

# SOCIAL POLICY

## Our people

EVRAZ recognises the importance of working with people and for people. The Group invests great efforts in ensuring that it is a sustainable concern that can support its growth strategy through human resource (HR) management. The goals and initiatives of EVRAZ HR strategy are aimed at developing employee skills and improving production safety levels through training and performance management.

### Personnel profile

**Headcount** | In 2015, EVRAZ employed 84,467 people, down 10% from 94,823 in 2014. This reduction was mainly due to personnel optimisation (c.5,000 employees), outsourcing of support functions and the exclusion of EVRAZ Highveld Steel and Vanadium from consolidation (c.2,500 employees).

In 2016, EVRAZ will employ c.81,500 people, down 5% year-on-year. The fall will stem mainly from further personnel optimisation (c.2,500 employees), the closure of uneconomic mines at Rospadskaya (c.700 employees) and outsourcing of support functions (c.800 employees).

**Diversity** | EVRAZ believes that diversity plays an important role in a successful business. It remains committed to providing equal rights to employees regardless of their race, nationality, gender or sexual orientation, and the Group recognises the importance of diversity when recruiting employees. Full consideration is given to applications from people with disabilities, taking into account their particular aptitude and abilities.

### 2015 results

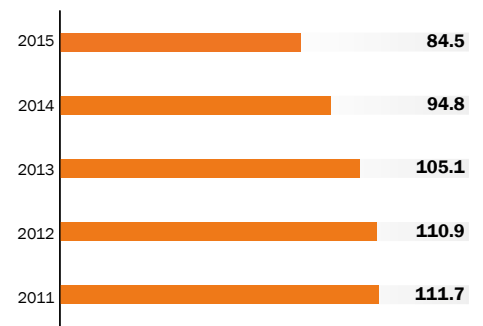
Productivity is defined as labour costs exclusive of tax divided by production volumes of respective products.

In general, the 2015 targets for work productivity were achieved, apart from those for raw coal due to differences between the forecast and actual US\$ exchange rate and the closure of Rospadskaya mines.

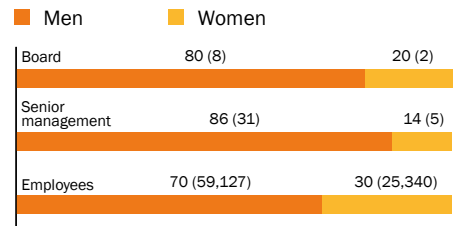
#### → The main focus in 2015 was on:

- reducing staff in production, including maintenance
- reducing headcount by outsourcing support functions
- implementing projects aimed at increasing work productivity

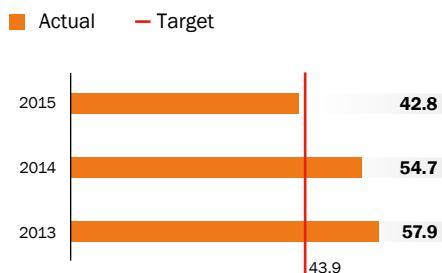
### Number of employees at December 31, thousand people



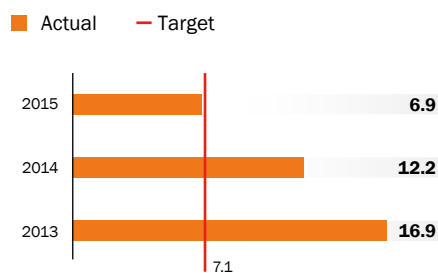
### Diversity of employees, senior management and directors, % (number of people)



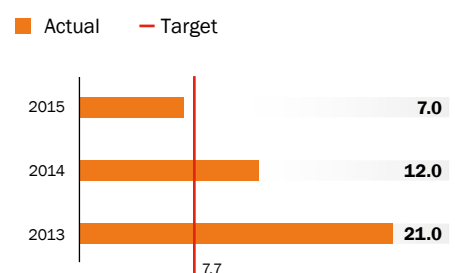
### Productivity (steel products), US\$/t



### Productivity (iron ore products), US\$/t



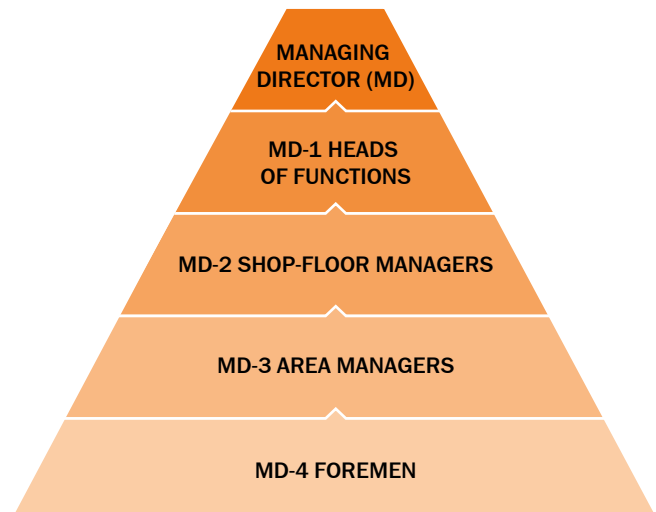
### Productivity (coal products), US\$/t



## Key corporate HR initiatives for 2016 include:

Keep staff costs in 2017 equal to the 2016 level. The goal is to start work on the 2017 budget in good time to ensure that staff costs will not exceed those in 2016.

- Extend the system of selection, evaluation and training for MD-1-4
- Transform HR: introduce advanced HR processes and centralise operations. The main goal of this initiative is to build a new HR operational model and increase the effectiveness of the function. The project plan includes to implement a HR shared services centre and develop HR processes with added value. The overall aim is to enhance process quality and reduce HR costs.



## Employee engagement awards in 2015

Business Unit	Award	Awarding organisation	Comments
EVRAZ NTMK	Main employer of Nizhny Tagil	Nizhny Tagil city administration	
EVRAZ NTMK	XII national competition "Most Socially Effective Metal and Mining Company", "Socioeconomic Efficiency of Collective Labour Agreement" nomination	Russian Mining and Metallurgical Trade Union, Association of Russian Industrialists and Entrepreneurs, Russian Ministry of Industry and Trade	EVRAZ NTMK's collective labour agreement includes 20 social programmes for employees, on which the plant has spent c.RUB900 million

## Internal social policy

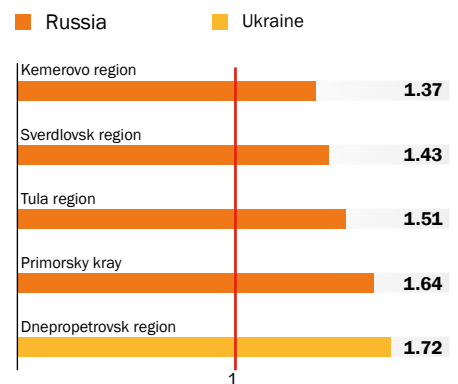
**Financial motivation** | EVRAZ seeks to motivate employees by offering a salary that is higher than the average salary in the corresponding region.

**Employee engagement** | EVRAZ pays great attention to its internal communications processes and constantly seeks to build an efficient system, designed not only for keeping information flowing, but also for increasing employee loyalty and motivation. The Group searches for, evaluates and implements best communications practices, such as corporate intranet, bulletins and internal advertising campaigns. Its goals are to provide up-to-date, full and transparent information regarding its business and strategies, progress and bottlenecks; to support its development by involving employees in its initiatives; and to build a strong international team of people, committed to the Group, its customers and the industry.

One key way in which the Group seeks feedback from employees is the EVRAZ Compliance Hot Line. The rules and regulations concerning it are adopted in special guidelines, signed by the CEO. The document specifies the way in which the Hot Line works, the responsibilities of the sides involved and other general questions. Employees can ask questions or report any suspected violations by email or phone, anonymously or otherwise. Administrators take calls from 9 am to 6 pm Moscow time from Monday to Friday. Outside these hours, an answering machine is in operation.

Respective department strives to address every report within 12 days, and employees receive a response via e-mail or phone call. In 2015, the Hot Line received c.1,000 requests and all were examined. The most popular enquiries concerned labour management relations (including c.200 regarding contract details), followed by salaries, social services (transportation, conditions in non-production premises, nutrition, conditions at sites) and PPE (periods, volumes, content of supplements, lifecycle, rules of use and washing), which accounted for c.100 requests each.

## Ratio of average salary to average salary in the region



**Work with trade unions** | EVRAZ respects employees' rights and aims to build a constructive and positive relationship with the labour unions that represent them. The Group has generally high levels of unionisation at its enterprises (c.73%), although this can vary significantly across operations and countries.

The backbone of the relationship between EVRAZ and trade unions is social partnership. Regular discussions and formal and informal meetings of the management and unions are conducted at all EVRAZ facilities in Russia and worldwide.

All EVRAZ production sites operate through the collective bargaining agreement model. Bargaining agreements are drafted on the basis of industry agreements and cover employment, working hours, payment, occupational safety, benefits and welfare, and they guarantee the rights of trade union bodies. Apart from government-guaranteed benefits, bargaining agreements provide for additional privileges and social programmes to support employees and their families, as well as retired employees and veterans (voluntary health insurance for employees, workplace accident insurance, assistance in housing improvement, various kinds of financial support, subsidised recreation and holiday vouchers, holiday gifts, etc). Social programmes are region and industry-specific to ensure improved value and relevance for employees. Sporting and cultural events are held together with trade unions.

The section of a bargaining agreement relating to employee health and safety details the employer's commitments to ensure a healthy and safe environment for employees. These obligations include to provide them with personal protection equipment (including beyond the government requirement), hold medical examinations and provide medical services to employees in workplaces, provide public amenities, training and knowledge tests in health and safety, and more.

The key health and safety focus areas are formalised in industry-wide agreements with trade unions.

**Development of employees**

**Employee development strategy** | In 2015, EVRAZ continued its "Foreman to Become an MD-1" programme, a corporate selection, assessment and development procedure. It aims to improve the managerial skills of shop-floor supervisors and to clearly define the responsibility and authority of every management level, from foreman to shop-floor manager. In 2015, the Group focused on foremen, the first level of manager on the shop floor (and the largest managerial group, with more than 5,000 people). EVRAZ developed the requirements for the position and a quarterly assessment system covering three areas: health and safety, people management and process management.

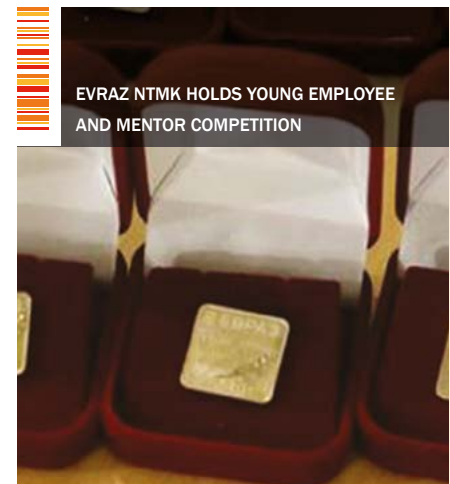
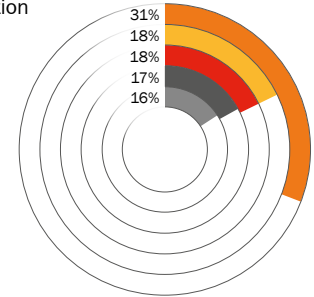
In 2016, the Group plans to cover area managers and shop-floor managers.

**Staff recruitment policy** | EVRAZ seeks to promote candidates from within the organisation. In 2015, more than 80% of management-level positions were filled by internal candidates, including vice-president and head of the Ukraine division and the managing director for KGOK and NMTP.

Where necessary, EVRAZ competes for the best people in the metals and mining sector and other industries.

**Breakdown of Hot Line enquiries in 2015, %**

- Labor relations
- PPE (excluding quality enquiries)
- Household services
- Information
- Compensation for labour



Over the second half of 2015, EVRAZ NTMK held a competition for young employees and their mentors. Around 2,000 people, nominated by colleagues, took part, and a special working group chose the winners. Alexei Kushnarev, managing director of the enterprise, and Vladimir Radayev, chairman of the trade union Committee, handed awards to the 40 winners at a special ceremony.

Criteria for selecting the winners included performance, contribution to innovative measures to increase product quality and save energy, acquisition of new equipment skills, adherence to health and safety rules, and participation in EVRAZ NTMK's social life.

**Performance management** | To encourage good performance and ensure there is a clear link between corporate and individual objectives, performance management systems are implemented across the Group. Business tasks and development targets of the performance management process include key performance indicators (KPIs) of certain business units aligned with EVRAZ strategic principles and personal development plans. Further initiatives to motivate employees and provide career development perspectives are based on the results of these performance management plans.

**Training and development** | EVRAZ capitalises on technical employees' expertise by involving them in the development of educational materials and training courses. As such, it ensures that experts and trainees are prepared for handling business issues.

The "Retaining and Development of Engineering Competency" programme started in 2012. The purpose was to build a pool of key technology experts with unique knowledge, establish a system to maintain the knowledge, and transfer it to successors.

The programme established new formats of corporate EVRAZ science and technology youth conferences and local enterprise engineering conferences. Engineering management of the enterprises includes engineering solutions developed by young engineers into "rapid improvement experience" schedules and carefully tracks their implementation. Two young engineers' clubs were organised at the initiative of engineers: the "Safety First" club at Rapsadskaya and the "Engineering" club at EVRAZ ZSMK.

In 2015, for the second year in a row, young talent from EVRAZ took part in the national high-tech industry trade WorldSkills championship. Nine EVRAZ employees participated, and two of them won silver medals in the Electrical Assembly and Process Control categories.

EVRAZ places an emphasis on selecting, developing and promoting employees with vast potential, as set out in its five-year target.

In 2015, 56 Russian, Ukrainian, US and Canadian engineers joined the sixth EVRAZ New Leaders Programme, hosted by the Skolkovo Moscow School of Management to design and implement initiatives to improve process performance. For the first time, EVRAZ experts and HiPo's acted as team sponsors.

One area of focus in 2015 was to improve the quality of health and safety training. EVRAZ has revised training programmes, implemented a programmes to improve the qualifications of methodologists and trainers at its corporate training centres, and trainers are now rated quarterly.

**Assessment of training programme efficiency** | In 2012, 360 people were selected under the programme "Retaining and Development of Engineering Competency". By the end of 2015, that number had more than doubled to 777 people. Over this period, 56 master schools were held with more than 650 successors to embrace the knowledge of experts from enterprises. As a result, more than 100 successors were promoted to "expert" status following the completion of their personal development plans.

EVRAZ engineers have been studying the "Theory of Inventive Problem Solving" (TRIZ) to solve local issues of individual processes since 2013. In 2015, 11 TRIZ hands-on training sessions were held at the discretion of engineering managers of enterprises. Following the results of monitoring, 40% of solutions suggested in 2014 were implemented. Of the solutions suggested in 2015, 17% have already been implemented and 60% are in progress. In 2015, at the initiative of managing directors and engineering directors, the Ukrainian facilities of EVRAZ joined the programme. Two TRIZ trainings were held, a master school is under way, and young engineers are participating in a corporate science and technology youth conference.



**777** people  
were selected under the  
programme "Retaining and  
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Competency" by the end of 2015

Clearly, the programme has become significant for the professional community and is stimulating the development of production on top of employee training and education.

An initiative to hold engineering forums was introduced in 2012. The first forums informed EVRAZ engineers about best practices, and since 2014, the forums have been driven by enterprise engineering directors and provide detailed analysis and development of engineering strategy for each site in a certain area. Four engineering forums involving international and Russian industry experts were held at the request of technology directors. For instance, in November 2015, a forum dedicated to waste recycling was held in EVRAZ ZSMK and resulting in an updated environmental programme. Three months before the forum, the plant's engineers carefully revised the current situation regarding waste processing, identifying opportunities and waste recycling strategies applicable to the mill, selecting partners and suppliers, and involving research centres. During the forum, they discussed methods and approved a consolidated solution, next steps and a schedule.

## Community relations

### Governance and approach

EVRAZ seeks an ongoing dialogue with the communities in which it operates. The Group is a responsible taxpayer and employer. All of its enterprises operate in accordance with federal and local legislation. Managing directors and regional vice-presidents are responsible for communication with local governments. HSE directors are responsible for ensuring that plants' activities are in line with the applicable rules and regulations. The regional corporate communications centres are responsible for communicating with non-commercial organisations on charity, environmental, social, educational and sport projects.

### Relations with local communities

EVRAZ contributes to local economies in many ways it can, supporting communities in which it operates.

The Group focuses on stable partnerships with local communities and strives to improve quality of life in its regions of presence. It develops socially responsible programmes that support children with special needs, veterans and old people, children's homes, as well as cultural, educational and sport projects, city infrastructure, and projects to reduce environmental impact. EVRAZ takes its role as a taxpayer and employer seriously, offering employees development, training programmes, social protection and regionally competitive salaries. EVRAZ is a committed partner with local governments: it helps to solve challenging regional issues<sup>1</sup>.

### Relations with local communities awards in 2015

Business Unit	Award	Awarding organisation	Comments
EVRAZ NTMK	"Best Philanthropists of Nizhny Tagil"	Nizhny Tagil city government	EVRAZ NTMK was awarded as one of the best philanthropists of the city.
EVRAZ	National contest "Leaders of Corporate Social Responsibility". EVRAZ charity project received an award in the nomination "Best Project That Helps to Promote Initiatives of Non-commercial and Charity Organisations in the Regions Where the Company Operates".	Non-commercial organisation "The Donors' Forum", Vedomosti and PwC	The project "EVRAZ: City of Friends – City of Ideas" won an award for the second time. Social projects of non-commercial organisations in Kachkanar city take part in the contest to receive financing for their projects.



In 2015, EVRAZ donated RUB300,000 to buy professional equipment for a children's photo studio, which organises photo-therapy sessions for children with disabilities. The funds were used to buy light reflectors, timers, filters, a projector and new decorations for the interior. The equipment has already been tested at sessions. EVRAZ earlier pledged funds for equipping the studio, and five professional cameras, flashes and various interior items were bought.

Photo-therapy can help children to socially adjust, develop their creative talents and feel positive. The initiative is part of the EVRAZ-Children charitable project.

<sup>1</sup>in 2015 Financial statements EBITDA calculations exclude social and social infrastructure maintenance expenses.