

# Social policy

## Our people

### Our approach

EVRAZ continues to focus on working both with and for people. The Group’s management recognises that reaching their business targets depends on carefully selecting new hires, providing quality training and ensuring that staff are properly motivated.

### Personnel profile

#### Staff recruitment policy

The Group’s in-house HR function meets 99% of its recruiting needs, regardless of the type of position being filled (corporate or technical, specialist or management).

With a view toward attracting talented graduates and providing professional development for staff, EVRAZ has launched several initiatives in cooperation with leading universities:

- improving educational programmes for targeted training or retraining
- upgrading technical and scientific equipment
- supporting talented students through grants and scholarships
- offering internships

The Group prefers to promote from within, but when necessary goes outside the organisation to find the top experts in their fields.

Candidate assessments follow EVRAZ principles of safety, respect for people, customer orientation, accountability and teamwork, as well as the world-renowned Korn Ferry Learning Agility™ model.



#### Staff development

**Staff development strategy.** In 2016, EVRAZ continued its “From Foreman to Managing Director” program. This corporate selection, assessment and development procedure aims to improve the managerial skills of shop-floor supervisors, as well as to clearly define the responsibility and authority of every management level, from foreman to shop-floor manager.

In 2016, the Group launched a project focused on foremen, the first-line managers on the shop floor. The project’s scope has been expanded to also include area managers. EVRAZ has developed the requirements for the area manager position, as well as a quarterly assessment system covering three areas: health and safety, people management, and process management.

**Performance management.** To encourage outstanding performance and ensure that corporate and individual goals are clearly linked, the Group has implemented performance management systems throughout its operations. The performance management process’ business tasks and development targets include key performance indicators (KPIs) of certain business units aligned with EVRAZ’ strategic principles and personal development plans. The performance management plans are used to create further initiatives to motivate staff and ensure career growth.

**Training and development.** EVRAZ places an emphasis on selecting, developing and promoting high-potential employees, as set out in its five-year goals.

EVRAZ draws on the technical expertise of its staff by obtaining their input when developing in-house educational materials and training courses to ensure that all employees are ready to tackle even the toughest issues that may arise in the course of doing business.



### Corporate scientific and technical youth conference

*Each year, teams compete to solve technical problems faced by real business units.*

*In 2016, 40 young engineers from eight of the Group’s enterprises participated in the competition. They were familiarised with the production process (EVRAZ NTMK’s converter unit), taught to use one of the “Theory of Inventive Problem Solving” (Russian abbreviation: TRIZ) tools, and developed solutions to five problems facing the business unit (two teams were assigned to each problem). The best solutions have been approved for implementation at EVRAZ NTMK in 2017.*

The Group launched its “Retaining and Developing Engineering Competency” programme in 2012 to establish a pool of subject matter experts with unique knowledge and empower them to maintain and transfer their expertise to their successors.

In 2016, youth technical conferences were held at all EVRAZ business units to brainstorm loss-reduction solutions. Technical directors and experts judged the solutions and the best of them are being implemented. At an HSE conference that was held at Rospadskaya, attendees came up with technical solutions and content to help improve safety.

Young specialists who attended the Group’s scientific and technical conference helped solve problems that EVRAZ NTMK’s oxygen plant has been facing using the “Theory of Inventive Problem Solving” (Russian abbreviation: TRIZ) method. Two young engineers’ clubs also meet at EVRAZ ZSMK and Rospadskaya. The Group estimates that nearly 40% of the solutions developed using the TRIZ method have been implemented in production.

In 2016, EVRAZ held its first corporate WorldSkills championship and took part for the third time in the Russian Federation’s WorldSkills hi-tech national championship. EVRAZ staff took silver prizes in three of the five skills competitions in which they took part.

In 2016, at production units in Ukraine, the first three sessions of the “Chief Engineer School” were held, as well as a technical forum dedicated to improving efficiency of mining operations.

The solutions that EVRAZ’ experts and young professionals have come up with have been structured, collected into an engineering materials library, and posted on the corporate intranet.

“ We have competed in the WorldSkills Hi-Tech championship for several years now, and our results keep getting better with each passing year. It makes me happy to see how the EVRAZ team spirit is already showing itself at international competitions. I would like to see more of our employees take part and win in future years. ”

**Alexei Yuryev**  
Managing director of EVRAZ ZSMK



Dmitry Fitz and Maxim Nutrikhin  
at III WorldSkills Hi-Tech Championship

In 2016, Russian, Ukrainian, US and Canadian engineers graduated the sixth EVRAZ New Leaders Programme, which is hosted by the Skolkovo Moscow School of Management to design and implement initiatives to improve process performance.

**Assessment of training programme efficiency.** As part of the “Retaining and Developing Engineering Competency” programme that was established in 2012, the Group gathered its top 360 experts to take part in training programs and technical forums, as well as to set tasks for and supervise projects involving young professionals.

From 2012 to 2016, a total of 63 sessions of the Chief Specialist School have been held. The Chief Specialist School is an engineering expertise development and improvement project programme for Group’s employees.

For example, four of the programs developed and curated by the Group’s experts as part of EVRAZ ZSMK’s Chief Specialist School have already saved more than RUB10 million, according to preliminarily estimates.

### Four silver medals, two teams among top five at international WorldSkills Hi-Tech 2016 championship

The III WorldSkills Russia National Competition 2016 took place from 30 October to 3 November in Ekaterinburg, Russia. A total of 300 young professionals from 100 leading global companies competed. A panel of 420 experts, including international specialists from 20 different countries, judged the young professionals’ work in 27 hi-tech industry competencies. EVRAZ’ team included 11 employees of EVRAZ ZSMK, EVRAZ NTMK, EVRAZ KGOK and Evrazruda. Four of them took home silver medals in the following competencies: electrical installation, mechatronics (technology combining electronics and mechanical engineering), and welding technology.

The Group honours its experts, which already number 693 across the Russian and Ukrainian assets.

In 2016, a scientific and technical advisory board was also created under the guidance of the Group’s CEO so that experts could benchmark the progress of technology and development of technological solutions.

Technical forums have become excellent venues for the Group’s specialists to discuss and analyse technical issues, seek outside opinions, and develop implementation and action plans.

In 2016, three engineering forums involving international and Russian industry experts were held at the request of technical directors. The Group’s specialists devised plans to reduce pig iron production costs, improve mining efficiency, and cut the amount of time that is spent on treatment and tunnelling faces.

### Assessment of personnel

Each year, talent committees meet to approve the talent pool. In 2016, this process was automated using SAP’s Success Factors system, which gathered all necessary information into one system, making it more intuitive, complete and accessible for the talent committees.

Various assessment methods are applied depending on the goals and category of personnel:

- Korn Ferry’s Learning Agility™ model is used to select and assess the talent pool, select training programme participants, and make promotion decisions
- The “From Foreman to Managing Director” performance assessment project is used to assess shop-floor supervisors
- SHL testing and questionnaires are used to assess the reliability of staff working in high-risk environments
- At management request, 360° feedback sessions are conducted

Personal development plans are created and included in the corporate training programme based on the assessments.

### Headcount

In 2016, EVRAZ had 77,842 employees, a reduction of 8% from 84,467 in 2015. This was mainly due to staff optimisation including the outsourcing of support functions and the closure of a poorly performing mine in the Coal segment (630 employees).

### Diversity

EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees’ rights receive equal protection, regardless of race, nationality, gender or sexual orientation. The Group also strongly values diversity in its recruitment efforts. People with disabilities are given full consideration to ensure that their unique aptitudes and abilities are taken into account.

### Employee engagement

EVRAZ pays great attention to its internal communications processes and constantly seeks to build an efficient system, designed not only to keep information flowing, but also to increase employee loyalty and motivation.

### Work with trade unions

EVRAZ strives to maintain constructive and positive relations with the labour unions that represent its employee’s rights. Overall, there is a relatively high level of unionisation at the Group’s enterprises (c. 73%), albeit with significant variations across operations and countries.

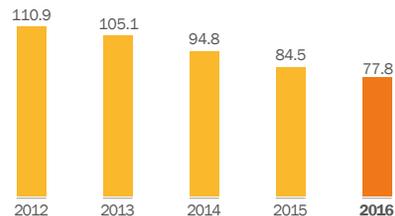
Foremen’s councils have also been established at such enterprises as EVRAZ KGOK and Rospadskaya, as well as a master’s council at EVRAZ NTMK, which are not intended to replace labour unions but rather to offer recommendations for improving labour conditions and other issues.

EVRAZ’ relationship with labour unions is founded on the principle of social partnership. Members of the management regularly meet with union representatives for both formal and informal discussions at every EVRAZ facility, both in Russia and around the world.

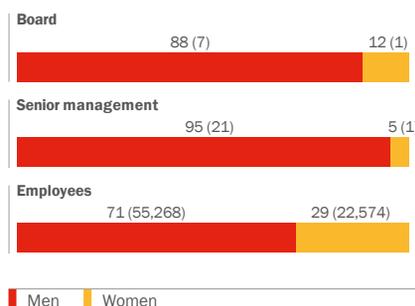
The labour unions at EVRAZ’ enterprises are part of nationwide industrial unions (in Russia, this includes the Russian Mining and Metallurgical Union and the Russian Coal Industry Workers Union), and are also members of the Russian Federation of Independent Unions and international industrial union associations.

At the industry level, EVRAZ cooperates with labour unions through industry employer associations. The Group is a member of the Russian Coal Mining Industry Employers Association and the Russian Metallurgists

### Number of employees at December 31, thousand people



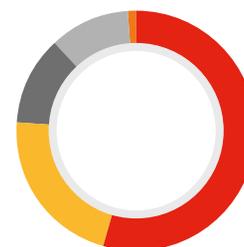
### Diversity of employees, senior management and directors, % (number of people)



### Breakdown of Hot Line enquiries in 2016, %



In 2016, the hotline received about 840 requests, all of which were investigated. The most popular issue with more than 460 calls concerned labour relations. Inside this topic the first place belongs to housekeeping services (114) and the second, to salaries (94). The number of questions regarding personal protective equipment was 29.



Category	%
Labor relations	55
Health and safety	21
Security related matters	12
General information requests	11
Others	1

Association. It is also part of the negotiations on agreements with employee associations at the industry level (coal and steel mining).

Collective bargaining agreements are in force at most EVRAZ operations. They are based on industry agreements and cover employment, working hours, salaries, HSE, benefits and welfare. They also guarantee labour unions' rights. In addition to state-guaranteed benefits, bargaining agreements offer supplemental privileges and social programmes for employees and their families, as well as retirees and veterans (voluntary health insurance for employees, workplace accident insurance, housing improvement assistance, various kinds of financial support, subsidised recreation and holiday vouchers, holiday gifts etc). Social programmes are region and industry-specific to provide maximum value and relevance for employees. Sporting and cultural events are held together with trade unions. Labour unions also help distribute benefits to employees, including vacation packages for stays at health resorts.

The bargaining agreements include sections on HSE that outline the employer's responsibility for providing employees a healthy and safe work environment. This includes providing personal protection equipment that exceeds the minimum government requirements, as well as offering medical check-ups and healthcare services at the employees' workplaces, providing public amenities, conducting HSE training and examinations, and more.

Industry-wide agreements with labour unions contain dedicated HSE sections.

### Tracking employee engagement

Managing employee engagement is an important and significant tool for the Group to influence employee work efficiency and motivation.

At the end of Q3 2016, phase one of the "Tracking Employee Engagement" project began. An employee engagement index has been measured based on AON Hewitt's model.

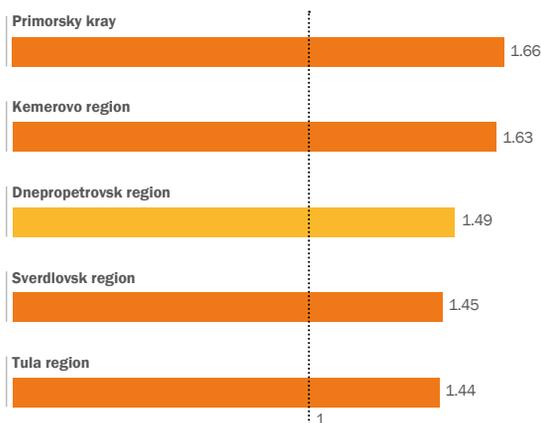
A large pilot survey was conducted as a part of the project at four business units in the Urals and Siberia. The project seeks to paint an accurate picture of the level of employee engagement and find ways to increase employee engagement. Future surveys are planned for additional EVRAZ business units.

## Financial motivation

### Ratio of average salary to average salary in the region



EVRAZ strives to motivate its employees by offering above-average salaries for the regions where they work.



Russia Ukraine

### Employee engagement awards in 2016

Awarding organisations: Russian Mining and Metallurgical Trade Union, Association of Russian Industrialists and Entrepreneurs, Russian Ministry of Industry and Trade.



#### EVRAZ NTMK

Winner of the "Environment and natural resource protection" award in the XIII national competition "Most Socially Effective Metal and Mining Company"



#### Evrzruda

Winner of the "Work with Youth" award in the XIII national competition "Most Socially Effective Metal and Mining Company"

## Key projects

The staff costs in the 2017 budget have been kept at the level of the costs for 2016, in line with the target. Optimisation measures have been implemented at enterprises to ensure wage rises, including indexation stipulated in labour agreements.

Transform HR: the HR Service Solutions Centre (SSC) project has been launched with a goal of fully standardising and automating all core HR functions, and transferring the full HR workflow into SSC. The project aims to improve workflow quality and transparency, and to reduce related costs. To date, three Group enterprises have been transferred to SSC.

## Objectives for 2017

The primary goal is conforming with best HR practises, maintaining high process quality and ensuring that the Group has engaged, motivated, loyal and competent staff.

**Recruitment.** The main focus in recruitment is to build on what has already been achieved and to improve university outreach.

### Development and assessment of personnel.

- Extend the system of selection, evaluation and training for personnel of MD-1-4 level
- "From Foreman to Managing Director": the Group plans to cover shop-floor supervisors.

**Engagement with employees.** In 2017, EVRAZ aims to improve employee engagement organisation-wide.

**Financial motivation.** Projects are underway to improve the payroll system, including analysing and revising incentive tools organisation-wide to ensure that they are properly motivating employees while remaining aligned with business goals and simultaneously simplifying payroll procedures.

**Transform HR.** The HR SSC project has been launched and will be expanded to business units in the Urals.

**Headcount.** In 2017, the key focus will be on combining the efforts of HR and other vital corporate functions to develop a sustainable process improvement system through EBS-transformation projects.