

HSE Committee report



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The Board delegates the HSE Committee's role and responsibilities, which are set out in written terms of reference

<http://www.evraz.com/governance/directors/committees/>.

In 2018, EVRAZ continued the work to streamline its HSE system and developed measures to mitigate key risks. Unfortunately, the results were unacceptable: six employees and four contractors lost their lives, while only the number of serious injuries fell by 8%. This again highlights the need to improve the approach and focus on changing the safety culture by involving each and every employee in the efforts to uncover and eliminate production risks. To this end, the Group has reviewed its HSE strategy and identified key areas of focus for the short term.

ROLE AND RESPONSIBILITIES

The Health, Safety and Environment (HSE) Committee is responsible for reporting to the Board on three key areas: employee wellbeing, occupational safety and protection of the environment and local communities where EVRAZ operates. It receives monthly HSE updates and provides a quarterly report to the Board, and its tasks include:

- Assessing the effects of the Group's HSE initiatives on key stakeholder groups, such as employees and local residents, and on EVRAZ reputation
- Liaising between the management and the Board when there have been fatalities or serious incidents in the workplace, including to ensure that remedial action is implemented effectively
- Reviewing HSE strategy, monitoring pertinent parts of any independent operational audits and making recommendations for action or improvement as deemed necessary

COMMITTEE MEMBERS AND ATTENDANCE

As of 31 December 2018, the HSE Committee's members were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who remains in place since leaving the Board on 14 March 2016.

In 2018, the committee held two meetings, on 7 February and 2 August, at the headquarters in Moscow. Both had a necessary quorum and were convened as required. The meetings included reviews of current issues and HSE initiatives at the divisional level. In addition, in June 2018, the committee chairman and EVRAZ CEO took part in a HSE strategy session with 40 top managers. In September 2018, the same group visited divisional production sites to review HSE practices and take part in the EVRAZ Business System Summit.

ACTIVITY DURING 2018

The following sections summarise how the HSE Committee fulfilled its duties in 2018.

HSE performance review

Throughout the reporting period, the committee reviewed EVRAZ HSE performance using the following criteria:

- 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
- Enforcement of cardinal safety rules
- Progress of health and safety initiatives

The HSE Committee reviews every fatality, severe injury and significant damage to property at EVRAZ to identify the root cause and remedial action. This involves recording a detailed description of the scene, the sequence of events, root cause analysis and corrective measures implemented.

The committee evaluates the Group's environmental performance using the following criteria:

- Key air emissions, including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds
- Non-mining waste and by-product generation, recycling and re-use
- Fresh water intake and water management aspects
- Non-compliance related environmental levies (taxes) and penalties
- EVRAZ environmental commitments and liabilities
- Major environmental litigation and claims
- Asset coverage with environmental permits/licences
- Public complaints
- Material environmental incidents and preventative measures
- Environmental risk assessment

In 2018, the committee reviewed the risks and opportunities associated with greenhouse gas (GHG) emissions based on the Group's production plans and initiatives. Committee members set a new environmental target of maintaining the GHG intensity ratio.

HSE strategy review

In 2018, the committee reviewed EVRAZ HSE Policy and Cardinal Safety Rules, approving the annual HSE targets and new five-year environmental targets. In addition, it supported management efforts in the following corporate-level HSE initiatives, finding that the priorities are generally on track:

- Implementation of a lockout-tagout (LOTO) system
- Safety conversations and standard operating procedures
- Assessment of the safety management system
- Review of contractor management requirements
- Divisional health and safety initiatives
- Environmental programmes, including air emission, water consumption and waste management initiatives

The health and safety initiatives were based on the results of the HSE strategy session in June 2018 and aim to address key issues regarding fatality prevention. The assessment of the safety management system highlighted leadership and risk management as the main areas for improvement.

Indeed, improving both of these were added to the "HSE performance assessment" and "safety conversations" objectives. Leadership plays a vital role in keeping employees focuses on key risks and instituting a culture of safety in the workplace, and there are plans to train 300 top managers on a dedicated leadership programme. Meanwhile, effective risk management involves prioritising appropriately and detecting root causes with a view to eliminating fatalities.

HSE regulatory changes

In 2018, the HSE Committee evaluated the risks and opportunities related to the introduction of new Russian regulations, as well as the challenges associated with new national targets to 2024 announced by the government in May. Over the reporting period, EVRAZ reviewed 23 drafts of HSE-related legislation for the Russian Steel Association's HSE Committee, helping the regulator to form definitive positions in various areas, including:

- GHG regulation
- New national water discharge standards
- Online emission and discharge monitoring
- Transition to best available techniques (BAT)

The Committee acknowledges the risks involved and recommended a proactive approach in alliance with the business community and steel producers.

HSE audit review

In 2018, state supervisory agencies and internal HSE auditors conducted compliance inspections of EVRAZ operations, and the committee reviewed:

- The HQ Industrial Safety Department's audits of processes and structural units at Group facilities
- Health and safety cross-audits performed by representatives of similar operations from other EVRAZ facilities and overseen by the HQ safety team
- The environmental risks identified via the HQ Environmental Management Directorate's internal audit and risk assessment process
- The Internal Audit Department's audits of the HSE function
- External environmental inspections carried out by the environmental authorities, as well as the implementation of remedial action

COMMUNITY RELATIONS PERFORMANCE

In 2018, the HSE Committee reviewed EVRAZ CSR initiatives aimed at:

- Improving the quality of life in local communities
- Developing infrastructure, sports, educational and cultural programmes
- Helping children with special needs
- Caring for the environment
- Promoting a responsible attitude towards safety at work and home

In addition, the committee reviewed the results of the annual reputation audit, engaging businesses, clients, media, government representatives and local communities. The Group's efforts to build sustainable partnerships with key stakeholders were rated as satisfactory. EVRAZ reputation rating continues to increase.

For more details on HSE issues, see the Corporate Social Responsibility section on pages 72–82.