

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE



Karl Gruber
Independent Non-Executive Director
Chairman of Health, Safety
and Environment Committee

In 2020, EVRAZ concentrated its health, safety and environment efforts on implementing a new approach to safety culture improvement by engaging employees in the risk identification and mitigation process. The Group also focused on responding to the COVID-19 pandemic by ensuring safe working conditions for employees, as well as supporting medical institutions and local communities. These efforts led to a considerable 22% improvement in the lost-time injury frequency rate and reduced the number of fatalities by more than two-fold. Despite these achievements, five tragic fatalities of our employees occurred during the past year.

During the reporting period, EVRAZ laid a solid foundation for improving its environmental performance over the next 10 years. This included assessing climate risks, applying best environmental practices, considering stakeholder expectations and developing an ambitious Environmental Strategy.

The Group believes that this is the optimal approach to improve its safety and environmental performance in the future.

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, as well as their reputational impact.
- Liaising between 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 2020, the members of the HSE Committee included Chairman

Karl Gruber, as well as Alexander Frolov and Olga Pokrovskaya.

In 2020, the committee held three meetings: regular meetings on 4 February and 28 July, as well as one additional meeting on 22 October to review the Risk Management Project implementation and Environmental Strategy development process. 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.

Activities during 2020

Below is a summary of the HSE Committee's performance of its duties in 2020.

HSE performance review

Throughout the year, the committee applied the following criteria to review the Group's HSE performance:

- 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.
- 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.
- Environmental commitments and liabilities.
- Major environmental litigation and claims.
- Asset coverage with environmental permits/licenses.
- Public complaints.

- Material environmental incidents and preventative measures.
- Environmental risk assessment.

In 2020, the committee also reviewed new environmental metrics to measure the implementation of the Environmental Strategy.

HSE strategy review

In 2020, the HSE Committee conducted three reviews of the Risk Management Project, a new corporate HSE initiative. The project methodology consists of a set of existing, known HSE tools and best practices, which were initially 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.

The committee's members reviewed the implementation of the new risk management tools, training programme and facilitation based on risk hunting. The next stage of the project will be related to revision of the health and safety management system and auditing the processes. In addition, the committee supported the divisional management's efforts in the following HSE initiatives, finding that the priorities are generally on track:

- Health and safety initiatives, such as the implementation of a lockout-tagout (LOTO) system, review of contractor management requirements and mine safety programmes.
- Environmental programmes, including air emission, water consumption and waste management initiatives.

During the year, the HSE Committee discussed the Group's Environmental Strategy and Climate Change Strategy after reviewing the matter at the request of the Board of Directors. The committee reviewed scenario analysis results, key identified climate risks and opportunities, as well as a map with climate change risks relevant for EVRAZ. The results of this process were

presented in the first EVRAZ Climate Change Report, which was developed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures. The report was published in November 2020 and demonstrates how the Group will manage the climate risks and presents the results of conducted climate risks analysis.

The committee's members approved the EVRAZ Environmental Strategy and agreed that it sets ambitious environmental goals that meet the expectations of regulators, society and investors. To ensure the transparency of measurements, the Group will introduce online monitoring of sources of controlled emissions at metallurgical plants.

HSE regulatory changes

In 2020, 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:

- EU carbon border tax regulation.
- Regulation of greenhouse gases in Russia.
- Integrated environmental permits in Russia.
- On-line monitoring requirements for air emissions and water discharges.
- Air emission quotation systems in Novokuznetsk and Nizhniy Tagil.
- A new state decree on tariff setting rules for municipal water treatment services in Russia.

The HSE Committee acknowledges the risks involved and recommended a proactive approach in alliance with the business community and steel producers. The committee also recommended to incorporate those issues into the Environmental Strategy.

HSE audit review

During the reporting period, the Group's 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 EVRAZ 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 environmental regulators, as well as the implementation of remedial action.

Community relations performance

In 2020, the HSE Committee reviewed the Group's CSR events, as well as an update on social programmes aimed at:

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

During the year, the committee reviewed COVID-19 statistics and measures to ensure safe working conditions for employees, as well as to support medical and preschool institutions in local communities where the Group operates.

In addition, the committee reviewed the results of the annual reputation audit, engaging businesses, clients, media, government representatives and local communities. The efforts that EVRAZ undertook to build sustainable partnerships with key stakeholders were rated as satisfactory. The Group's reputation index shows sustainably high performance over the last three years.

For more details on HSE issues, see the CSR Report on [pages 56-67](#) →