

# **Policy for approval of services to be provided by Evraz external auditor**

Date of approval: 23 January 2019

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## **1. Objective and general principles**

This policy (the Policy) was developed to provide guidance on approval process for the services provided by Evraz plc (the Evraz) external auditor (the Auditor) to Evraz, its subsidiaries and significant associates (the Group).

Audit Committee is responsible for overseeing relations with the Auditor, including:

- Selection of the Auditor,
- Approval of scope and fee for Audit Services and Non-Audit Services
- Ongoing assessment of Auditor independence, including establishing the policy for providing Non-Audit Services by the Auditor

This policy was developed to assure that ongoing independence of the Auditor is not compromised, and to ensure that:

- the Group is in compliance with the requirements of UK Corporate Governance Code (the Code) published by the Financial Reporting Council (the FRC), FRC Guidance on Audit Committee and Auditing Practice Board (the APB) Ethical Standard 5 “Non-audit services provided to audit clients”.

These guidelines and requirements are used by the Management and the Audit Committee in developing list of prohibited services and in making the decision on appropriateness of selection of the Auditor for provision of specific Non-Audit Services.

## **2. Review, Approval and Monitoring of compliance with the policy.**

Group’s Audit Committee is responsible for establishing and approving this Policy. Current version of the policy was approved by the Audit Committee on January 23, 2019.

Day-to-day management of this Policy is delegated by Audit Committee to Group’s Head of accounting and reporting, who is responsible for timely updates of the Policy, communication of the Policy to the Group’s employees and for monitoring compliance with the Policy.

## **3. Definitions**

**Audit Services** – audit engagements conducted by independent external auditor in accordance with applicable standards, laws and regulations for audit engagements in respect of consolidated, separate and individual financial statements of the Group, and/or of its subsidiaries, significant associates and joint ventures that are prepared in accordance with International Financial Reporting Standards, respective statutory or other applicable accounting framework.

**Audit Related Services** – services which by applicable standards, laws and regulations can be performed only by the Auditor, for example, review engagements and considering preliminary announcements of the Evraz plc.

**Non-Audit Services** – services other than Audit Services or Audit Related Services. Services that are provided by the Auditor in respect of capital market transactions are also considered to be non-audit services.

**Prohibited Services** – services that the Audit Committee specifically prohibits to contract with the Auditor, because they represent significant threat to independence of the Auditor:

- Any contingent fee arrangements,
- Internal audit work outsourcing,
- Design and implementation of significant management information systems,
- Valuation services (except when legally required),
- Actuarial valuation services,
- Tax services related to substantial tax planning and compliance work, promotion of tax structures and products whose effectiveness is likely to be influenced by accounting treatment, services requiring representations to tax authorities,
- Litigation support services,
- Legal services,
- Recruitment and remuneration advice ,
- Dealing, underwriting or promoting clients securities ,
- Accounting services.

**Pre-approval** – means approval of scope and fee of specific service as required by this Policy should be obtained prior to contracting external auditors to perform the service.

#### **4. Authorization Guidance**

- a) Prohibited Services should not be contracted with the Auditor regardless of the amount of the fees.
- b) All annual Audit and Audit Related Services should be pre-approved by the Audit Committee. Changes in the scope and fee of Audit and Audit Related Services that occurs during the year should be pre-approved by the Audit Committee Chairman and subsequently reported to the Audit Committee at the nearest Audit Committee meeting.
- c) General limit for all Audit Related and Non-Audit Services fees is established as 70% of Group Audit Services fees based on lower of the latest approved annual Audit Services fees or the average of approved annual Audit Services fees for the last three years. Once this limit is

approached, Head of accounting and reporting should immediately notify the Audit Committee. All further Non-Audit Services, including the one that leads to exceeding the limit, can be contracted only after specific pre-approval of the Audit Committee. In exceptional circumstances the Audit Committee may increase this limit in particular year. The reason for such decision should be documented.

- d) The Group CFO is authorized and should pre-approve all Non-Audit Services related to Capital Market Transaction. The scope and fee for such services are reported to the Audit Committee at the nearest Audit Committee meeting that occurs after such transaction.

The Group CFO is authorized by the Audit Committee to pre-approve all Non-Audit Services with the fees less than US \$50,000 (this limit does not apply to Non-Audit Services related to Capital Market Transactions, see d) above). Cumulative amount of such contracts that are not reported to the Audit Committee at any point of time should not exceed US \$300,000 (this limit does not include the fees related to Non-Audit Services related to Capital Market Transactions, see d) above). The scope and fee for such services are reported to the Audit Committee at the nearest Audit Committee meeting that occurs after such transaction. Such reporting resets cumulative limit mentioned above.

- e) The Chairmen of the Audit Committee is authorized and should pre-approve Non-Audit Services with the fees less than US \$500,000 (this limit does not apply to Non-Audit Services related to Capital Market Transactions, see d) above). Cumulative amount of such contracts that are still not reported to the Audit Committee at any time should not exceed US \$1,000,000 (this limit does not include the fees related to Non-Audit Services related to Capital Market Transactions, see d) above). The scope and fee for such services are reported to the Audit Committee at the nearest Audit Committee meeting that occurs after such transaction. Such reporting reset cumulative limit mentioned above. For significant Non-Audit Services (with the fees in excess of US \$150,000), the Chairman of the Audit Committee should explain to the Audit Committee why the Auditor is best placed for this Non-Audit Service.
- f) For all significant Non-Audit Services (with the fees in excess of US \$150,000), except for Capital Market Transactions, the Chairman of the Audit Committee should explain in the Audit Committee report why the Auditor is best placed for this Non-Audit Service.
- g) The Audit Committee should pre-approve all Non-Audit Services with the fees in excess of US \$500,000.

Summary of this guidance is provided in a table below

	<b>Audit Committee</b>	<b>Audit Committee Chairman</b>	<b>Group CFO</b>
<b>AUDIT AND AUDIT RELATED SERVICES</b>			
<b>Annual Audit Services</b>	Pre-approval		Initial recommendation with request of pre-approval
<b>Annual Audit Related Services</b>	Pre-approval		Initial recommendation with request of pre-approval
<b>Additional scope of audit services and audit related services that emerges during the year</b>	Reported at earliest Audit Committee meeting	Pre-approval	Initial recommendation with request of pre-approval
<b>NON-AUDIT SERVICES:</b>			
<b>Capital market related transactions:</b>	Reported at earliest Audit Committee meeting		Pre-approval
<b>Non-audit services other than Capital market related transactions:</b>			
- Less than US \$50,000 with cumulative total unreported to the Audit Committee less than US \$300,000*	Reported at earliest Audit Committee meeting		Pre-approval
- Less than US \$500,000 with cumulative total unreported to the Audit Committee less than US \$1,000,000* <i>*-this limit is reset after approval of related services by Audit Committee</i>	Reported at earliest Audit Committee meeting	Pre-approval	Initial recommendation
- In excess of US \$500,000	Pre-approval		Initial recommendation

*\*-this limit is reset after approval of related services by the Audit Committee and does not include Capital Market transaction*