

in fatalities in 2019, driven by the crew bus accident at Rospadskaya mine, after the discussion with and with the agreement of the CEO, the Committee decided not to award the CEO bonus. Although changes in behavior and practices take time to achieve improved safety figures, the CEO considers the increase in the number of fatalities unacceptable.

Through the ongoing dialog with the management, the Committee maintained its thorough understanding of the operation of remuneration arrangements throughout the Group and under its amended terms of reference approved the remuneration of the senior executives operating immediately below the CEO.

In line with its commitment to good corporate governance, the Group will continue

to monitor investors' views, best-practice developments and market trends on executive remuneration. These will be considered when deciding on executive remuneration at EVRAZ to ensure that its Remuneration Policy remains appropriate in the context of business performance and strategy.

Link with business strategy

EVRAZ actualised strategic priorities define the selection of KPIs for the CEO.

These strategic priorities are reflected in the Group's approach to executive remuneration and a large proportion of the CEO's remuneration is linked to performance through the annual bonus.

Achievement within the annual bonus is based on the Group's key quantitative financial, operational and strategic measures to ensure focus is spread across the key aspects of Group's performance and strategy. The exact measures and associated weighting are determined on an annual basis according to the Company's strategic priorities for the year.

For 2019, the following five indicators, each with an equal weighting of 20%, were considered when determining the CEO's annual bonus: LTIFR, EBITDA, Free Cash Flow (adjusted), Cash Cost Index and the Committee's assessment of overall performance against strategic objectives. The KPIs are specific and focus on deliverables to support the Group's strategy.

How business strategic priorities align to overall reward at EVRAZ

CEO KPIs	Weighting	Sustainable development	EVRAZ Business System	Debt management and stable dividends	Prudent CAPEX	Retention of Low-cost position	Development of product portfolio and customer base
LTIFR	20%	X	X				
EBITDA	20%		X	X	X	X	X
Adjusted FCF	20%		X	X	X	X	X
Cash Cost Index	20%		X		X	X	
Strategic Objectives	20%	X	X		X	X	X

POLICY REPORT

Shareholder approval is to be sought at the 2020 AGM for an updated policy (which is outlined on pages 131-135) which will, subject to that shareholder approval.

This updated policy contains the following key changes to the policy approved in 2017 by shareholders (which is available at <https://ar2017.evraz.com/en/governance/remuneration-report>):

- Future executive directors will receive a pension benefit no higher than that provided (as a percentage of salary) to the workforce level
- Introduction of formal shareholding guidelines requiring any future executive director to build over time and then retain shares worth at least 200% of salary normally for the period of two years after ceasing to be an executive director

- The ability for the Committee to reduce bonus payments to reflect EVRAZ overall performance, as well as safety record and procedures

The Remuneration Policy's primary objectives are to attract, retain and reward talented staff and management, by offering compensation that is competitive within the industry, motivates management to achieve the Group's business objectives, encourages a high level of performance and aligns the interests of management with those of shareholders.

The Committee reserves the right to make any remuneration payments and payments for loss of office that are not in line with the policy set out below where the terms of the payment were agreed before the policy came into effect or at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Company.

The CEO's incentive arrangements are subject to "malus", under which the Committee may adjust bonus payments downwards to reflect the Group's overall performance including safety underlying practices and resulting performance. The Committee does not operate clawback arrangements on directors' remuneration on the basis that such arrangements would not be enforceable under the Russian Labour Code. The Committee will keep this under review and should the Russian Labour Code change, it will revisit the inclusion of such provisions in the Group's variable remuneration plans in order to comply with the 2018 UK Corporate Governance Code.

The Committee may make minor amendments to the Remuneration Policy set out below (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Executive director				
Base salary	Provides a level of base pay to reflect individual experience and role to attract and retain high calibre talent.	<p>Normally reviewed annually, considering individual and market conditions, including: size and nature of the role; relevant market pay levels; individual experience and pay increases for employees across the Group.</p> <p>For the current CEO, base salary incorporates a director's fee (paid to all directors of the Company for participation in the work of the Board committees and Board meetings – see the section on Non-executive Director Remuneration Policy below).</p> <p>Where a salary is paid in a currency other than US dollars, the Committee may make additional payments to ensure that the total annual salary equals the level of annual salary in US dollars.</p>	<p>Generally, the maximum increase per year will be in line with the overall level of increases within the Group.</p> <p>However, there is no overall maximum opportunity as increases may be made above this level at the Committee's discretion, to take account of individual circumstances such as increases in scope and responsibility and to reflect the individual's development and performance in the role.</p>	None
Benefits	To provide a market level of benefits, as appropriate for individual circumstances, to recruit and retain executive talent.	<p>Benefits currently include private healthcare. Other benefits (including pension benefits) may be provided if the Committee considers it appropriate. The current CEO does not participate in any pension scheme at this time.</p> <p>In the event that an executive director is required by the Group to relocate, or following recruitment, benefits may include but are not limited to a relocation, housing, travel and education allowance.</p>	<p>The cost of benefits will generally be in line with that for the senior management team. However, the cost of insurance benefits may vary from year to year depending on the individual's circumstances.</p> <p>The overall benefit value will be set at a level the Committee considers proportionate and appropriate to reflect individual circumstances, in line with market practices.</p> <p>There is no total maximum opportunity.</p>	None
Annual bonus	To align executive remuneration to Group strategy by rewarding the achievement of annual financial and strategic business targets.	<p>The Group operates an annual bonus arrangement under which awards are generally delivered in cash.</p> <p>Targets are reviewed annually and linked to corporate performance based on predetermined targets.</p>	Up to 200% of base salary in respect of any financial year of the Group.	<p>The bonus is based on achievement of the Group's key quantitative financial, operational and strategic measures in the year to ensure focus is spread across the key aspects of Group performance and strategy.</p> <p>The exact measures and associated weighting will be determined on an annual basis, according to the Group's strategic priorities, however at least 60% will be based on Group financial measures.</p> <p>For achievement of threshold performance, 0% of maximum will be paid, rising straight line to no more than 50% of maximum for target performance and 100% of maximum for outstanding performance.</p> <p>The Committee retains discretion to adjust bonus payments to reflect the Group's overall performance.</p>

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Non-executive directors				
Chairman and non-executive director remuneration	To provide remuneration that is sufficient to attract and retain high calibre non-executive talent.	<p>Director fees are normally paid in the form of cash, but with the flexibility to forgo all or part of such fees (after deduction of applicable income tax and social taxes) to acquire shares in the Company should the non-executive director so wish. Non-executive director fees are reviewed from time to time.</p> <p>Non-executive directors receive an annual fee for Board membership.</p> <p>Additional fees are payable by reference to other Board responsibilities taken on by the non-executive directors (for example, membership and chairmanship of the Board committees).</p> <p>The chairman of the Board receives an all-inclusive annual fee.</p> <p>Costs incurred in the performance of non-executive directors' duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the costs. This may include travel expenses, professional fees incurred in the furtherance of duties as a director, and the provision of training and development. In addition, the Company contributes an annual amount towards secretarial and administrative expenses of non-executive directors.</p> <p>Non-executive directors may not participate in the Company's share incentive schemes or pension arrangements.</p> <p>Total fees paid to non-executive directors will remain within the limit stated in the Articles of Association.</p>		

Performance measures and targets

Annual bonus measures and targets are selected to provide an appropriate balance between incentivising the director to meet financial objectives for the year and achieving key operational objectives. The Remuneration Committee reviews them annually to ensure that the measures and weightings are in line with the strategic priorities and needs of the business.

Remuneration arrangements throughout the Group

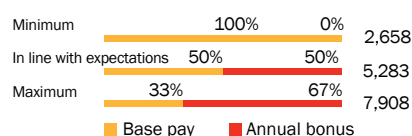
This remuneration approach and philosophy is applied consistently at all levels, up to and including the executive director. This ensures that there is alignment with business strategy throughout the Group. Remuneration arrangements below Board level reflect the seniority of the role and local market practices, and therefore the components and remuneration levels for different employees may differ in parts from the policy set out above.

For instance, in addition to a base salary, a performance-related bonus (calculated by reference to KPIs aligned with the Group's strategy) and benefits, senior managers are also entitled to participate in a long-term incentive programme. This is designed to align the interests of these individuals to the delivery of long-term growth in shareholder value. The current CEO already holds a substantial shareholding in the Group and therefore does not participate in this plan.

Illustration of the application of the Remuneration Policy

The following chart provides an indication of what could be received by an executive director under the Remuneration Policy.

Application of the remuneration policy, US\$ thousand



Policy on recruitment of executive directors

This part of the Remuneration Policy has been developed to enable the Group to recruit the best candidate possible who will be able to contribute to the Group's performance and will help to reach its goals.

In the event of hiring a new executive director, remuneration would be determined in line with the following Remuneration Policy.

So far as practicable and appropriate, the Remuneration Committee will seek to structure pay and benefits of any new executive directors in line with the current Remuneration Policy.

In relation to any pension benefits, these will not exceed the percentage of salary earned by the majority of the workforce (either of the Group or the county in which the executive director works).

Notwithstanding this, the Committee recognises that the Remuneration Policy set out above is tailored towards the only current executive director, the CEO, who has a significant shareholding in the Company. Any new executive director is likely to have a different fact-pattern to the current CEO, and thus the Committee believes it is important to retain the flexibility to be able to offer other elements, namely market-competitive, share-based incentive programmes, which are linked to the Group's performance and designed to align the executive director's interests to the delivery of growth in shareholder value.

The maximum level of variable remuneration which may be granted in respect of recruitment (excluding any buyouts) will not exceed the ongoing policy of more than 200% of base salary, as described in the policy table above. This additional headroom has been capped at a level comparable with maximum award levels seen in conventional long-term incentive plans used in the wider UK-listed market.

The Committee's intention would be for any share-based incentive awards to be subject to performance conditions. Where the intention is to grant regular long-term incentive awards to a candidate, the Committee would seek appropriate shareholder approval for a new share plan in accordance with the Listing Rules.

When setting salaries for new hires, the Committee will consider all relevant factors, including the skills and experience of the individual, the market from which they are recruited, and the market rate for the role. For interim positions, a cash supplement may be paid rather than salary (for example, a non-executive director taking on an executive function on a short-term basis).

To facilitate recruitment, the Committee may need to compensate an executive director for the loss of remuneration arrangements forfeited on joining the Company. In granting any buyout award, the Committee will consider relevant factors, including any performance conditions attached to the awards forfeited, the form in which they were granted (eg cash or shares) and the timeframe of the awards. The Committee will generally seek to structure the buyout on a comparable basis to awards forfeited. The overriding principle is that any buyout award would be at or below the commercial value of remuneration forfeited.

The Committee retains the flexibility to alter the performance measures of the annual bonus for the first year of appointment, if it determines that the circumstances of the recruitment merit such alteration.

Where an executive director is appointed from within the organisation, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an executive director is appointed following an acquisition of, or merger with another company, legacy terms and conditions will be honoured.

On the appointment of a new chairman or non-executive director, their remuneration will typically be in line with the Remuneration Policy as set out above. Any specific cash or share arrangements delivered to the chairman or non-executive directors will not include share options or any other performance-related elements.

Policy on shareholdings of executive directors

The Company's policy is that executive directors should hold shares in the Company and any new executive director will be required to build and retain a level of shareholding in the Company. The application of this will be contained from time to time in the Annual Remuneration Report and is currently set at 200% of salary. This level of shareholding (or the actual level on departure if it is lower) will normally have to be retained for two years following ceasing to be an executive director. As the current executive director, the CEO, has a holding in excess of 9.69% of the Company and does not participate in share plans, this guideline does not apply to him.

Executive director's service contract and loss of office policy

The CEO has a service contract with a subsidiary of EVRAZ plc. The CEO's service contract does not provide for any specific notice period and therefore, in the event of termination, the applicable notice period will be as provided for in the Russian Labour Code from time to time (where the termination is at the Company's initiative, the entitlement to pay in lieu of notice is currently limited to three months' base salary). The Committee may determine that a termination payment of up to 12 months' base salary should be paid, taking into consideration the circumstances

of departure. Going forward, all new executive directors' contracts will normally provide for a notice period of no more than 12 months and for any compensation provisions for termination without notice to be capped at 12 months' base salary and contractual benefits.

There is no automatic entitlement to annual bonus and executive directors would not normally receive a bonus in respect of the financial year of their cessation. However, where an executive director leaves by reason of death, disability, ill-health, or other reasons that the Committee may determine, a bonus may be awarded. Any such bonus would normally be subject to performance and time pro-rating, unless the Committee determines otherwise.

Executive director	Date of contract	Notice period (months)
Alexander V. Frolov	31 December 2019	N/A

Non-executive directors' letters of appointment

Each non-executive director has a letter of appointment setting out the terms and conditions covering their appointment. They are required to stand for election at the first AGM following their appointment and, subject to the outcome of the AGM, the appointment is for a further one-year term. Over and above this arrangement, the appointment may be terminated by the director giving three months' notice or in accordance with the Articles of Association. Letters of appointment do not provide for any payments in the event of loss of office.

All directors are subject to annual reappointment and, accordingly, each non-executive director will stand for re-election at the AGM on 16 June 2020.

Key terms of non-executive directors' appointment letters

Non-executive directors	Date of contract	Notice period
Alexander G. Abramov	14 October 2011	Three months
Karl Gruber	14 October 2011	Three months
Alexander Izosimov	28 February 2012	Three months
Sir Michael Peat	14 October 2011	Three months
Deborah Gudgeon	31 March 2015	Three months
Eugene Shvidler	14 October 2011	Three months
Eugene Tenenbaum	14 October 2011	Three months
Laurie Argo	8 August 2018	Three months

Copies of the directors' letters of appointment or, in the case of the CEO, the service contract, are available for inspection by shareholders at the Group's registered office.

Consideration of conditions elsewhere in the Group

Management prepares details of all employee pay and conditions, and the Committee considers them on an annual basis. The Committee takes this into account when setting the CEO's remuneration.

However, it does not consider any direct comparison measures between the executive director and wider employee pay. The Group does not formally consult with employees on executive director remuneration.

Consideration of shareholder views

When determining the Remuneration Policy, the Committee considers investor body guidelines and shareholder views.

ANNUAL REMUNERATION REPORT

This section summarises remuneration paid out to directors for the 2019 financial year, and details of how the Remuneration Policy will be implemented in the 2020 financial year.

Executive director's remuneration

In 2019, the CEO, Alexander Frolov, was entitled to a base salary, a performance-related bonus and provision of benefits. As a member of the Board, he is also entitled to a director's fee (US\$150,000) and any applicable fees for participation in the work of the Board committees as laid out in the section below on non-executive director remuneration.

However, the Committee considers these fees to be incorporated in his base salary. Alexander Frolov's current shareholding (9.69% of issued share capital as of 31.12.2019) provides alignment with the delivery of long-term growth in shareholder value. As such, the Committee does not consider it necessary for the CEO to participate in any long-term incentive plans or to impose formal shareholding guidelines. However, the Committee will continue to review this on an ongoing basis.

Single total figure of remuneration (audited)

Key elements of the CEO's remuneration package received in relation to 2019 (compared with the prior year)

Alexander V. Frolov	2019 (US\$)	2018 (US\$)
Salary and director fees ¹	2,625,000	2,500,000
Benefits	32,970	33,506
Bonus	0	2,860,378
Total	2,657,970	5,393,884

Base salary

The Committee approved the CEO's current salary on 1 January 2019 at the level of US\$2,625,000 (which includes, for the avoidance of doubt, the director's fee, fees paid for committee membership and any salary from subsidiaries of EVRAZ plc).

Pension and benefits (audited)

The CEO does not currently receive any pension benefit or allowance. Benefits consist principally of private healthcare.

Annual bonus

The CEO is eligible for a performance-related bonus that is paid in cash following the year-end, subject to the Committee's agreement and the Board of Directors' approval. The bonus is linked to achieving performance conditions based on predetermined targets set by the Board of Directors. The target bonus is 100% of base salary with a maximum potential of 200% of base salary.

Annual bonus for 2019 (audited)

The bonus is linked to the Group's main quantitative financial, operational and strategic measures during the year to ensure alignment with the key aspects of Group performance and strategy. For 2019, the following five indicators, each with an equal weighting of 20%, were considered when determining the CEO's annual bonus: LTIFR, EBITDA, Free Cash Flow (adjusted), Cash Cost Index and committee assessment of overall performance against strategic objectives.

The Committee reviews the resulting bonus payout to ensure that it is appropriate considering the Group's overall performance, as well as safety record and procedures.

In 2019, EVRAZ reached or outperformed the threshold target for all of its operational and financial KPIs with the exception of LTIFR. Management has delivered a robust set of financial and operational results and continued to advance core strategic projects according to plan. In normal circumstances, such performance would warrant a payout ratio of 24.47% of the maximum possible payout.

Details of the targets set for each KPI, the actual achievement in the year, and total payout level for the 2019 bonus

KPIs	Result measurement			Actual 2019	Bonus payout (% of max)
	Threshold	Planned level (% of target)	Outstanding		
LTIFR	2.0	1.67	1.34	2.04	0%
EBITDA	US\$2,574m	US\$3,217m	US\$3,860m	US\$2,601m	2.1%
Adjusted FCF	US\$1,426m	US\$1,783m	US\$2,140m	US\$1,549m	17.3%
Cash cost index	110%	100%	90%	99%	53%
Discretion	Remuneration Committee assessment of overall performance against strategic objectives				50%
Total					24.47%

¹ The salary is paid in roubles and the amounts paid in the year are reconciled at the year-end so as to equal US\$2,625,000.