

EVRAZ business system

Our approach

The EVRAZ Business System (EBS) is the methodology that EVRAZ applies to reduce costs, improve quality and safety, and eliminate waste, with an aim toward generating continuous improvements in business effectiveness.

The Group leverages EBS for change management and fostering a culture of constant improvement. The principles embodied in the management philosophy define how EVRAZ operates and inform how staff think and act. EBS has been embedded throughout the business and is applied in every one of the organisation's processes.

EBS transformation

In 2017, the Group plans to begin the next phase of EBS with a focus on uniting all the corporate functions in a drive to reduce production costs.

Whereas previously an instrumental approach was used, the EBS Transformation will introduce a new project-based methodology. The initiative is expected to be implemented throughout the Group's main operations by 2019.

The cross-functional project methodology is currently being implemented in the following ways:

- Introducing the EVRAZ principles (safety, respect, customer orientation, accountability and teamwork) in the management system to update the leadership behaviour model
- Iterating the EBS Transformation methodology for further application at the Group's business units
- Revising the EBS organisational structure to support the project approach implementation
- Developing a system of accounting KPIs

EBS objectives

- Achieving the annual production cost reduction target of 3%.
- Fostering outstanding teams whose members embrace the Group's philosophy.
- Encouraging the extended partner and supplier network to improve through mutual respect and exacting standards.
- Striving to eliminate waste in EVRAZ' value-creation process by better understanding customers' needs and focusing business processes on continuous improvement.

Key developments

In 2016, the targeted KPIs were achieved for training staff on the basic EBS tools and amount of RIEs¹.

In 2016, additional measures were also undertaken to introduce the following new EBS KPIs next year:

- Reducing annual production costs by 3%;
- Assessing employee engagement in implementing continuous production improvement ideas ("Idea Factory" work assessments, "Problem Solving Boards" etc).

9 projects aimed at increasing revenues or reducing production costs were implemented using the EBS methodology in 2016.

Objectives for 2017

In 2017, the primary focus for EBS will be:

- Achieving the 2017 production cost reduction target of 3%
- Meeting milestones to implement the EBS Transformation project throughout the Group's main operations by 2019
- Developing the employee engagement assessment methodology and beginning KPI monitoring

EVRAZ business system KPIs

	2012	2013	2014	2015	2016
People trained to EBS Level 2		4,312	9,559	18,024	21,454
Amount of RIE¹	618	1,343	1,608	4,500	6,786
Amount of model lines where EBS was implemented		15	22	33	33
Share of critical assets covered by maintenance system	10	20	20	50	50 ²

¹ Rapid improvement event

² This indicator did not change year-on-year because the initiative ended in 2016.

EVRAZ' Strategic Report, as set out on pages 8-37 inclusive, has been reviewed and was approved by the Board of Directors on 28 February 2017.

By the order of the Board



Alexander Frolov

Chief Executive Officer, EVRAZ plc

28 February 2017