

Audit Committee Report

(as of 31 January 2010)

The Audit Committee report to the shareholders of Evraz Group S.A. encompasses the committee's activities from the date of the last report as of 6 April 2009 to 31 January 2010.

As stated in the aforementioned report of 6 April 2009, Evraz Group's internal controls have demonstrated significant resilience and reliability, notwithstanding the severity of the global recession, the respective impacts on financial and commercial markets and the consequent challenges experienced by the Company, albeit in common with other constituents of the metals and mining sector. The relatively sedate pace of economic recovery serves to underline the ongoing importance of dependable business and financial controls and timely reporting and forecasting procedures in order to underwrite effective risk management.

Against this background, the Audit Committee has maintained its vigilance in exercising its oversight role in respect of financial reporting, internal controls and risk management.

In performing this duty, the committee has been assisted by the competence of the restructured management team, the financial management team and the internal audit department.

Role of the Committee

The Board has delegated to the committee the responsibility for oversight of Evraz Group's financial and operational internal controls and the Group's financial statements. Such responsibilities include overseeing the scope of the internal audit function, ascertaining the adequacy of available resource in this regard, planning and processing appropriate reviews.

Further, the committee has responsibility for managing the Company's relationship with its external auditor.

In relation to these responsibilities the committee has:

- Reviewed its Board mandate and the internal audit charter (The Company's internal audit charter can be found on the Company's website: <http://www.evraz.com/investor/governance/controls>)
- Reviewed the form, content and integrity of the Company's and Group's published financial statements (within the period of this report the audited consolidated Financial Statements for 2008 and the Interim results to 30 June 2009), including the related press releases.
- Monitored and reviewed arrangements to ensure the objectivity, scope and effectiveness of both the external and internal audit functions, including the proposed and respective programmes of audit work and the quality and independence of the respective audit functions. Costs, skill sets and available man-hours of the internal audit function have been reviewed and accepted as appropriate.
- Established the terms of reference of the Group's Risk Committee, an executive committee composed of the Group's senior functional and operational executives, including the Group Chief Executive, and co-opted the Chairman of the Audit Committee as Chairman of the Group's Risk Committee. John Heywood, a member of the Audit Committee, has also been co-opted to the Group's Risk Committee.

Composition of the Committee

The composition of the Audit Committee during the period was:

- Terry Robinson, (Chairman) a financially qualified independent non-executive director;
- Olga Pokrovskaya, a financially qualified non-executive director;

- John Heywood, a financially qualified, Board-nominated (not being a director of Evraz) member of the Committee. In addition to the Audit Committee papers, Mr Heywood receives copies of all Board minutes and has access to all Board papers.

Alexey Melnikov, Head of the Group's internal audit, served as the Committee's Secretary

The composition of the Audit Committee is not compliant with the Combined Code in that membership of the committee is not drawn wholly from the Board's resource of independent non-executive directors. The Board continues to ensure the Audit Committee's independence through a rigorous regard of the committee's mandate and its independent authority.

Report of the Committee's Activities in 2009

Meetings and attendance: six meetings of the Audit Committee, attended by all members, were held during the 10-month period.

The external auditor, Ernst and Young, the internal auditors and the Group's Senior Vice President and Chief Financial Officer, and additionally on his appointment as Senior Vice President, Head of International Business, attended all six regular meetings. Post his appointment, the Vice President, Corporate Affairs and Chief Financial Officer attended two meetings. At various additional meetings the committee received presentations from the Head of Accounting and Reporting, senior members of the Group's finance team and the Director of Investor Relations.

Principal activities and issues considered during the period from 6 April 2009 to 31 January 2010 were:

- Review of the 2008 Financial Statements, including a Going Concern review that included assumptions, sensitivities and stress tests; an impairment test and provision together with methodology, key assumptions and calculations; significant accounting judgments and management estimates; the external auditor's report, the Company's representation letter; the Management Report; the preliminary results press and stock exchange release and analysts' presentation.
- Review of the external auditor's management letter following their full year 2008 audit, together with the Company's management response and intended action.
- Review of the interim financial results and the interim results statement and analysts' business and financial presentation together with the associated presentations as with the annual financial statements referred to above.
- Reviewed the methodology and result of the Property, Plant and Equipment revaluation
- In connection with the review of the 2008 full year and 2009 interim accounts, the committee carefully enquired as to related party transactions. With the exception of raw material purchases from an associate enterprise, Rapsadskaya, and Yuzhny Gok, a Ukraine iron ore producer enterprise in which Lanebrook holds a 46% beneficial interest but does not have management control; a transaction fee related to the acquisition of the Ukraine Steel and Iron Ore interests, approved by the independent non-executive directors, and the sale agent fees of a minority shareholder in Stratcor, other related party transactions are minimal.
- Reviewed internal audit reports, discussed deficiencies and agreed management action and corrective action timelines.
- Review of the Group's incidence of fraud and activity in hand to manage and reduce such future incidence. Instigated a Group Fraud and Security Committee with agreed terms of reference.
- Reviewed the follow-up actions consequential from matters raised via the Group's 'whistleblowing' facilities.
- Reviewed the manpower resource and organisation of the Group's internal audit function.

In addition, the Audit Committee reviewed and discussed all the programmed internal audit reports concerned with the business and financial internal controls and processes together with initial reviews of the functional internal controls in respect of the acquired subsidiaries.

The committee has met with the external auditors, Evraz's management and with the internal audit team separately for individual discussions.

Non-Audit Services



As reported in previous years, the Group engages accountancy firms for due diligence work in connection with acquisitions and listing documentation and for tax advice. Where such services are provided by the external auditors, the committee has agreed fee limits with management in respect of non-audit services. When these limits have been exceeded, prior approval to such engagements, together with fee mandates, have been requested by management and approved on proper enquiry by the Audit Committee.

In the year to 31 December 2009, the interim review and year-end audit fees totaled US\$ 6,926,861; other audit-related services amounted to US\$ 374,276, while non-audit fees were US\$ 123,296.

Audit Committee Self-Assessment

The Audit Committee undertook a self-assessment of its own activity and conducted assessments with the external auditors, the internal audit function and with Evraz's management.