

SUSTAINABILITY RISK MANAGEMENT

Approach to managing sustainability risks

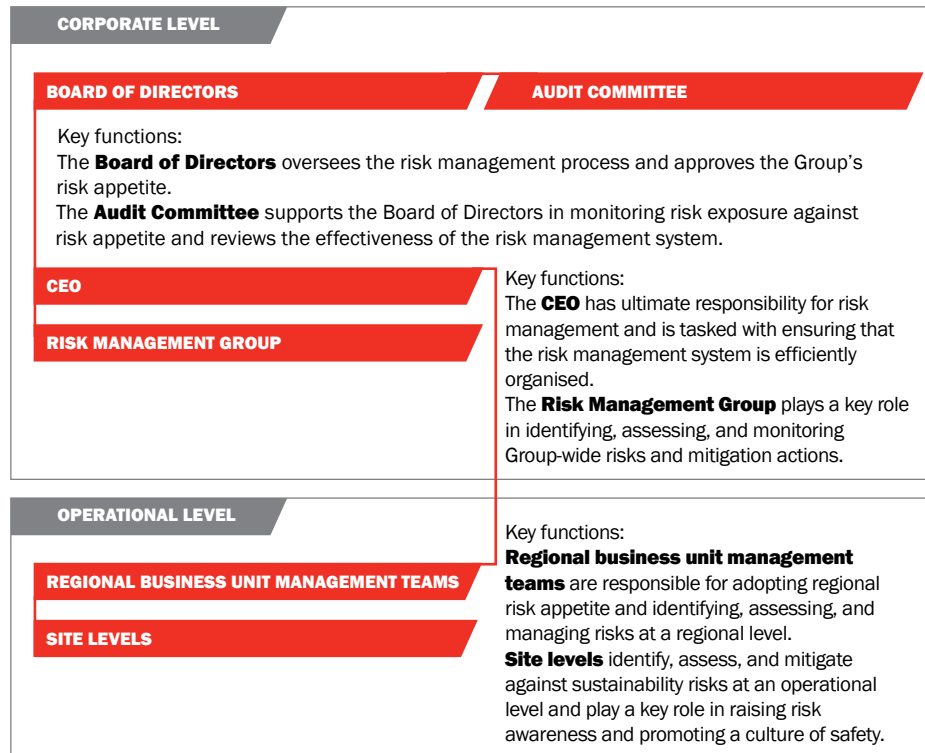
The timely identification, analysis, and assessment of risks, alongside implementing efficient measures for managing them, are crucial for attaining EVRAZ strategic goals and objectives. The Group takes a portfolio view and focuses not only on strategic and financial risks, but also on risks in the environmental, social, and economic spheres.

Adopting a holistic, systematic, and proactive approach to managing sustainability risks is a prerequisite for the Group's long-term success and stable growth. The Group's risk management system encompasses risks both at corporate and operational levels and establishes a single organisational framework for identifying, assessing, and managing risks.

The Group employs the same approach to identifying, evaluating, monitoring, and managing financial and non-financial risks. On a yearly basis the Group reassesses all risks in order to ensure that all of them are accounted for, and that effective risk management measures are developed.

In order to more efficiently control the risks that could have the greatest impact on the attainment of EVRAZ goals, risks are divided into two categories: principal and non-principal risks. Principal risks are those that have the highest speed of impact and volatility and which are, therefore, carefully monitored by EVRAZ management and Board of Directors. Non-principal risks, on the other

SUSTAINABILITY RISK MANAGEMENT ORGANISATIONAL STRUCTURE



hand, are those that are not considered capable of seriously impacting the Group's performance, future prospects, or reputation.

The table below summarises the types of and describes the Group's sustainability related risks and provides an overview the Group's measures to manage them.

➡ For more detailed information on principal risks, their impact, and risk management actions see the "Principal risks and uncertainties" section of the 2018 Annual report.



THE GROUP'S SUSTAINABILITY RISKS

Risk	Description	Risk management actions
Principal risks		
HSE: environment	Risks of adverse environmental impacts and incidents related to air emissions (including greenhouse gases), water, waste, and tailings management, as well as non-compliance with applicable laws and regulations	<ul style="list-style-type: none"> Regular monitoring of the environmental risks Monitoring changes and ensuring compliance with applicable environmental laws and regulations Implementing air emissions and water use reduction programmes at plants Implementing waste management improvement programmes Certification of most EVRAZ operations under ISO 14001 Compliance with REACH⁴ requirements
HSE: health, safety	Risks related to the potential danger of fire, explosions, and electrocution; breaches of applicable HSE laws; and risks specific to individual mines/plant, such as rock falls, falling objects, and moving machinery	<ul style="list-style-type: none"> Including safety performance metrics and standardising critical safety programmes in management KPIs Implementing an energy isolation programme (Lock-Out-Tag-Out) Further developing a programme of behaviour safety observations, which drives a more proactive approach to preventing injuries and incidents Implementing a series of health and safety initiatives related to underground mining Implementing maintenance and repair modernisation programmes and a downtime management system Further developing the occupational safety risk assessment methodology Assessing the effectiveness of corrective measures Certification of EVRAZ main steel mills under OHSAS 18001 Trainings on HSE regulations for employees
Business interruption	Risks related to lengthy outages or production delays, especially in coal mining	<ul style="list-style-type: none"> Disaster recovery procedures that are subject to regular review Methane monitoring and degassing systems Timely maintenance of mining equipment Employee safety training Detailed analyses of the causes behind incidents Ensuring supply chain efficiency and improving supplier relations
Compliance risks (including anti-corruption and anti-bribery matters)	Risks related to non-compliance with applicable laws and regulations, including in the fields of corruption and bribery	<ul style="list-style-type: none"> Yearly re-evaluations of risks of fraud and corruption across all assets Informing employees about ethical business conduct principles as defined in internal corporate documents Anti-corruption trainings for employees Inserting a framework clause on anti-corruption in contracts with business partners Operation of whistleblowing lines Inquiries of Direction of compliance with business procedures into suspicious transactions, activity, or circumstances on its own initiative or received signals
Product competition	Risks related to excessive supply of steel products and slabs on the global market; increased market competition and low demand for construction products	<ul style="list-style-type: none"> Developing and improving loyalty and customer focus programmes and initiatives Quality improvement initiatives
Non-principal risks		
HR and employee risks	Risks related to a lack of skills, a failure of succession planning, and reduced productivity due to labour unrest or poor job satisfaction	<ul style="list-style-type: none"> Monitoring changes and compliance with applicable labour laws and regulations Implementing staff training and development programmes and initiatives Regular meetings with trade union representatives Introducing a grading system and remuneration management principles Implementing a human capital development programme Collaborations with universities and colleges to improve educational programmes Analysing the employee engagement level and how it can be improved
Social and community risks	Risks related to socio-economic instability in regions where the Group operates, deteriorations in relations with local communities and authorities, and loss of the Group's "social licence" to operate	<ul style="list-style-type: none"> Taking part in social projects in regions of operation Supporting social, infrastructural, sport, educational, and cultural programmes Stakeholder engagement and working together with cities and regional authorities Local urban infrastructure improvement
Climate change risks	Risks related to climate change and extreme weather events that could lead to business disruptions, shortage of resources, damage to the supply chain, equipment, and reputation	<ul style="list-style-type: none"> 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

⁴ REACH – Regulation (EC) No. 1907/2006 of the European Parliament and of the Council according to which as of 1 June 2007, all chemical substances, mixtures and substances in articles (in some cases) produced in or imported to European Economic Area (EEA) territory above 1 tonne per year are subject to mandatory procedures such as registration, evaluation, authorisation and restriction of chemicals. If chemicals are not registered in accordance with REACH, the products are not allowed to be manufactured in or imported into the EEA.

Risk	Description	Risk management actions
Human rights risks	Risks related to violations of human rights	<ul style="list-style-type: none"> ▪ Informing employees about the principles stipulated in the Group's Code of Conduct ▪ Compliance with all applicable laws and regulations ▪ Yearly disclosure of a Modern Slavery Transparency Statement ▪ Inserting a framework clause in contracts that obliges Group suppliers to comply with the Group's Code of Business Conduct and which allows the Group to unilaterally terminate a contract if a supplier engages in modern slavery ▪ Operation of whistleblowing lines
Quality	Risks related to product quality	<ul style="list-style-type: none"> ▪ Regular monitoring of customer satisfaction levels ▪ Meetings and feedback sessions with clients/EVRAZ management ▪ Site visits to production assets ▪ Production and quality improvement programmes

STAKEHOLDER ENGAGEMENT

EVRAZ places a strong emphasis on building honest and supportive relationships with our stakeholders on our path towards sustainable development. In all business processes we strive to accommodate the interests and concerns of stakeholders, be in compliance with Russian legislation, contractual obligations, and sector regulations, and uphold and respect human rights.

Our main stakeholders are persons or entities whose actions, interests, or safety may be affected by or have a potential impact on the Group's activities.

Various departments of the Group are engaged in the stakeholder engagement process, according to their function.

Communication channels and mechanisms

In order to be sure that our stakeholder engagement approach covers all stakeholder groups and at the same time facilitates two-way communication and feedback, we make use of various communication channels. Despite the fact that our channels of communications vary, we promote a policy of having a unified information field, and strive to express our vision and values to a broad range of stakeholders.

MAIN STAKEHOLDERS AND THEIR IMPORTANCE TO EVRAZ

 <p>Shareholders and investors Shareholders and the investment community finance and determine the Group's overall direction of development</p>	 <p>Employees The attainment of EVRAZ goals is possible only if we have a high-skilled and motivated team</p>	 <p>Customers Client satisfaction and loyalty drive our performance in the long term</p>
 <p>Industry organisations To implement planned sectoral development initiatives we need to enlist the support of the industrial community</p>		 <p>Suppliers and contractors The quality and timeliness of products and services directly influence the efficiency of our operations</p>
 <p>Media Proactive engagement with the media boosts the quality and transparency of information about the Group</p>	 <p>Local communities The health and well-being of local populations are vital to ensure the sustainable growth of EVRAZ</p>	 <p>Government authorities Maintaining an active dialogue with government authorities facilitates operational stability</p>