

# Message from the CEO



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## Dear stakeholders,

I am pleased to present you with the second EVRAZ sustainability report. Every year EVRAZ extends the range of projects and initiatives on improving the Group’s performance in the field of occupational health and safety, social responsibility, environmental protection and economic aspects. As we see positive impact of our activities on the prosperity of the Group and its stakeholders, we decided to share our experience and to make sustainability reporting an annual practice.

As one of the world’s leading steel and mining companies, EVRAZ has an impact on a wide range of stakeholders, from clients and employees to regions and local communities. Thus, the Group believes it is very important to operate in compliance with global sustainability best practices and principles and to contribute to achieving UN Sustainable Development Goals – by doing so, we can play a significant beneficial role, both for present and future generations.

The reporting period was a challenging year for the global metals and mining industry. However, despite volatility, EVRAZ generated EBITDA of US\$2,601 million, as a result of initiatives and projects to boost efficiency and reduce costs. However, we not only

endeavour to provide our clients with high-quality products and achieve ambitious financial and operational goals, but also make great efforts to protect the environment, support communities in our regions of operation, and provide safe working conditions and various opportunities for our employees. Sustainability management forms an integral part of our corporate culture.

### Occupational health and safety

The occupational health and safety of our employees and contractors is of the utmost importance to the Group. We strive to mitigate operational risks and occupational hazards by organising safety related events and educational projects for our employees and contractors, improving working conditions, and developing the safety culture across the Group.

Some of the main goals of the Group in terms of occupational safety are achieving a zero fatality rate and reduction of lost time injury frequency rate (LTIFR). In 2019, the LTIFR was 2.04 per 1 million hours, excluding fatalities and data on contractors. I regret to report that in the reporting year there were 16 fatalities, of which eight fatalities were caused by a tragic car incident at the Raspadsky open pit mine. The Group conducted thorough investigations and elaborated comprehensive measures

to prevent such cases from reoccurring in the future.

In order to enhance the safety culture, in 2019, the Group implemented a wide range of safety related projects, such as the traditional EVRAZ Safety Week and the EVRAZ Safety First youth conference. The Group also updated the dust removal system and came up with creative cartoons to remind employees about safety rules.

In 2019, the Group launched the Risk Management project that is aimed on enhancing the safety culture and forming proper attitudes towards risks through engaging employees into health and safety management and risk-oriented approach implementation in everyday activities. Under the project the EVRAZ implements technical solutions and applies organisational controls to prevent incidents associated with the production risks. The project also includes new “Quick wins programme” in the course of which teams work on identifying risks and implementing relevant measures. Moreover, the Group developed new training programme, new risk assessment matrix and elaborated risk hunting that trains employees to identify potential hazards.

In the reporting period EVRAZ launched at Group enterprises and on social media

channels a remarkable challenge, entitled Zero is Also a Record. For each safety related photo and video posted under special hashtags, the Group made a donation to an orphanage. The project saw spectacular results: there were more than 3,000 participants, and two significant areas, safety and charity, were covered.

### Human capital management

The well-being of EVRAZ employees is of great importance to the Group. And it is important for us that employees feel that they are actively contributing to their working conditions, salary levels, and the overall success of the Group.

EVRAZ aspires to create favourable conditions for the development and fulfilment of potential of our employees. Thus in 2019, the Group launched the Human Capital Development Strategy, which is aimed at ensuring that all employees have the necessary competencies and that the Group can fill target positions from our personnel reserve. In the reporting period the Group also conducted and participated in educational events, including the EVRAZ New Leaders programme, the Top-300 corporate training programme, and the WorldSkills Hi-Tech programme. The Group also brought in a new mentorship programme, according to which mentoring is considered to be a second profession. In addition, since 2019, new employees have been given their own “buddies”, who help with social and professional adaptation.

In 2019, EVRAZ continued work to enhance our remuneration system in order to connect more ambitious production targets for employees with better compensation. New system allows to determine salary levels and the bonus part depending on performance indicators and the market range and annually review it. In the reporting year the Group introduced the remuneration system at production facilities.

The Group encourages transparent relations with employees and open dialogue with management. In order to provide employees with regular performance feedback, a pilot programme entitled Real Time Feedback was launched. Since 2016, the Group has also been collecting regular feedback from employees by conducting the annual We Are Together engagement survey. In the reporting period

80% of employees invited to complete the survey took part in the survey.

EVRAZ pays great attention to the health and well-being of our people, by providing medical insurance and encouraging healthy lifestyles and participation in sports. The Group developed a pilot healthcare project for managers to raise employee awareness surrounding the importance of healthcare. These projects make EVRAZ one of the best employers to work for in our regions of operation.

### Managing environmental impacts

The environmental aspects of a company's operations are becoming increasingly important and pertinent in the modern world, and EVRAZ is playing a leading role among modern companies to minimise impacts on the environment. Each year the Group implements a wide range of projects and initiatives within the framework of the Environmental Management System (EMS) and EVRAZ three large-scale goals for 2018–2022, aimed at managing environmental risks and boosting resource efficiency. EVRAZ also upholds global initiatives, including UN Sustainable Development Goals and IPCC and international standards, in order to mitigate impacts on climate change.

In the reporting period the greenhouse gas intensity ratio declined by 2%. Consumption of fresh water was reduced by 9.3% compared to the previous year. In 2019, the Group signed an agreement to participate in the Clear Air project, which is part of the Ecology national project. The Group seeks to improve air quality by reducing air pollutants associated with mining and steel production. In 2019, EVRAZ recorded a 0.4% decline in key air pollutant emissions. The energy intensity per tonne of steel cast reached 24.49 GJ/tonne.

EVRAZ also carries out projects aimed at effective waste management. Thus in 2019, there were three tailing facilities (TSF) owned by EVRAZ ZSMK and EVRAZ KGOK that provide opportunities for safe storage of non-recyclable waste in compliance with legislative requirements and the dam safety management system, which covers all the lifecycle stages of dams. The project allows hazards to be mitigated, both for the environment and local communities.

### Community relations

EVRAZ operates in a number of regions and our success depends to a great extent on the well-being of local communities and having effective communication channels with them. In this regard, the Group adheres to the principles of corporate social responsibility annually sets priorities and creates a budget for social investments and implements social and charity projects in the fields of education, culture, sports, and infrastructure.

The Group continued work on three general areas of social investment for 2019: EVRAZ for Kids, Cities, and Sports. In the reporting period we supported a school for orphans and educational institutions and assisted in setting up a robotics centre at Urals Federal University Technical Institute branch in Nizhny Tagil. EVRAZ employees adopt a proactive approach to implementing other volunteering projects and initiatives, including supporting children and people in challenging life circumstances.

In 2019, the Group conducted our traditional grant contest EVRAZ: City of Friends – City of Ideas, which is aimed at engaging local communities and other stakeholders in the process of improving urban spaces and protecting the environment. This year 346 projects were submitted in the contest, and 54 of these were awarded grants.

In 2019, EVRAZ also launched a number of digital projects. The Group developed groups on major social networks and updated the corporate portal with new services and functions and launched the EVRAZ TV corporate television project.

I am confident that all these comprehensive activities on our part in the areas of corporate social responsibility, shareholder and stakeholder relations, and adopting a responsible attitude towards the environment will help us ensure a sustainable future for the Group.



**Alexander Frolov**  
CEO