

INTERNAL AND EXTERNAL AUDIT

Metinvest maintains an internal audit function as an independent body within the Group to assist management in achieving the Group's strategic objectives through the systematic monitoring and evaluation of risk management, internal controls and governance areas. In addition, Metinvest engages an independent auditor to audit its financial statements to ensure they give a true and fair view of the Group's financial performance.

INTERNAL AUDIT



Metinvest's Internal Audit Directorate is an independent appraisal function established within the Group to examine and evaluate its activities.

Key Internal Audit roles include:

- Helping management to achieve strategic objectives by using a systematic and consistent approach to risk assessment, improving the effectiveness of the risk management process, control systems and corporate governance in accordance with best practices
- Assisting management in evaluation and development of appropriate/efficient internal controls within existing/newly introduced key processes by providing quality assurance to other functions
- Ensuring that all key risks are identified and continuously updated and covered by existing processes or initiatives launched by management
- Ensuring that operational risks are monitored by management in a structured and efficient manner and any significant gaps in operational controls are addressed by management in real time
- Applying an aligned assurance approach throughout the organisation where all audit activities of all functions are coordinated, minimum audit quality standards are set with the appropriate process of prioritisation of recommendations and monitoring of their implementation.

The independence of the Internal Audit function is ensured by its direct line of reporting to the Chairman of the Supervisory Board's Audit and Finance Committee.

The function consists of the following streams:

- Supply Chain Management and Sales
- Mining and Metallurgical Operations
- CAPEX and Technology
- Finance, Strategy and HR
- Proactive IT Assurance
- Strategic and Operational Risks
- Extended Operational Audit.

This structure ensures expertise and knowledge in the Group's various business processes and technologies. The function has highly qualified personnel with a wide range of professional experience, as well as such certifications and qualifications as certified internal auditor, certified information security manager, chartered financial analyst, project management professional and chartered certified accountant.

During 2019, Internal Audit accomplished 45 engagements according to the approved audit plan. Key areas of attention included production, supply of raw materials and services management, internal logistics, risk management, IT integrity and effectiveness of operations as well as the efficiency of maintenance and repair.

Management is responsible for ensuring that the issues raised by Internal Audit in its work process are addressed in a timely manner. During 2019, as part of a project to increase the efficiency of the Internal Audit process, the function initiated a self-disclosure process among Group companies to identify key areas for performance improvement. Around 200 areas for performance improvement were disclosed by management, the most important of which are included in Metinvest's objectives for 2020.

The Internal Audit Director periodically assesses whether the purpose, authority and responsibility of the Internal Audit function continue to enable it to accomplish its objectives. As a result of the assessment and the evolving nature of its responsibilities, a review of the Internal Audit function's organisational structure has been initiated, which has prompted a change from specialisation by expertise to a functional approach that brings clarity to the type of services provided to the organisation and allows for more efficient management.

Beginning in 2019, and continuing in 2020, the Internal Audit function is working to implement an aligned assurance concept to provide better risk coverage by coordinating the efforts of all assurance functions within the organisation. The current focus is placed on the alignment of monitoring controls.

EXTERNAL AUDITOR



Since 2007, the Group has prepared its consolidated financial statements in accordance with IFRS as adopted by the EU and has engaged an independent external auditor to audit them each year. For the 12 months ended 31 December 2019, Metinvest has engaged PwC to perform this external audit and provide an opinion on the IFRS consolidated financial statements. The measures in place to safeguard the independence of the external auditor and ensure a high quality of services include mandatory rules requiring rotating the signing partner and obtaining pre-approval for all non-audit services.