital projects and depend on its economic viability, efficiency and effectiveness of execution, as well as availability and cost of capital to finance the Group's capital expenditure. This risk was reassessed during 2019 to reflect the expanded portfolio of capital projects being executed by the Group. As a result, this has been classified as a principal risk. While the Group's internal controls address the risk, additional control measures were adopted to ensure the risk remained within the risk appetite level.

The assessment included other risks that were not recognised as principal, eg HR and employee risks (including the risks of lack of skills, failure of succession planning, reduced productivity

due to labour unrest or poor job satisfaction), taxation, compliance risks (including anti-corruption and anti-bribery 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 the Group's operations to some extent, the management believes they are being adequately managed and does not consider them as being capable of seriously affecting the Group's performance, future prospects or reputation.

In order to enhance its focus and control over the Environmental, Social and Governance risks, in 2020, the Group plans to initiate development of the related strategies and policies: Environmental and Climate Change Strategies, and Human Rights and Diversity Policy. This will provide more transparency on how the Group addresses the related risks.

While the composition of the Group's principal risks has not changed substantially compared with the previous year, a detailed analysis of their impact and probability of negative consequences for the Group has led to a recalibration in the assessment of some of the risks.

The UK formally left the EU on 31 January 2020 and now in the transition period until end of 2020. The Group closely monitors the situation and continues to believe that it will not significantly affect its business.

Key developments in 2019 and outlook for 2020

In 2019, the Group was focused on enhancing its health and safety risk management methodology, and this work will continue in 2020.

During the reporting period, there were various initiatives implemented in the IT process focused on improving risk management. For example, an IT Security Operation Centre was created to process IT security events. The process of managing risks related to personal data protection has been improved, strengthening the data protection control system.

In 2020, in addition to continuing to implement ongoing initiatives focused on risk management improvement (in HSE, equipment maintenance and repairs, procurement and other processes), the Group plans to focus more on addressing climate-related risks. The Group intends to begin developing a climate change policy and strategy. This will bring more transparency regarding how the Group identifies, assesses and addresses climate-related risks.

Environmental risk has always been a topic of focus for the management and is recognised as a principal risk for the Group. EVRAZ mitigates it by implementing air emission reduction programmes at plants, participating in developing greenhouse gas emission regulations in Russia, implementing energy efficiency projects and, as a result, reducing greenhouse gas emissions.



Read more in the CSR Report section on pages 76-103 for more details.

Principal risks and uncertainties heat map in 2019

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| 1. Global economic factors, industry conditions and cyclicalities | 5. Functional currency devaluation |
| 2. Product competition | 6. HSE: environmental |
| 3. Cost effectiveness | 7. HSE: health, safety |
| 4. Potential regulatory actions by Governments, incl. trade, anti-monopoly, anti-dumping regulation, sanctions regimes, and other laws and regulations | 8. Business interruption |
| | 9. Digital effectiveness, effective, efficient and continued IT service |
| | 10. Capital projects and expenditure |

Risk appetite level

