

Health, Safety and Environment Committee Report

Role of the HSE Committee

The HSE Committee leads the Board's thinking on health and safety issues and maintains responsibility for environmental and local community matters.

The responsibilities of the HSE Committee are:

- Assessing the performance of EVRAZ with regard to the impact of health, safety, environmental and community relations decisions and actions on employees, communities and other third parties and on the Group's reputation;
- On behalf of the Board, receiving reports from management concerning all fatalities and serious incidents within the Group and actions taken by management as a result of such fatalities or serious incidents;
- Reviewing the results of any independent audits of the Group's performance in regard to environmental, health, safety and community relations matters, reviewing any strategies and action plans developed by management in response to issues raised and, where appropriate, making recommendations to the Board concerning the same;
- Making whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.

The Committee met twice during 2015, on 6 February 2015 and on 22 September 2015 in EVRAZ head offices in Moscow. Members of the Committee visited two production sites: EVRAZ KGOK and EVRAZ NTMK.

In accordance with the 2015 plan, members of the Committee took part in a HSE strategic conference with EVRAZ top management on 22 April 2015. The conference resulted in defining core elements of HSE strategy for 2016 and beyond. In addition, Committee members underwent planned HSE training in February 2015.

In addition to the scheduled meetings, the Committee members receive a monthly HSE summary report, and a quarterly HSE report is provided to the Board of Directors.

The following sections summarise how the Committee fulfilled its duties in 2015.

HSE performance assessment of the Group

Health and safety performance

Health and safety performance is measured by the following metrics:

- Fatal incidents
- Lost-time injuries (LTI)
- Lost-time injury frequency rate (LTIFR), calculated as the number of injuries resulting in lost time per 1 million hours worked
- Cardinal safety rules enforcement

The HSE Committee continued to review the causes of all fatalities and serious property damage incidents within the Group and the follow-up actions taken by the management. On the suggestion of the HSE Committee, each fatality case was animated with a detailed description of the incident scene, sequence of events, root-cause analysis and corrective actions taken. This practice will continue further if any fatality occurs.



Committee members and attendance

As of 31 December 2015, the members of the Health, Safety and Environment (HSE) Committee were Karl Gruber (Chairman), Alexander Frolov and Olga Pokrovskaya.

The Committee reviewed the progress of a LOTO energy isolation programme to establish a zero-energy state of all equipment before any type of work is commenced and completed, especially during maintenance and repair. It was acknowledged that every EVRAZ production facility successfully completed a pilot project on LOTO and has clear plans of expanding LOTO initiatives to other production areas.

The Committee reviewed the cardinal safety rules and approved adding one more cardinal safety rule regarding working at heights.

In 2015, the Committee requested and reviewed current health-related metrics to establish a benchmark for future health-related initiatives. Health-related metrics were also benchmarked against World Steel Association data.

Environmental performance

In 2016, the Committee conducted two reviews of EVRAZ environmental performance, including progress in achieving environmental targets set in 2012:

- Air emissions (nitrogen oxides, sulphur oxides, dust and volatile organic compounds);
- Non-mining waste and by-product generation, recycling and re-use;
- Fresh water intake and water management aspects.

The Committee has focused on the management of air, water and waste issues, and related projects designed to minimise environmental risks (such as air emission reduction, water usage, waste water return into production, and metallurgical waste recycling) and concluded that in most areas the initiatives undertaken need further implementing.

The Committee reviewed the risks and opportunities related to the introduction of new Russian environmental regulations that set the new environmental performance targets for 2020, i.e. national goals for greenhouse gas reduction and transition to the 'best available techniques'.

In addition, the extent of the Group's environmental compliance has been analysed using compliance metrics:

- Non-compliance related environmental levies (taxes) and penalties;
- EVRAZ environmental commitments and liabilities;
- Major cases of environmental litigation and claims;
- Coverage of assets by environmental permits/licences;
- Cases of public complaints;
- Potential environmental incidents and prevention actions.

To improve environmental compliance management, the Committee discussed a new approach for assessing environmental risks, including issues related to significant potential losses and risks associated with obtaining environmental permits, managed within the scope of daily operations. This may lead to a better understanding of the situation and help to identify the best approaches and measures for improving environmental performance.

➔ Details of HSE performance can be found in the Corporate Social Responsibility section on pages 84-92.

HSE audit result review

EVRAZ operations are subject to HSE compliance inspections undertaken by supervisory governmental agencies. Violation of HSE regulations might lead to regulatory fines, penalties or, in the worst case, withdrawal of mining or plant environmental licences, thus curtailing operations.

The Committee members reviewed:

- Findings of industrial safety audits performed by the Internal Industrial Safety department
- Findings of audits of the HSE function performed by the Internal Audit department
- Status of external environmental inspection carried out by environmental authorities and the implementation of corrective actions