



INTERNAL AUDIT CHARTER

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1. General

An Internal Audit Directorate is established to provide the Audit Committee in particular, and EVRAZ plc Board of Directors and Management in general with an independent review of business processes and controls necessary to manage the risks and to ensure that EVRAZ plc achieves its objectives. It is a controlling function which examines and evaluates the adequacy and effectiveness of other controls.

EVRAZ plc management authorises the Internal Audit Directorate to carry out its responsibilities in accordance with the present Audit Charter and an audit plan approved by the Audit Committee.

2. Mission

The mission of internal audit is to provide an independent, objective, innovative, responsive and effective value-added internal audit service through a systematic and disciplined approach by assisting management in controlling risks, monitoring compliance, improving the efficiency and effectiveness of internal control systems and governance processes.

3. Purpose

Internal Audit is an independent appraisal function established by the Board of Directors to evaluate the adequacy and effectiveness of controls, systems and procedures, within

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EVRAZ plc, in order to reduce business risks to an acceptable level in a cost effective manner.

The objective is to provide all levels of management with sufficient, relevant and useful information that will help them to assure:

- The reliability and integrity of information,
- Compliance with policies, plans, procedures, laws and regulations,
- The safeguarding of assets,
- The economical and efficient use of resources,
- The accomplishment of established objectives.

4. Independence

Independence is achieved through organisational status of the Internal Audit Directorate and objectivity of internal auditors.

To ensure its independent organisational status, Internal Audit shall report to the Audit Committee.

The Internal Audit Directorate shall report administratively to the Chief Executive Officer and functionally to the Audit Committee of the Board of Directors. The scope of relationship between the Audit Committee and the Internal Audit Directorate encompasses oversight and reporting responsibilities.

Functional reporting line to the Audit Committee involves:

- approval of IA Charter, including its changes and additions;
- approval of Chief Internal auditor's appointment or removal, his/her annual compensation and salary adjustment and Labor Contract terms;
- approval of annual internal audit risk assessment and related audit plan, including all amendments and additions;
- approval of internal audit annual budget;
- receipt of communications from Chief Internal Auditor on the results of internal audit activities, as well as private meetings with Chief Internal Auditor (without management present) and annual confirmation of internal activities;
- review of internal audit reports;
- evaluation of annual internal audit and Chief Internal Auditor activities results;
- making of appropriate inquiries with management and Chief Internal Auditor to determine whether there is an audit scope or budgetary limitations that impede internal audit activities;
- receiving from Chief Internal Auditor annual confirmation of organizational independence of IAD.

Administrative reporting line of accountability is built within the organizational structure and facilitates day-to-day internal audit operations. Administrative reporting includes:

- provision of execution of the internal audit activity budget;
- provision of necessary working conditions for internal auditors;
- provision of unrestricted access to any part of the Company for internal audit, full access for internal audit to senior meetings, and full and timely access for internal audit to key management information;
- organization and provision of efficient internal communications and information flows between internal auditors and other Company departments;
- adherence to Company policies (coming and leaving the workplace at the right time, payment of salary at the stated time, adherence to business trip procedures, etc.).

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Each internal auditor shall be in a sufficiently independent position to be able to have an objective attitude to exercise judgment, express opinions and present recommendations with impartiality. Specifically:

- The Internal Audit staff, notwithstanding its employment by the consolidated subsidiaries of EVRAZ plc, should be free from any conflict of interest arising either from professional or personal relationships or other interests in the EVRAZ plc or related activity, which it may subject to audit;
- The Internal Audit staff should be free from undue influence, which either restricts or modifies the scope or conduct of its work or overrules or significantly affects its judgment as to the content of any internal audit reports. In the interests of independence the Internal Audit staff shall have no direct responsibility for, or authority over, any of the EVRAZ plc's activities and shall have direct access to all members of the Audit Committee;
- The Chief Internal Auditor shall have no executive or managerial powers and duties in the EVRAZ plc except those relating to the management of the Internal Audit Directorate;
- To maintain objectivity, Internal Audit staff shall not be involved in day-to-day control procedures. Instead, each business unit shall be responsible for its own internal control and efficiency. The Internal Audit Directorate shall not also be involved in the implementation of internal control systems but may be consulted on the adequacy of controls when they are first implemented.

5. Authority

The Chief Internal Auditor has an unrestricted access to the Chairman of the Audit Committee of EVRAZ plc and reports to Audit Committee of EVRAZ plc.

Subject to the approval of the Audit Committee, the Chief Internal Auditor and Internal Audit staff shall be authorised to:

- Decide on the nature, scope and timing of audits;
- Enter any premises of the companies within the EVRAZ plc and have access to and inspect any documents and records;
- Request any officer of the EVRAZ plc or any companies in the EVRAZ plc to provide such information and explanations as may be deemed necessary; and
- Have discussions with line managers and employees of the EVRAZ plc at any reasonable time,

with very strict and absolute accountability for safekeeping and confidentiality of information obtained, whilst carrying out the Internal Audit work.

Specific sensitive and highly confidential matters shall, however, be handled by the Chief Internal Auditor himself.

6. Scope and responsibilities

The Chief Internal Auditor, through the Internal Audit Directorate, is responsible for rendering Internal Audit Services to EVRAZ plc.

The audit scope will be based on management's assessment of corporate risk. Audit coverage should focus on high-risk areas and give a review of risk management procedures, internal control systems, information systems and governance processes. This work also involves periodic testing of transactions, best practice reviews, acquisition due diligence and other special investigations, appraisals of regulatory requirements, measures to help prevent and detect fraud, and performing consulting and advisory services.

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The activities performed by EVRAZ plc's Internal Audit Directorate shall include but shall be not restricted to:

- evaluation of the effectiveness of controls over the relevance, reliability and integrity of information for management purposes, with particular emphasis on financial information;
- assessment of the level of compliance with policies, plans, procedures, laws and regulations;
- assessment of the means of safeguarding assets and verification of their existence;
- appraisal of the economy and efficiency with which resources are employed;
- review of operations to ascertain whether established objectives and goals are achieved as planned;
- assistance to management in identifying business risks and assessing the adequacy of the risk management processes;
- follow-up on recommendations to make sure that effective remedial action is taken;
- acting as the secretariat for the Audit Committee;
- carrying out any ad hoc appraisals, inspections, investigations, consulting services, examinations or reviews requested by the Audit Committee or by senior management;
- assessment of the overall effectiveness of the governance, risk management, internal control of EVRAZ plc, and whether the Company's risk appetite is being adhered to; and reporting thereon at least once a year.

Consultancy and advisory services shall be provided by Internal Audit Directorate only if:

- there services are value-adding for EVRAZ plc;
- it does not create a conflict of interest in respect of any audits scheduled in the annual audit plan;
- these services result in a higher coverage of identified risk areas of EVRAZ plc.

The Chief Internal Auditor shall be responsible for promoting the development of an effective internal audit function in EVRAZ plc. He shall also be responsible for participating in the Audit Committee meetings. The Audit Committee shall be entitled, among its other responsibilities, to enhance the overall effectiveness of Internal Auditing in EVRAZ plc.

7. Fraud Limitation

The identification and prevention of fraud is clearly a management responsibility. Upon request the Internal Audit Directorate shall assist management to identify the main fraud risks EVRAZ plc may be exposed to and shall help management design adequate controls that could minimize the effects of the risks.

8. Reporting

Detailed written reports shall be prepared and presented to management following the completion of each audit. The contents shall be discussed with the management of the units/functions audited, and their responses taken into account, before the report is finalized and distributed. Regular reports highlighting significant audit findings and recommendations, and summarizing internal audit activities shall be provided to the Chairman of the Audit Committee and reported on at Audit Committee meetings.

9. Management of the function

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Subject to the overall guidelines of the Audit Committee and present Charter, the Internal Audit Directorate shall be solely responsible for the planning, implementation and reporting of the audits. For this purpose, the Internal Audit Directorate shall:

- Prepare a long-term strategic plan to set the direction of and approach to audits;
- Prepare a detailed annual audit plan and annual budget in liaison with the Chairman of the Audit Committee for submission to the Audit Committee for approval;
- Assess and recruit the necessary personnel at remuneration rates adopted by the management for appropriate levels of EVRAZ plc's staff and approved by the Audit Committee sufficient for fulfillment of the annual and long-term strategic plan;
- Maintain professional internal audit staff with sufficient knowledge, skill, experience and professional certification to meet the requirements of the present Charter;
- Carry out all the activities to conduct the audits in an effective, professional and timely manner;
- Report to the auditee as soon as practical on completion of each audit;
- Report at least annually to the Audit Committee on performance of the Internal Audit Directorate during the period.

10. Management's Responsibilities

Although the role of the Internal Audit Directorate is to review internal controls, systems, procedures, risks etc., the management and ultimately the Board of Directors shall have full responsibility for ensuring that EVRAZ plc maintains an appropriate framework of controls to reduce business risks to an acceptable level.

The management shall also have responsibility and accountability for addressing weaknesses and inefficiencies, which have been identified in both External and Internal Audit Reports, and for taking the necessary corrective action.

Other management responsibilities shall include immediate notifications of the Chief Internal Auditor and Financial Director of any significant internal control problems, thefts, frauds, defalcations, unauthorised transactions, accounting breakdowns, large stock shortages, major bad debts etc. Significant matters shall be reported on at the Audit Committee meetings.

11. Liaison with External Auditors

EVRAZ plc's External Auditors shall fulfill a contractual duty for which they shall be responsible to the shareholders.

The EVRAZ plc Internal Audit Directorate shall co-ordinate its activities with those of the external auditors in order to obtain maximum assurance and to avoid duplication of audit effort.

Internal audit shall carry out follow-ups on comments and recommendations contained in the External Audit reports.

12. Standards

The Internal Audit Directorate shall adhere to the standards of best professional practice, such as the Code of Ethics and Standards of the Professional Practice of Internal Auditing as laid down by the Institute of Internal Auditors, Inc.

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The internal auditors shall be members of the Institute of Internal Auditors, Inc. in order to adhere to the best professional standards and possess required up to date technical knowledge.

The Internal Audit Directorate shall recognise the mandatory nature of the Definition of Internal Auditing issued by the Institute of Internal Auditors.

13. Performance evaluation

The Performance of the Internal Audit Directorate shall be evaluated annually by the Audit Committee against the objectives approved by the Audit Committee.

Among others, the key performance indicators of Internal Audit shall be the level of satisfaction and the opinion of internal audit performance held by:

- Audit Committee;
- Chief Executive Officer;
- Chief Financial Officer;
- External Auditors.

Internal Audit Directorate will be subject to an external quality assessment at least once every five years by a recognized, qualified and independent third party reviewer.

14. Revision of this document

The Chief internal auditor, at least once a year, should review and evaluate the relevance of the Charter and, when necessary, make appropriate changes with further review by senior management and approval by Audit Committee.