

Anti-corruption

Our approach

EVRAZ is committed to strict compliance with the Law of the Russian Federation #273 "On Preventing Corruption," the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents. EVRAZ has implemented internal policies on these matters to comply with both the letter and the spirit of these laws. The compliance team provides internal monitoring and control over areas generally perceived as holding risks of corruption at all EVRAZ assets.

The compliance manager routinely reports to the senior vice president for business support and interregional relations and delivers regular updates on the status of anti-corruption efforts to the Audit Committee.

Policies and regulations

EVRAZ subsidiaries in the Russian Federation, Ukraine, the US and Canada enforce a Code of Conduct and Anti-corruption policy, which are the key documents defining norms of ethical and responsible behaviour of employees in all circumstances.

All policies are available on the corporate intranet and employees are required to adhere to them by taking personal responsibility for compliant behaviour. Employees are encouraged to approach compliance managers whenever they have questions about expected course of actions in difficult situations or when they want to voice concerns about known policy violations.

Key developments in 2016

All elements of EVRAZ' compliance system have been implemented across its Russian and Ukrainian sites, which were considered priority targets for anti-corruption compliance efforts in 2016. This is explained by the admittedly higher risk of corruption in these countries as reported by Transparency International.

In March 2016, the esteemed organization assessed emerging market multinationals and published their research paper "Transparency in Corporate Reporting". The document mentioned the high results achieved by EVRAZ in building up its anti-corruption program. EVRAZ achieved a score of 85%, which compares favourably with the average of 74% for the technology sector or the average of 48% for all companies considered in the assessment.

Code of Conduct

The Code of Conduct is the key document that all employees are requested to adhere to and act in full accordance with. Every new employee is trained on the Code of Conduct on their first day of work. The document is available on the intranet and stresses the ultimate importance of ethical behaviour in all circumstances. Anti-corruption training and the tone set from the top of the organization emphasise the role of the Code of Conduct in the company's daily life.

ANTI-CORRUPTION POLICY

EVRAZ' Anti-corruption policy sets and explains key principles that have been adopted at all assets to prevent corruption. The policy is easily accessible on the corporate intranet for employees, interested parties and partners, who are all expected to be compliant with relevant anti-corruption legislation and principles upheld by EVRAZ.

Anti-corruption training policy

Consistent efforts in the area of anti-corruption education are an integral element of a well-thought-out compliance system. The policy adopted in December 2015 defines what positions and levels of authority are to undergo training in anti-corruption awareness. Specifically, all managers and specialists from compliance, legal, controlling, asset protection, investor and government relations, and HR are to receive training and pass a corresponding test. The same refers to all decision making and/or client managers from procurement and sales. Compliance managers are assigned discreet authority to analyse risk areas and decide who else needs to be trained.

Sponsorship and charity policy

All aspects of EVRAZ' sponsorship and charity efforts are regulated as necessary by this policy. Under it, the Group may consider supporting low-income or physically challenged individuals, and those suffering from conflicts or natural disasters. EVRAZ may choose to support certain projects in education, sport, health care, culture, and environment protection. All petitions are carefully considered in terms of legitimacy and transparency of purpose, the amount sought, and the reputation of the petitioner. The decisions are then taken by the Group CEO. When support is granted, sponsorship being its preferred form, such instances are followed up by experts under the vice president for corporate communications and compliance managers. This ensures full accountability and strict adherence of those supported to EVRAZ policy requirements.

Gifts and business entertainment policy

EVRAZ believes that business gifts and hospitality are accepted ways to demonstrate and further develop good relationships. At the same time, adequate consistent control over such expenses is very important and is among the key areas for anti-corruption compliance to watch. The policy defines rules and strict approval procedures to be followed when extending or receiving gifts and hospitality. In particular, all amounts above US\$100 for a personal gift (received or given) and US\$500 for hospitality (received or extended to a person) must be approved by the responsible compliance manager. To this end, an electronic notification system has been developed. The Internal Audit function conducts regular checks of the completeness and accuracy of records, either planned or requested by a compliance manager, and compliance specialists act on any recommendations promptly.

HOTLINE POLICY AND WHISTLE-BLOWING PROCEDURES

EVRAZ encourages employees to raise concerns to their line managers if they believe the company's policies or cardinal principles are somehow violated. If employees, clients, or contractors feel unable to do so via other means and procedures, a confidential hotline is available 24/7.

RULES ON SECURITIES DEALINGS

In 2016, the Group developed a set of measures to ensure compliance with the EU Market Abuse Regulation (the "MAR") which came into force in July 2016, including development of new Rules on securities dealings. All procedures relating to share dealings have been communicated to Persons Discharging Managerial Responsibility (PDMRs) and their Closely Associated Persons (CAPs). All PDMRs and permanent insiders have completed online training modules dedicated to MAR and Rules on securities dealings and passed relevant assessment.

Candidates' background and criminal record check

EVRAZ consistently performs thorough background and criminal record checks on all potential employees. Among other requirements and norms, the policy specifies that all necessary effort is invested only after the candidate gives written permission to work with his/her personal data. The company is committed to protecting each individual's privacy and works in full compliance with relevant laws on personal data.

Conflict of interest policy

A conflict of interest is a set of circumstances in which employees have financial or other personal considerations that may compromise or influence their professional judgment or integrity in carrying out their work responsibilities. The policy specifies how situations with signs of such conflicts are to be identified, considered, and duly taken care of. HR together with compliance managers routinely check if there are conflicts of interests in the company, whereas employees and particularly their managers are expected to provide information about any potentially risky situations. Special commissions consider cases that are reported and found to come up with the best possible solutions to each individual situation.

Contractors/suppliers due diligence check

To guard against unscrupulous, unreliable, or suspicious would-be agents and partners, the company runs comprehensive due diligence checks on a business or person prior to signing a contract. EVRAZ fervently upholds a know-your-partner/client policy and in doing so is fully compliant with the applicable anti-corruption laws. The investigation includes but is not limited to checking business reputation and solvency of the company, as well as the profile and reputation of its top management.

All business processes bearing high corruption risk are now duly covered by corresponding corporate regulations and policies, either updated or developed anew. The areas of concern include procurement of goods, works and services, government relations, archiving of tendering documentation, recruitment, sponsorship and charity payments, selling of goods, works and services. The effectiveness of these policies is closely monitored by the compliance and asset protection, internal audit and legal departments.

All EVRAZ sites have Anti-Corruption Compliance units. They routinely run checks on candidates, tenders, clients and potential conflicts of interest; conduct investigations into possible non-compliance with policies; monitor charity payments and hospitality spending; and act on whistleblower allegations of possible fraud, bribery or corruption.

Compliance Managers submit findings and any recommendations to local Managing Directors. Each month, the managers report all results to the Group's Compliance Officer and specialists under the Senior Vice President for Business Support. They review and analyse them and liaise with senior management as necessary.

Once a year, all Compliance Managers conduct comprehensive anti-corruption and fraud risk analyses in their respective areas. The findings are presented to local managers, who undertake corrective measures if necessary. The Group Compliance Officer then presents a consolidated analysis to the Audit Committee. The 2016 analysis, which found no major violations of anti-corruption statutes or cases of non-compliance with Group policies, was presented to the Committee in early February 2017.

Additional compliance control over payments to non-resident companies (specifically off-shore) is now also in place at Russian and Ukrainian assets. The Group has developed electronic means for compliance managers to approve such payments. Gifts and hospitality to be provided or accepted are also approved in the same fashion.

At Evraz North America, the Risk Committee approved a Conflict of Interest questionnaire that employees will be required to complete annually.

Anti-corruption training is progressing steadily. In 2016 alone, some 4,200 managers and specialists in Russia and Ukraine completed an online course developed by Thomson Reuters. Overall, the number of employees who have received training to date is close to 6,000. The programme is due to be developed further in 2017.