

Motivation and engagement

We recognise that factors such as employee engagement, financial and non-financial motivation, and working conditions largely determine our operational efficiency. For this reason, we devote special attention to these issues as part of the EVRAZ HR strategy.

FINANCIAL MOTIVATION

EVRAZ endeavours to make the remuneration system at our enterprises transparent and comprehensible for employees, as well as consistent with internal regulations and external competitiveness.

A unified remuneration system, based on a grading system, was launched in 2017 at EvrazHolding, Management Company in Moscow. The system covers executive and administrative staff and uses uniform principles to manage the fixed and variable compensation of employees. Salary levels are determined based on the market range established for each grade, and are reviewed annually based on assessments of employee performance. The size of an employee's annual bonus is also determined according to the grade of the position.

In 2018, the system was introduced for personnel at the Management Company, Trading Company, EVRAZ Metall Inprom, the Urals region of the Steel segment and Vanadium company. In 2019, it was expanded to include the Siberia region of the Steel segment. If new positions arise or existing positions' functions change, they are promptly appraised by evaluation committees in the Management Company in Moscow and in the regions.

In 2019, EVRAZ began implementing a new system at production facilities. Positions were assessed and compensation packages were determined for the heads of metallurgical enterprises and the directors of ore mines. In addition, the system was rolled out for employees in engineering departments.

At the same time, in 2019, EVRAZ initiated a project to develop a Target Remuneration System, based on a grading system

for employees at production assets below the level of foremen and mine directors.

The key objective of the project is to develop and implement unified, fair, and transparent rules and principles for determining compensation at all EVRAZ enterprises. The project is also expected to help harmonise fixed and variable compensation, so that both the size and dynamics of compensation growth depend on the performance of an employee, team, or unit – this will ensure that there is a focus on constantly improving processes and attaining the ambitious goals facing production facilities and the Group in general. In 2019, the project was implemented in pilot shops of the EVRAZ Steel segment: in four shops in NTMK, two in KGOK, and six in ZSMK and EVRAZ Vanady Tula. In total, more than 20% percent of the total number of employees in the metallurgical segment are covered by the pilot project.

Case study

Cafeteria of Benefits

A system of flexible benefits, called Cafeteria of Benefits, was developed and introduced in 2019 for the Steel segment employees of the Siberia and Urals regions.

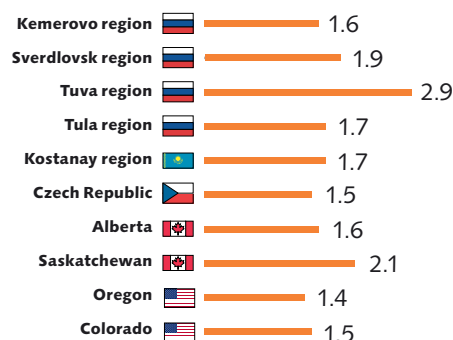
Based on assessments of managers for previous work periods, the sizes of "wallet" benefits are determined, which the employees can spend on education, sports, or on holidays for themselves or their small children.



In 2020, EVRAZ will continue to roll out the new financial motivation system in the Group's production assets. We plan to introduce the grading system in the Coal segment, cover the main units of the Urals region of the Steel segment companies, and complete the transition to the Target Remuneration System in the Siberia region of the Steel segment companies.

GRI 202-1

Ratios of EVRAZ standard entry level wage compared to local minimum wage, 2019¹



NON-FINANCIAL MOTIVATION

As a socially responsible company, EVRAZ offers our employees a broad non-financial compensation package that exceeds minimal legislative requirements and forms part of total remuneration. The Group's employees receive voluntary health insurance, additional voluntary insurance against accidents at work, a government pension programme, a mortgage interest relief programme, and free wellness leave vouchers for employees and their families. These benefits cover both permanent and temporary employees, regardless of whether they work part- or full-time. The exceptions are interns and employees, whose fixed-term contracts last for less than three months. These groups of employees do not receive health insurance, food grants, or mortgage relief, and also do not participate in the Cafeteria of Bonuses programme.

GRI 401-2

EVRAZ also supports retired employees who worked for 10 or more years at our facilities.

The Group has special programmes in place to support young people and women, and cultural and sports events are held for employees and their families in the cities where EVRAZ operates. The children of employees receive gifts for the New Year holidays and when they first start school.

EVRAZ collective agreements also provide additional leave for births, weddings, and funerals of close relatives. A programme is also in place that provides financial assistance to employees in challenging life situations.

In 2019, for EVRAZ Moscow office employees, a corporate discount programme was set up jointly with the provider PrimeZone. The programme gives employees access to exclusive offers from a wide range of companies: goods, sports & fitness, restaurants, health & beauty, etc.

SOCIAL AND LABOUR CONDITIONS

At EVRAZ we care for our people's health and well-being. Therefore, we believe that it is essential to provide them with comfortable working and living conditions.

Case study

Ensuring health of employees during COVID-19 pandemic

Sustainability Report 2019 was issued in Spring 2020, when due to an unfortunate situation with COVID-19, EVRAZ took actions to counter the pandemic. Since the number one priority for EVRAZ is ensuring the health and well-being of its people, the Group took additional measures to protect its employees and ensure uninterrupted operations during the COVID-19 pandemic:

- Suspension of employees' foreign business trips
- Organisation of mandatory self-isolation at home for two weeks without loss of pay for those employees who return from foreign travel
- Limitation of the access of foreign specialists and contractors to EVRAZ facilities
- Holding business meetings remotely with the use of conference and video call systems
- Purchase of new equipment and installation of new software to allow efficient and safe remote work for office personnel
- Providing employees whose work cannot be performed remotely with additional personal protective equipment
- Supplying common areas with antiseptics
- Regular disinfection of vehicles and premises
- Installation of thermal imagers at all access points to check the temperature of employees and site visitors

The Group was monitoring the spread of the virus and working with healthcare institutions and insurance organisations to proactively protect its employees and their families in a way that has a minimal impact on operations.

We have unified requirements approved for EVRAZ companies in the area of non-production premises maintenance. Hence we regularly renovate washing offices, wardrobes, sanitary facilities, and rest rooms. There are also unified standards, which apply at all our enterprises, regarding employee catering. The requirements contained in these documents are aimed at ensuring the safety of catering and establishing general requirements for how it should be organised.

¹ This figure excludes data on JSC "EVRAZ Metall Inprom", East Metals AG, EMNA, OOO "EvrazTekhnika", OOO "EvrazHolding", OOO "TC "EvrazHolding", Evraz Group S. A., Evraz plc, EvrazService, Unicroft Limited.

EMPLOYEE ENGAGEMENT

At EVRAZ, we define engagement as being an emotional and intellectual state that motivates people to perform better. The employee engagement level determines the labour productivity level and, consequently, impacts overall performance. Hence we make every effort to ensure that there is an open and effective dialogue among management and employees, which includes implementing communication channels, such as polls and hotlines, and organising various related events.

In our efforts to maintain a high employee engagement level we place a special focus on improving the EVRAZ corporate culture. We recognise the importance of having a strong corporate culture and the influence it has on employee productivity and motivation. For us, a corporate culture is a complex system, comprising social events, meetings between employees and management, communication channels, and projects devoted to bringing our people closer together and helping them feel like a family.

We have conducted employee engagement surveys since 2016. Since then, we have been continuously working on increasing the level of this indicator. The process, which is performed annually, begins with an engagement study.

The study is followed by examining results and preparing a strategy to address identified issues of concern. This phase includes close work with focus groups, meetings between top-managers and employees, and workshops meetings, where shop managers bring their employees together to discuss ways to increase the engagement level. Then, after the developed strategy has been implemented, the next engagement study is conducted in order to monitor the results and to reveal areas in need of further improvement.

In 2019, two more enterprises, EvrazEnergTrans and Metallenergofinance, were included in the survey. Overall, almost 53,000 employees (80% of the invited to complete the survey) participated in it. In 2019, our employee engagement level reached 59%.

Half of questionnaires were electronic, and we plan to reduce further the number of printed questionnaires.

2019 saw a significant change in the nature of issues of concern communicated by employees during the survey. When we began work in this area, people were mostly concerned with domestic matters, such as facility renovations. Now they tend to comment more on how effectively production processes are organised, and the level of respect in internal relationships.

The surveys have revealed that our employees value the efforts we are making to foster a strong corporate culture, stability, and support from local communities. We are pleased to see that we have developed a working environment where people are genuinely proud of the job they are doing and the company that they work for.

As a result of the survey growth drivers were identified, as well as challenging issues. The positive factors identified include open and regular communication and feedback from managers, annual salary reviews, and effective education courses and employee development programmes. We also learned that we need to do further work in some areas, such as recognition and acceptance.

In 2019, our employee engagement response rose by 6 percentage points compared to 2018.

Dynamics of employee engagement survey response rate, 2017–2019, %

