

Evraz Group S.A. Management Remuneration Policy

The Remuneration Committee is chaired by an independent director. His principles objectives are to attract, retain and motivate high quality senior management with a competitive package of incentives and awards linked to performance and the interest of shareholders.

The Committee seeks to ensure that the management is fairly rewarded taking into account all elements of his remuneration package in the light of the Group's performance.

Remuneration of Evraz Group's management consists of:

- A fixed base salary according to the unified scale with grades defined for all job categories;
- Variable performance-based compensation:
 - a bonus paid semi-annually (for the 1st half year in the amount not exceeding 40% of an annual bonus;
 - an annual bonus.
- Long-term incentives, including the Evraz Stock Option Plan (ESOP) for key employees who have worked in the Company for more than a year; a stock option plan has been decided for the years, and
- Variable benefits depending on a job grade, e.g. life and medical insurance, cell phones, cars (the service is outsourced).

The performance evaluation system is used to assess managers' work efficiency and progress towards meeting the corporate objectives. It includes the following main elements approved by the Board at the beginning of each financial year:

- KPI (key performance indicators), or targets used to assess the efficiency of managers' operational activity, and
- MBO (management by objectives), or project related targets.

The KPI/MBO ratio in the managers' evaluation system is not rigidly fixed and depends on the department he/she heads, be it a business unit or a support function.

On reaching the maximum or minimum level of the target the bonus can be raised by up to 50% or reduced by up to 20%, respectively. If the level achieved is less than the minimum, the bonus for this indicator is not paid. Payment of bonuses is made for the accounting period (year).

The Remuneration Committee annually considers managers' achievements against approved KPIs and MBO indicators, and recommends their annual compensation



for ratification by the Board. The CEO should not be present at the discussion of his/her own evaluation.

For 2007 the Board approved KPI's based on the following main indicators:

- EBITDA;
- Evraz GDR / MS metals index ratio;
- Cash cost;
- Capex budget;
- New investment projects NPV.