

# BUSINESS CULTURE: EVRAZ BUSINESS SYSTEM

## Creating a culture of continuous improvement

The EVRAZ Business System (EBS) is the practical expression of EVRAZ's vision of reducing costs, improving quality and safety and eliminating waste. It is the methodology applied by employees to continually improve the effectiveness of the business.

EBS incorporates the business principles and tools of the 'lean' management philosophy to manage change and create a culture of continuous improvement within the Group. It consists of a set of principles defining the way that EVRAZ operates and its people think and act. EBS applies in every part of the business and every process in the organisation.

**EVRAZ maintenance system** | The EVRAZ maintenance system consists of 30 stages that cross multiple functions, including operations, maintenance, inventory and procurement. Since 2012, EVRAZ has been developing and implementing a step-by-step approach to improving machine availability. This includes total preventive maintenance, standard work, visual management, creation of manufacturing cells, cross-functional work groups, improved preparation through maintenance planning systems, and failure evaluation through problem-solving analysis that includes failure mode effects analysis and simple pareto charting.

This strategic approach aligns the responsibilities of all functions with the needs of a particular asset. The real benefit of this is maximising machine capabilities while reducing maintenance cost.

**Results** | In 2015, EVRAZ continued to implement the maintenance system at its main assets. As part of this, maintenance administrative cells ('admin cells') were introduced to produce more detailed information about the cost of one hour of each period of downtime. In addition, a new inventory management system was introduced, while the crossfunctional problem-solving team approach reduced the inventory of auxiliary materials. Over the year, the inventory management system methodology was communicated in a new format of quarterly sessions. All site problem-solving teams were brought together as a 'community' for better professional communication and quicker changes due to best-practice sharing, as well as to standardise processes and procedures at different sites and avoid repetitive mistakes. The improvement of stock management and warehousing techniques was a significant achievement in 2015.

In addition, deep analysis of the production processes with the highest energy consumption rates and the creation of 'admin cells', which bring together key people to problem-solve and manage energy cost reduction on a daily basis led to a reduction of energy costs in 2015.

### Number of people trained for EBS programs<sup>1</sup>

	2012	2013	2014	2015
EBS Level 2 Trained People		4,312	9,559	18,024
Amount of RIE	618	1,343	1,608	4,500
Amount of Model Lines Where EBS is implemented		15	22	33
Share of critical assets covered by maintenance system, %	10	20	20	50

<sup>1</sup>The information has been collected since 2012

### → EBS objectives:

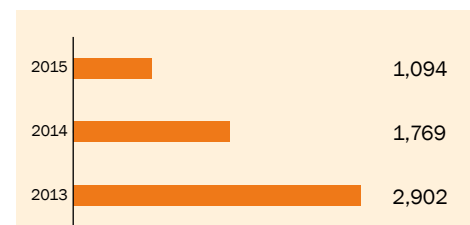
- Develop leaders who thoroughly understand the work, live the philosophy, and teach it to others.
- Develop exceptional people and teams who follow the Group's philosophy.
- Respect the extended network of partners and suppliers by challenging them and helping them to improve.
- EVRAZ understands customer value and focuses its key processes to continuously increase it. The ultimate goal is to provide perfect value to customers through a perfect value creation process that has zero waste.

### → Highlights in 2015:

- Almost 18,000 people trained.
- 4,500 rapid improvement events.
- 15 model lines where EBS has been deeply implemented.
- 50% of critical assets covered by the maintenance system.
- Cross-functional collaboration with the development of 'admin cells'.



### Number of claims



The number of claims was decreased by

# 38%

At EVRAZ Pueblo, the 'lean' model line has been used to partner with Union Pacific and has been critical in transforming the enterprise's competitive position with a key customer. Union Pacific ranks critical suppliers annually based on performance in the following categories: cost, delivery, quality and customer service. EVRAZ Pueblo has been ranked number one among its critical suppliers.

**Claims** | In recent years, EVRAZ has been working on improving its customer claim process. This has resulted in a fuller understanding of the reasons for client claims and how the Group uses this information to improve its overall process to deliver true value to customers.

## Quality management

EVRAZ strives to meet the highest standards of product quality and ensure maximum customer satisfaction. To do so, it has adopted a tailored approach to quality management, based on customer surveys and regulatory requirements that reflect any regional specifics. At its enterprises, the Group has introduced a quality management system based on the international ISO 9001 standard and regional standards.

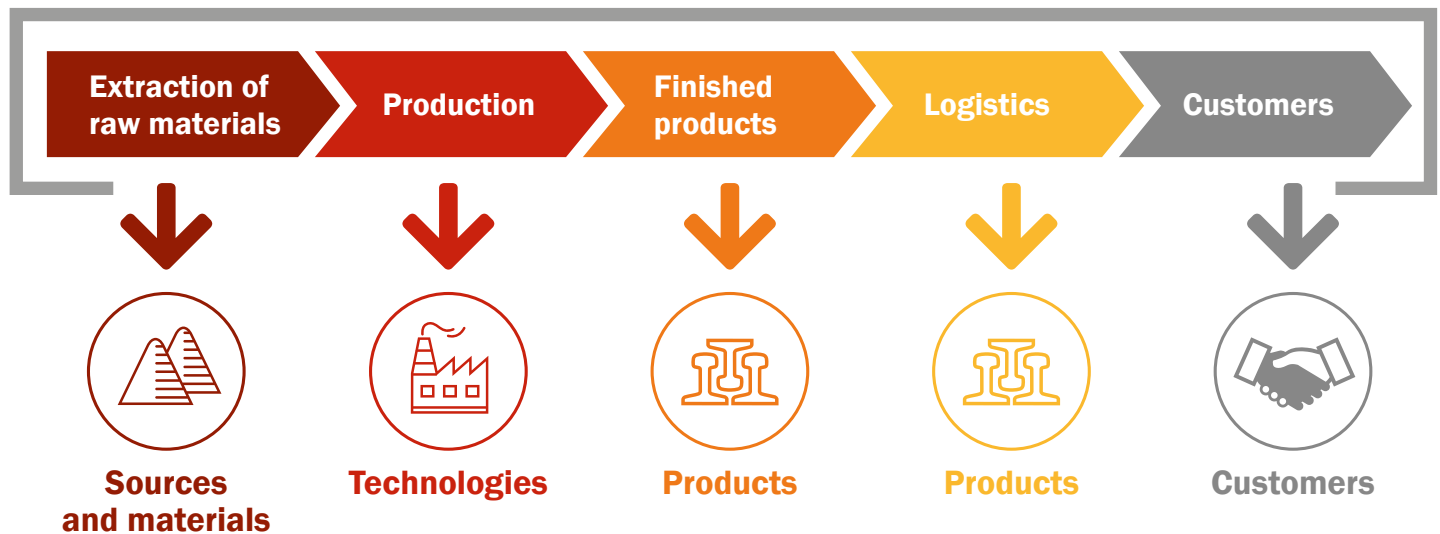


**TWO MANAGEMENT SYSTEM  
AUDITS ARE CONDUCTED AT EVRAZ NTMK**

Two management system audits have been conducted at EVRAZ NTMK in accordance with the international ISO 9001 (quality management system) benchmark and IRIS (business management system) rail industry standards. Bureau Veritas, which carried out the inspections, noted the business management system's high level of readiness, which had risen to 73% in 2015 (in accordance with IRIS methodology), and full compliance under ISO 9001. As a result, the enterprise has received new certification for the next three years.

### EVRAZ Quality management

## Quality audit and internal control



EVRAZ Strategic Report, as set out on pages 5 to 51 inclusive, has been reviewed and approved by the Board of Directors on 14 March 2016.

By the order of the Board

**ALEXANDER FROLOV**  
Chief Executive Officer  
EVRAZ plc

14 March 2016