

An additional general meeting was held on 19 June 2018 to approve the issuance of a guarantee of the obligations of EVRAZ Mezhdurechensk under management contracts with nine companies owned by Sibuglemet.

The CEO, supported by the chief financial officer and the vice president of investor relations,

brief analysts and institutional investors fully after the publication of the Company's half-year and full-year results.

In October 2018, an investor day was held for analysts and institutional investors, where key members of the management team gave presentations to explain the Group's

operations and performance. Sir Michael Peat, the senior independent non-executive director and chairman of the Nominations Committee, attended and presented on the Company's corporate governance structure as well as meeting with investors, as did Deborah Gudgeon, an independent non-executive director and chairman of the Audit Committee.

Board composition as of 31 December 2018

Name	Position	Committee Membership	Years of tenure
Executive director			
Alexander Frolov	CEO	HSEC - member	7
Non-executive directors			
Alexander Abramov	Chairman	NC - member	7
Eugene Shvidler	Director	NC - member	7
Eugene Tenenbaum	Director	None	7
Independent non-executive directors			
Laurie Argo	Director	AC - member	Less than 1
Karl Gruber	Director	HSEC - chairman, NC - member	7
Deborah Gudgeon	Director	AC - chairman, RC - member	3
Alexander Izosimov	Director	RC - chairman, NC - member, AC - member	6
Sir Michael Peat	Senior independent director	NC - chairman, RC - member	7

Role and composition of each committee

Committee name	Function	Composition	Link to committee report
Audit Committee	Audit, financial reporting, risk management and controls	All three members are independent non-executive directors	See on pages 112-115
Nominations Committee	Selection and nomination of Board members	All five members are non-executive directors, of which three are independent	See on pages 116-117
Remuneration Committee	Remuneration of Board members and top management	All three members are independent non-executive directors	See on pages 120-127
HSE Committee	HSE issues	Two of the three members are non-executive with an independent chairman who is also a non-executive director of the Company ³	See on pages 118-119

RISK MANAGEMENT AND INTERNAL CONTROL

EVRAZ maintains a comprehensive financial reporting procedures (FRP) manual detailing the Group's internal control and risk management systems and activity. The manual was last updated in December 2018, in line with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. The aim of the risk management process is to identify, evaluate

and manage potential and actual threats to the Group's ability to achieve its objectives.

The EVRAZ' Enterprise Risk Management (ERM) process is designed to identify, quantify, and respond to these threats; and monitor the Group's prevention and mitigation system. Management maintains a risk register that encompasses both internal and external threats. The level of risk appetite approved by the Board is used to identify particular risks and uncertainties that require specific Board oversight. In 2018, the process in relation to principal risks and uncertainties was consistent with the UK Corporate Governance Code, the FRC Guidance on the Strategic Report

issued in June 2014, and the abovementioned FRC guidance issued in September 2014.

Executive management is responsible for both internal controls in place and mitigating actions related to risk management throughout EVRAZ business and operations. This serves to encourage a risk-conscious business culture.

EVRAZ applies the following core principles to identifying, monitoring and managing risk throughout the organisation:

- Risks are identified, documented, assessed and monitored, and their profile is communicated to the relevant levels of the management team, regularly. The

³ The members of the Health, Safety and Environment Committee at 31 December 2018 were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who has continued as a non-executive member of the HSE Committee following her cessation as a Board member of the Company on 14 March 2016. With more than 50% of EVRAZ operations based in the Russian Federation, the committee continues to value the contribution she brings in terms of her technical and regional experience.

business management team is primarily responsible for ERM and accountable for all risks assumed in the operations;

- The Board is responsible for assessing the optimum balance of risk (risk appetite) through the alignment of business strategy and risk tolerance on an enterprise-wide basis. In addition, the Board oversees and approves risks above the Group's defined risk appetite and reviews any significant internal control weaknesses;
- The Group has established a reporting process involving business unit management teams and other relevant bodies at major enterprises. Its aim is to identify, evaluate and establish management actions for risk mitigation at a regional level, as well as at EVRAZ major steel and mining operations. The Risk Management Group maintains a corporate risk register representing a summary of this information. Business unit management teams and other relevant bodies are accountable to the Risk

Management Group which consists of all business unit and function vice-presidents;

- All acquired businesses are brought within the Group's system of internal control as soon as practicable.

The Board has delegated primary oversight of the Group's internal control process to the Audit Committee, which tables any major internal control findings exceeding the Board's risk appetite.

The EVRAZ Business Security department is headed up by a senior vice president and has specific responsibility for preventing and detecting business fraud and malpractice including fraudulent behaviour by employees, customers and suppliers. Robust internal controls help to minimise the risk, and the EVRAZ Business Security department ensures that appropriate processes are in place to protect the Group's interests.

Internal audit

Internal audit is an independent appraisal function established by the Board to evaluate the adequacy and effectiveness of controls, systems and procedures at EVRAZ which helps reduce business risks to an acceptable level in a cost-effective manner.

The Board approved the latest version of the internal audit charter on 27 February 2019.

The internal audit function's role in the Group is to provide an independent, objective, innovative, responsive and effective value-added internal audit service. This is achieved through a systematic and disciplined approach based on assisting management in controlling risks, monitoring compliance, and improving the efficiency and effectiveness of internal control systems and governance processes. Once a year, the function provides an opinion of the overall effectiveness of the Group's internal controls.

During 2018, EVRAZ head of internal audit, as secretary of the Audit Committee, attended all the committee's meetings and addressed any reported deficiencies in internal control as required by the committee.

The internal audit planning process starts with the Group's strategy; includes the formal risk assessment process, consideration of the results of the management internal control self-assessment, and the identification of management concerns based on the results of previous audits; and ends with an internal audit plan, which the Audit Committee approves. Audit resources are predominantly allocated to areas of higher risk and, to the extent considered necessary, to financial and business controls and processes, with appropriate resource reservation for ad hoc and follow-up assignments.

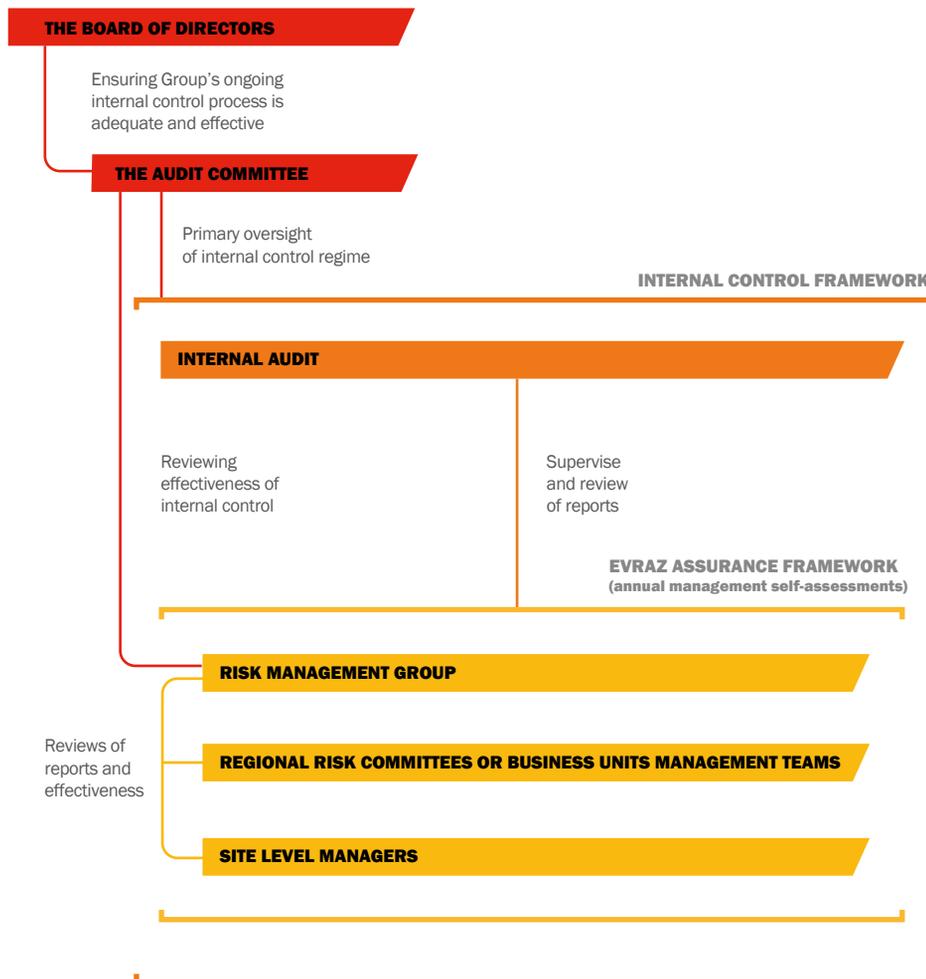
In 2018, internal audit projects covered the following Group risks:

- Cost effectiveness
- Health, safety and environment
- Capital projects and expenditure
- Human resources
- Compliance
- Business interruption, and equipment and infrastructure downtime management
- Transportation, sourcing, raw materials and energy supply
- IT security and IT infrastructure risk management
- Fraud, security, bribery and corruption

EVRAZ internal audit function is structured on a regional basis, reflecting the geographic

Internal control

For additional information about principal risks and uncertainties, see the Strategic Report.



Components of the internal control system

Component	Basis for assurance	Action in 2018
Assurance framework – principal entity-level controls to prevent and detect error or material fraud, ensure effectiveness of operations and compliance with principal external and internal regulations	<ul style="list-style-type: none"> Annual self-assessment by management at all major operations of the internal control system using the EVRAZ Assurance Framework Review of the self-assessment by the internal audit function Assessment of effectiveness of internal control and risk management 	<p>In 2018, the internal audit function reviewed the result of the management's internal control self-assessment and evaluated the effectiveness of the internal control system.</p> <p>In 2018, all major production sites were certified as having effective internal control.</p>
Investment project management	<ul style="list-style-type: none"> Effectiveness of project management and management of project risks is monitored by established management committee and sub-committees Reviewed by the internal audit function 	<p>Continuous enhancement of procedures regarding quality and reporting control, as well as other elements of the project oversight process. Numerous activities were developed in 2018 to further increase the efficiency and effectiveness of the project management process.</p>
Operating policies and procedures	<ul style="list-style-type: none"> Implemented, updated and monitored by the management Reviewed by the internal audit function 	<p>Operating policies and procedures are updated as per the internal initiatives by the operational management and in response to recommendations from the internal audit function.</p>
Operating budgets	<ul style="list-style-type: none"> Approved by the Board Monitored by the controlling unit Reviewed by the internal audit function 	<p>Operating budgets are prepared by executive management and approved by the Board.</p>
Accounting policies and procedures as per the corporate accounting manual	<ul style="list-style-type: none"> Developed and updated by the reporting department Reviewed by the internal audit function 	<p>Accounting policies and procedures were updated as part of the standard annual review process.</p>

spread of the Group's operations. The internal audit function works to align common internal audit practices throughout the Group via quality assurance and improvement programmes.

Approach to risk appetite

Risk appetite is an important part of the risk management process that serves as a measure of the risks EVRAZ management is willing to accept in pursuit of value. The Board has approved a risk appetite in accordance with the risk management methodology adopted by the Group.

Risk appetite is considered in evaluating strategies and setting objectives within EVRAZ strategic and budgeting cycle, in decision making and in developing risk management actions and methods, as well as in identifying particular risks and uncertainties that require specific Board oversight. The Group's strategic objectives are aligned with, and risk mitigation actions are reflective of, the risk appetite approved by the Board. The Group adopts a robust approach in relation to risk management. Risk appetite for some specific business processes (eg health & safety, fraud, security, bribery and corruption) is assessed, defined and evaluated separately from the rest of the processes.

The management reassesses the risk appetite at least annually via the Risk Management Group, which reports on the analysis performed

to the Audit Committee. The committee then makes recommendations to the Board regarding the level of risk appetite. The Risk Management Group and the Audit Committee last reviewed the Group's risk profile in November 2018 and finalised the assessment in January 2019. Based on the results of the most recent review, the management concluded that the Group's risk-acceptance approach had not changed and that the risk appetite remained the same as in the prior year. An appropriate recommendation regarding the level of risk appetite was made to the Audit Committee and to the Board on February 27, 2019.

Objectives for 2019

Further development of the risk management system and risk management practices is planned for 2019 based on the analysis of the adequacy of risk management practices and the gaps identified for the main business processes in 2018. While the maturity of EVRAZ risk management process was generally assessed as fair, there were areas identified that require additional management focus and implementation or improvement of risk management instruments or practices. An action plan for each gap was developed and will be introduced.

In 2018, the Group began to improve the procedure of identifying, assessing and mitigating risks within project management to enhance the depth of risk analysis.

In 2019, HR risk management practices will be structured and further improved. The existing occupational safety risk management system, which is focused on enhancing the Group's safety culture, will be further developed and implemented in 2019.

In 2018, the Group appointed a data protection officer to strengthen risk management practices for personal data protection in 2019 and to address changes in the EU General Data Protection Regulation.

In early 2019, the Group plans to organise risk management training as part of its Top-300 programme. The purpose of this training session is to increase the management team's engagement with and support for risk identification and management.

Further information regarding EVRAZ's internal control and risk management processes can be found on the Group's website.