

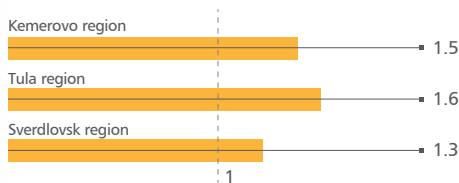
MOTIVATION AND EMPLOYEE ENGAGEMENT

The issue of creating decent and favourable working conditions for employees is an important part of the EVRAZ HR strategy. In order to achieve this, we pay special attention to the motivation of employees – both financial and non-financial. Also, in order to facilitate employees' achieving better results and producing more ideas, EVRAZ pays special attention to the issue of employee engagement.

Financial motivation

EVRAZ offers our employees competitive wages. The Group seeks to provide employees with a level of remuneration at or higher than mid-market values. At the same time, the level of wages of employees that work under fixed-term contracts does not differ from the level of wages of employees working under permanent contracts. Exceptions are university students who do internships at EVRAZ, as well as employees who work part-time – these do not receive annual bonuses or vacation travel vouchers.

AVERAGE WAGE RATIO, EVRAZ VS THE REGION OF PRESENCE, 2018



In 2018 we continued to work on shifting from a varied payment system at companies to a unified payment system across the Group. Top management approved a project to develop a target payment system in EVRAZ, which will be the same for all companies. Hence in 2019 we will launch a two-year project to complete changes of the EVRAZ payment system.

In 2018 we conducted grading evaluations and approved an annual merit increase review. In addition, the Grading Committee of the Group regularly held meetings to assess new jobs and to update the grading system.

In order to guarantee the competitiveness of wages and the ratio of their fixed and variable (which includes the annual bonus share) components, in 2018 work was carried out to systematise the approach to determining the target structure of the bonus component. In addition, we optimised a long-term incentive programme (LTIP), which made it possible to build a grade-based approach to managing remuneration in the Management Company.

Currently there are 18 grades, each subject to a different salary range. In order to build a proper wage policy, we analyse the data of EVRAZ Russian peers, which are the largest metals and mining companies.

Non-financial motivation

EVRAZ employees are also provided with a broad, non-financial compensation package, which not only meets but exceeds minimum legal requirements. Packages include a voluntary medical insurance programme, additional voluntary insurance against accidents at work, a corporate pension programme, free wellness leave vouchers for employees and their families, and a reduction in mortgage payments programme. In addition, there is a special programme to support former EVRAZ employees who have worked for 10 or more years in the Group.

In 2018 HR Directorate updated the Corporate Awards Policy, which included establishing new corporate work experience awards for employees of the EvrazHolding LLC corporate centre such as awards for 10, 15, and 20 years of experience.

EVRAZ employees receive a comprehensive health-related social package, which is currently comprised of three parts:

- voluntary health insurance (VHI), including variations (for example, additional insurance for industrial accidents)
- Health check-ups (complex express medical examinations for major part of employees)
- Availability of production facility doctors (each employee can visit a doctor without having to leave their production facility)

In addition, every company has decentralised functions which are determined by the company itself. For example, rehabilitation (the issue of vouchers), sports events (competitions), etc. In 2018, during health check-ups, cases of serious diseases were identified, which helped begin respective treatments in time. In EVRAZ there is well-established instant emergency response system in place.

For more information, see the section Health & Safety, pages 40-45.

There are plans to upgrade the health programme for employees and managers in 2019. For Top-300 programme participants we are planning an initiative called Doctor Maintenance, which will help managers adopt healthy lifestyles.

In 2018, in the Siberia region of Steel segment, the pilot project Cafeteria was launched, aimed at increasing the attractiveness of jobs, motivating employees to work more productively, and boosting employee engagement. The project gives employees an opportunity to be compensated, within certain limits, for social service costs that are included on the approved list. To increase the motivational component, the Cafeteria costs fund is divided into two parts: Permanent and Motivational. The Permanent part includes a basic VHI package, payments for meals, corporate events, New Year presents, and the Corporate Awards Policy. The Motivational part includes an extended VHI package, a mortgage programme, children's health improvement programmes, and sports activity engagement. In November 2018, a Permanent package for employees was implemented, and in May 2019 a Motivational package is planned to be introduced.

Social and labour conditions

It is very important for the Group to ensure decent labour and social conditions for employees. EVRAZ regularly implements and maintains programmes that unify standards for the maintenance of non-production premises. These programmes are aimed at creating comfortable social and living conditions for EVRAZ employees. Overhauls of washing offices, wardrobes, sanitary facilities, and rest rooms are carried out on a regular basis. All work is performed in accordance with unified requirements approved for all EVRAZ companies.

Documents to standardise employee catering are regularly updated in order to establish unified structural and methodological requirements for organising catering at all EVRAZ companies. These documents establish general requirements for organising public catering and stipulate control methods that ensure its health and life safety, as well as the procedure for organising relations among public catering enterprises and between an employee and an enterprise within the scope of public catering.

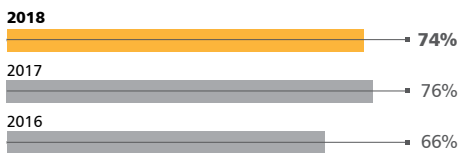
Employee engagement

Effective dialogue between management and Group employees is an important part of ensuring that the business develops successfully. EVRAZ is trying to be open to such a dialogue, and for this purpose communication channels such as polls and a hotline are used, and various related events are held.

Since 2016 EVRAZ has conducted an annual research into employee engagement. In 2018 the We Are Together engagement survey was

conducted for the third time. This year, the geography of the survey was expanded, and it was joined by employees from the Shared Service Centre, Trade Company EvrazHolding, EVRAZ Metall Inprom, EVRAZ North America, and Evraztekhnika. As last time, the companies of the Urals and Siberia regions of Steel segment, Coal segment, as well as EVRAZ Vanady Tula and EvrazHolding Management Company took part in the survey. In addition, this year the survey for the first time covered the issue of discrimination. We sought to obtain quantitative results to track engagement level dynamics within the Group, as well as qualitative results during work with focus groups. At the end of December a strategic session was held, where 300 top managers, including the CEO, and shop managers examined the results of the survey and discussed the engagement improvement strategy. It is important for EVRAZ to ensure that each employee is fully aware of this area, hence the survey results were also published in the corporate newspaper and in the Company's intranet. Thus we achieved full disclosure and transparency of the engagement survey results. In 2018, 43,285 employees took part in the survey, with the bulk of respondents having worked at EVRAZ for more than 10 years. The employee engagement survey response rate in 2018 was 75%, which was 1% lower than in 2017.

DYNAMICS OF EMPLOYEE ENGAGEMENT SURVEY RESPONSE RATE, 2016–2018, %



At the beginning of 2019 we plan to work with focus groups and hold Town Halls (meetings

Case study



THE POWER OF GENERATIONS

In 2018 a joint project between EVRAZ and Komsomolskaya Pravda, The Power of Generations, was launched: <https://www.kp.ru/best/msk/sila-pokolenij/>

The project consists of six success stories featuring experienced EVRAZ mentors and talented younger employees, and showcases the growing skills and career paths of Evraz people, who also work at the Group's key assets: EVRAZ Kachkanarsky GOK, EVRAZ NTMK, Rapsadskaya, and EVRAZ ZSMK. The project underscores the importance of blue-collar professions and seeks to boost their popularity among young people.

of the Vice President and top-managers with employees), where HR department employees will discuss the results of the survey as well as problems identified. Then in the workshops meetings will be held, where each shop manager brings his employees together and they elaborate solutions to boost the engagement level. This communication process repeats every year. In the engagement survey many volunteers are involved. Moreover, there is a cross-functional working group, which comprises trade unions, production employees, and representatives of all target audiences. At the end of 2019 EVRAZ will conduct the survey again in order to evaluate the effectiveness of the measures taken.

One of the key area of working with employees is improving EVRAZ corporate culture. The corporate culture forms an integral element of the Group's success, and inspires employees to fulfil respective goals and objectives. The EVRAZ corporate culture includes advanced communication channels with employees (corporate portal, newspaper, hotline), meetings between employees and management on various issues, and related events.

The Group pays special attention to the creation and preservation of our history, therefore EVRAZ decided to launch a project to popularise the success stories of EVRAZ employees.

LEARNING AND DEVELOPMENT

In order to develop the potential of employees, it is necessary to implement and maintain various staff training and development programmes. In this regard, EVRAZ works in parallel on developing employees, management, mentorship programmes, and interaction with external bodies.

For more information, see pages 84-85 of the Annual report.

In 2018 the average number of training hours per year per employee decreased by almost 11% compared to 2017.

In 2018 EVRAZ continued with the From Foreman to Managing Director programme, whose participants are foremen with an average

KEY LEARNING AND DEVELOPMENT AREAS IN EVRAZ, 2018, (number of employees)

Developing employees

- WorldSkills championship (142)
- Health and Safety learning (all employees)

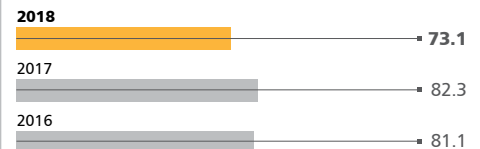
Developing management

- Top-300 programme (104)
- From Foreman to Managing Director programme (448)

Partnership programmes

- New EVRAZ Leaders programme (64)

AVERAGE NUMBER OF TRAINING HOURS PER YEAR PER EMPLOYEE, 2016–2018¹



¹ The figure comprises data on EVRAZ ZSMK (incl. Evrazruda), EVRAZ NTMK, EVRAZ KGOK, Rapsadskaya Coal Company, EVRAZ Vanady Tula.