

HSE Committee report



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Chairman of Health, Safety and Environment Committee

The Board delegates the HSE Committee's role and responsibilities, which are set out in written terms of reference <https://www.evraz.com/en/company/governance/policies/#reference>.

In 2019, EVRAZ faced a sharp rise in the number of fatalities, primarily due to an incident involving a crew bus that happened in February 2019 in which eight employees were fatally injured and another 16 people were seriously wounded. In total, 12 EVRAZ employees and four contractors lost their lives during 2019; most of the fatalities were caused by unsafe actions and risk identification failures during the stage of work planning. To improve the situation, EVRAZ launched a project aimed at implementing a new approach to safety culture improvement by engaging employees in the risk identification and mitigation process. The main idea is to switch the general attitude regarding shop floor workers from being subordinates to equal partners in the risk management process. Together with the HSE best practice initiatives launched in the previous years, we believe that this approach will yield good results in the future and will monitor the results to ensure that it is effective.

ROLE AND RESPONSIBILITIES

The Health, Safety and Environment (HSE) Committee reports to the Board of Directors on matters concerning employee wellbeing and occupational safety, as well as protecting 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 2019, the members of the HSE Committee included chairman Karl Gruber, as well as Alexander Frolov and Olga Pokrovskaya, who has been asked to continue serving on the Committee since leaving the Board on 14 March 2016 due to her technical and regional experience.

In 2019, the Committee held three meetings: regular meetings on 5 February and 30 July at the headquarters in Moscow, as well as one additional meeting on 16 October in London to review the Risk Management project implementation. All Committee meetings 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 September 2019, the Committee members took part in the EVRAZ HSE management committee and visited Urals production sites to review HSE practices and take part in the "HSE Risk Hunting" session.

ACTIVITIES DURING 2019

Below is a summary of the HSE Committee's performance of its duties in 2019.

HSE performance review

Throughout the year, the Committee applied the following criteria to review the HSE performance of EVRAZ operations:

- 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
- Industrial safety risk assessment

In the aftermath of every fatality, severe injury and incident involving significant damage to property at EVRAZ, the HSE Committee conducts an investigation to determine the root cause, as well as to establish courses of remedial action. This involves recording a detailed description

of the scene, the sequence of events, root cause analysis and corrective measures implemented.

The Committee applies the following criteria to evaluate the Group's environmental performance:

- Key air emissions, including nitrogen oxides (NO_x), sulphur oxides (SO_x), dust and volatile organic compounds
- Carbon dioxide (CO₂) equivalent (tCO₂e) emission
- Carbon dioxide (CO₂) equivalent (tCO₂e) per tonne of crude steel cast.
- 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

Additionally in 2019, the Committee reviewed the risks and control measures associated with the largest dams of EVRAZ. The information on dam safety issues has been publicly disclosed within the Investor Mining and Tailings Safety Initiative.

HSE strategy review

In 2019, the Committee reviewed the result of the diagnostic audit provided by external consultants in order to set the key areas for improvement of the safety culture. Based on these diagnostics, EVRAZ described its HSE Management system as consisting of six elements:

- Policy, goals and programs
- Leadership, engagement and responsibility
- Risk management
- Process management and compliance with standards
- Trainings and competencies
- Control and continuous improvements

Every element is described as “where we are” and “where we want to be”, and then assessed based on the established criteria. The assessment of the safety management system highlighted leadership and risk management as the main areas for improvement.

The Committee approved a new corporate HSE initiative called “Risk Management Project”. The project methodology consists of a set of existing, known HSE tools and best practices, which were tested during 2019. Additionally, the project's approach fosters more intensive interaction among workers and their supervisors by means of health and safety training, safety conversations and using the motivational tools applied within the EVRAZ Business System.

In addition, the Committee supported the management's efforts in the following 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 Committee discussed the challenges posed by global climate change and agreed that the Group should more deeply investigate possible ways to reduce greenhouse gas emissions and establish a corresponding strategy. EVRAZ experts participate in discussions of respective emissions regulations (including related legal acts) to develop emissions regulations in line with the Paris Agreement 2°C pathway. They also provide their professional opinions within respective working groups of various business associations, including the Russian Steel Association and the Russian Union of Industrialists and Entrepreneurs. These associations, in turn, aggregate the opinions held by industry representatives and provide them to the government and respective ministries.

HSE regulatory changes

In 2019, the HSE Committee evaluated the risks and opportunities related to the introduction of new regulation. Over the reporting period, EVRAZ reviewed drafts of HSE-related legislation for the Russian Steel Association's HSE Committee, helping the steel industry to form positions in various areas, including:

- Russian and Canadian greenhouse gas regulations
- The ResponsibleSteel Standard Initiative
- Online emission and discharge monitoring
- Transition to best available techniques (BAT)
- Integrated Environmental Permit (IEP)

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

HSE audit review

In 2019, EVRAZ operations underwent compliance inspections of state supervisory agencies and internal HSE auditors, and the Committee reviewed:

- The HQ Industrial Safety Department's audits of processes and structural units at Group facilities
- 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

CSR review

The HSE Committee's CSR review for 2018–19 covered social programmes with the following priorities:

- Local community quality of life
- Initiatives supporting infrastructure, sports, education and culture
- Special needs children
- Environmental protection
- Safety in the workplace and at home

Following an annual reputation audit that engaged key stakeholders, including representatives of the business community, customers, media, government and local communities, the Committee rated the sustainability efforts of EVRAZ as satisfactory. Over the past three years, the Group's score on the reputation index has indicated a sustainably high performance.



For more details on HSE issues, read the Corporate Social Responsibility section on pages 76-103.