

OPINION

Of the Internal audit of Mechel, Public Joint Stock Company, on the effectiveness of the systems of Risk management, Internal control and Corporate governance in 2020

Moscow

May 20th 2021

In accordance with Federal law “On Joint Stock Companies” No. 208-FZ dd. December 26th 1995, the Internal Audit Department performed the assessment of the effectiveness of the systems of Risk management, Internal control and Corporate governance of Mechel PAO (hereinafter the “Company”) in 2020.

The reliability and effectiveness of the risk management and internal control systems in 2020 was assessed by Internal Audit Department based on Concept “Internal control – Integrated model” (2013) developed by Committee of Sponsoring Organizations of the Treadway Commission (COSO) and on Concept “Enterprise risk management. Integration with the strategy and effective performance” (2017) developed by Committee of Sponsoring Organizations of the Treadway Commission (COSO).

When performing the assessment of the corporate governance effectiveness the Internal Audit Department was governed by Code of Corporate Governance recommended by the Bank of Russia in its letter No. 06-52/2463 “On the Code of Corporate Governance” dd. April 10th 2014.

The following engagements were performed by Internal Audit Department for the purpose of assessment of this opinion:

1. Comprehensive assessment of the organization and functioning of the corporate governance system in 2020.
2. Comprehensive assessment of the organization and functioning of the internal control system in 2020.
3. Comprehensive assessment of the organization and functioning of the risk management system in 2020.

Respective plans of activities to improve the efficiency of the above mentioned systems of the Company were developed based on the results of the assessments performed. The above mentioned plans of activities currently undergo through respective approval procedures, the planned timelines for the performance of the planned activities have not been yet due.

Based on the results of the above mentioned engagements it was concluded by Internal Audit Department that the risk management, internal control and corporate governance systems of the Company were effective in 2020 but yet there is some potential for its improvement.

Director of the Internal Audit Department of Mechel PAO

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