

# REMUNERATION REPORT



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Independent Non-Executive Director,

Chairman of the Remuneration Committee

I am pleased to present EVRAZ' annual report on directors' remuneration and to confirm that the committee has taken its decisions fully in line with the shareholder-approved policy. This policy is designed to help deliver the Group's sustainable business objectives and maximise long-term returns to shareholders. I am pleased to report our new remuneration policy was confirmed at the 2020 AGM with 95.9% approval.

## INTRODUCTION

This report has been prepared in accordance with the relevant UK company laws and regulations (the "Regulations"). It also meets the relevant requirements of the Financial Conduct Authority's Listing Rules and describes how the Board has applied the principles of good governance as set out in the 2018 UK Corporate Governance Code (July 2018).

This report contains both auditable and non-auditable information. The information subject to audit by the Group's auditors, Ernst & Young LLP, is set out in the Annual Remuneration Report and has been identified accordingly.

### Directors' remuneration policy

The current Remuneration Policy was approved by shareholders at the Annual General Meeting (AGM) in June 2020. The Regulations require that shareholders formally approve the policy every three years and therefore the next occasion will be at the AGM in 2023.

This policy is broadly the same as the previous version as, following a review by the committee, it was felt to still be appropriate for the Group's requirements. However, the committee has made some small changes to better reflect current market practice, as detailed below.

### Annual remuneration report

The second part of the report, the Annual Remuneration Report, sets out details of remuneration paid in 2020 and how the Group intends to apply its Remuneration Policy in 2021. This section will be put to an advisory shareholder vote at the forthcoming AGM.

### Key decisions taken during the year

The committee operated under its terms of reference (as described on **page 139**) without conflicts of interest and having sought advice to determine the future policy.

The committee assessed the performance of the CEO against predetermined KPIs and targets as well as the overall performance of the Group and concluded that the CEO's annual bonus payout for 2020 should be 59.75% of the maximum. This assessment included a review of the performance of the business according to ESG parameters and positive developments achieved during the year that set the business up for future improvements. Despite global uncertainty and the negative impact on world economies caused by the COVID-19 pandemic, the performance of the Group has been strong from both operational and financial perspectives, meeting most established targets and showing good progress on strategic projects. During the year, the Group continued to increase its focus on health and safety, placing paramount importance on measures aimed to improve the safety culture, which led to significant improvements in this area. Further details can be found on **pages 134-135**.

Through an ongoing dialogue with management, the committee maintained a thorough understanding of remuneration arrangements across the Group and, under its amended terms of reference, approved the remuneration of the senior executives operating immediately under the CEO.

In line with its commitment to good corporate governance, the committee will continue to monitor investors' views, developments in best practices and market trends on executive remuneration. These will be considered when deciding on executive remuneration at EVRAZ, in order to ensure that its Remuneration Policy remains appropriate in the context of business performance and strategy.

### Link with business strategy

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

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

The determination of 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 2020, 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