

APPROVED:  
by the Board of Directors of  
Public Joint Stock Company “Severstal”  
on 4 February 2019  
(Minutes № 1/2019 dated 4 February 2019)

## **Non-audit services policy of Public Joint Stock Company “Severstal”**

### **1. GENERAL PROVISIONS**

1.1 This non-audit services policy (“the Policy”) of Public Joint Stock Company “Severstal” (“the Company”) has been developed in accordance with the requirements of the applicable Russian law, the Charter and internal regulations of the Company, recommendations of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21 March 2014 and the UK Corporate Governance Code published by the Financial Reporting Council (FRC), FRC Guidance on Audit Committees and the Auditing Practice Board’s Ethical Standards.

1.2 This Policy applies to all companies, businesses and functional areas within Severstal group of companies (“the Group”); and to all situations where the Company proposes to engage with the Group external auditor (including its affiliates and network firms) (“the Auditor”) for the provision of non-audit services.

1.3 This Policy is in place to mitigate any risks threatening, or appearing to threaten, the Group’s Auditor’s independence and objectivity arising through the provision of non-audit services – namely services which:

- create conflicts of interest between the Auditor and the Group;
- results in the Auditor functioning in the role of management;
- results in a fee which is material relative to the audit fee or to the compensation of the individuals performing the audit;
- places the Auditor in the position of auditing its own work; or
- places the Auditor in the position of being an advocate for the Group.

1.4 The Auditor is only appointed to perform a service when doing so would be consistent with the requirements set out above and when its skills and experience make it the most suitable supplier. In addition, the Group should carry an assessment of whether it is probable that an objective, reasonable and informed third party would conclude independence is not compromised.

### **2. APPROVAL**

2.1 The approval of the Company’s Audit Committee must be obtained before the Group’s Auditor is engaged to provide any permitted non-audit services.

2.2 The Company's Audit Committee has pre-approved the use of the Group's Auditor for permitted audit related and non-audit services by a Group company subject to the following limits:

<b>Value of service requested</b>	<b>Approval required prior to engagement of the Auditor</b>
One-off - up to \$50,000 On monthly basis – up to \$150,000 per annum	Chief Financial Officer of the Company's managing organisation
One-off - \$50,000 and above On monthly basis - \$150,000 and above per annum	Audit Committee

2.3 For permitted non-audit services, the Group should:

- implement procedures to identify where there is a proposal to engage the Auditors and ensure the correct approval process is followed prior to entering into any formal engagement with the Auditor;
- ensure the appropriate justification is provided that the Auditor is the most appropriate supplier;
- ensure that all non-audit services purchased from the Auditor are reported to both the Chief Financial Officer of the Company's managing organisation and the Company's Audit Committee;
- ensure that procedures and communication plans are in place to ensure that prohibited services as defined in this Policy are not purchased from the Auditor.

2.4 When reviewing requests for non-audit services that are not in the 'prohibited non-audit services' list provided by this Policy, the Company's Audit Committee will assess:

- whether the provision of such services impairs the Auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats;
- the nature of the non-audit services;
- whether the skills and experience make the Auditor the most suitable supplier of the non-audit service;
- the fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the Group's audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

### **3. PERMITTED AUDIT AND AUDIT RELATED SERVICES**

3.1 *Audit services:*

- statutory and non-statutory audit of the Group's consolidated financial statements;
- statutory audits of the financial statements of the Company and its subsidiaries;
- review of the Group's quarterly consolidated financial statements;
- reporting required by applicable law or the Group's internal regulations to be performed by the Auditor.

3.2 *Audit related services:*

- reporting on internal financial controls where required by applicable law or the Group's internal regulations;
- reports on regulatory returns;
- extended audit work performed on financial information and/or financial controls where it is integrated with the statutory audit and performed on the same principal terms and conditions;
- reports on government grants.

3.3 Audit related services are still considered non-audit services and are subject to the approval requirements set out in this Policy. It is expected that these will be approved as part of the Company's Audit Committee review of the external audit plan.

### 3.4 *Permitted non-audit services*

The following non-audit services can be provided by the Group's Auditor:

- due diligence related to mergers and acquisitions;
- accounting consultations and audits in connection with acquisitions and disposals of businesses or in relation to proposed transactions;
- investment circular reporting accountant engagements, including comfort letters and consents in relation to documents issued in connection with securities offerings;
- employee benefit plan audits;
- attestation in relation to matters not required by statute or law (e.g. controls reports);
- consultations concerning financial accounting and reporting standards not relating to the audit of the Company;
- other reports required by regulators or assurance services relating to regulatory developments;
- sustainability audits;
- IT security audits (where this does not extend to designing and implementing internal control or risk management procedures);
- tax services (relating to preparation of tax (including transfer pricing) forms, payroll tax and support regarding tax inspections by tax authorities and directly related tax advice).

### 3.5 *Permitted other non-audit services*

In addition, other non-audit services may be engaged where:

- they are closely related to the work performed in the external audit process and are largely carried out by members of the audit team; or
- for reasons of effectiveness or efficiency, it is advantageous to use the Auditors because of their knowledge and expertise.

## **4. PROHIBITED NON-AUDIT SERVICES**

4.1 The following non-audit services cannot be provided by the Group's Auditor:

1. Tax services relating to:
  - customs duties;
  - calculation of direct and indirect tax and deferred tax;
  - provision of tax advice.
2. Services that involve playing apart in the management or decision-making of the audited entity.
3. Bookkeeping and preparing accounting records and financial statements.
4. Payroll services.
5. Designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems.
6. Valuation services, including valuations performed in connection with actuarial services or litigation support services.
7. Legal services, with respect to:
  - negotiating on behalf of the audit entity;
  - acting in an advocacy role in the resolution of litigation.
8. Services related to the audit entity's internal audit function.
9. Services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity.
10. Promoting, dealing in, or underwriting shares in the audited entity.
11. Human resources services with respect to management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve searching for or seeking out candidates for such positions; or undertaking reference checks of candidates for such positions.

## **5. FEES**

5.1 Any arrangement with the Group's Auditor that includes contingent fee arrangements is not permitted.

5.2 In addition, the total fees for non-audit services provided by the Auditor of the Group will be limited to no more than 70% of the average of the fees for audit services for the Group in the last three consecutive financial years.

## **6. CONFIRMATION OF INDEPENDENCE**

6.1 The Company's Audit Committee will seek annually from the Group's Auditor information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff.

## **7. FINAL PROVISIONS**

7.1 This Policy can be amended or restated by the Company's Board of Directors.

7.2 Where any provision of this Policy is in conflict with the applicable law, the appropriate provisions of the applicable law shall prevail.