

# Social policy

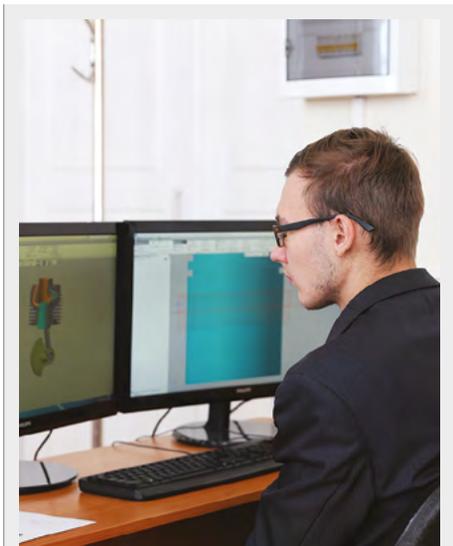
## Our people

### OUR APPROACH

EVRAZ believes that its success depends on its employees, which is why it constantly invests in human capital development. We understand that the only skilled, engaged and motivated staff can meet the needs of our demanding customers.

Compliance with national labour laws and regulations in the

countries where the Group operates is a key aspect to this approach. This includes laws on occupational safety, minimum wages and salaries, employees' rights to paid time off, maternity leave, collective bargaining, healthcare coverage, pension benefits, personal data protection, freedom from all forms of discrimination, etc.



### Personnel profile

#### Staff recruitment policy

EVRAZ creates opportunities for its staff to advance within the organisation and, where necessary, supplements this with a targeted search for outside experts. This helps to keep the Group prepared for future challenges and to reach our ambitious goals.

When evaluating candidates, EVRAZ relies on professionalism and its principles. These represent the qualities and behaviours that we want to see in employees. The EVRAZ principles include:

- safety;
- respect for people;
- performance and responsibility;
- client focus;
- effective teamwork.

EVRAZ continues to invest in talented young specialists, including working with students to provide vocational guidance. In 2017, we created a team of children who study at schools we sponsor to take part in the WorldSkills Junior competition.

The Group focuses on two priority areas for attracting young specialists:

- an internship programme, after which the best students receive offers for permanent positions at EVRAZ;
- the Group also works with universities and colleges to improve educational programs by offering joint courses and equipping laboratories, enabling students to study modern technologies and standards. ➔

## EVRAZ NEW LEADERS

#### Staff development

**Staff development strategy.** In 2017, EVRAZ continued its "From Foreman to Managing Director" programme. This is one of the tools that we use to teach line managers critical skills in four key areas: HSE, HR, production management and improvements management. Each of these areas has evaluation criteria that are analysed quarterly, and foreman and area managers have a feedback loop to upper management at their disposal. Our training relies on applied skills that each person needs: we teach leaders to communicate with their team, provide feedback, build a dialogue, and foster a safe working environment. Over the past year, the Group has expanded the programme to include area managers at its Russian and Ukrainian production assets. Overall, 1,800 line managers have participated in since the "From Foreman to Managing Director" programme launched in 2016, including 300 area managers in 2017. A total of 83% of participants noted the following improvements after completing the courses: time management, goal setting, communication and feedback, as well as standard job tools and responsibilities, like production visits and shift meetings.

#### ➔ EVRAZ FUNDS MODERNISATION OF THE ENGINEERING AND DESIGN LABORATORY

*In 2017, EVRAZ provided funding to modernise the engineering and design laboratory at Nizhny Tagil Mining and Metallurgical College. This included upgrading the facility's computers and purchasing new software and other tools. The new equipment will help students to better study this academic discipline.*

*Over the past five years, the Group has helped to upgrade the college's facilities for automation engineering, electrodynamics, mechatronics, robotics and distance learning, metalworks, welding and electrical installation.*

In 2017, the Group updated its EVRAZ New Leaders Programme. The topics covered under the programme are always derived from a business need: specific problems that need to be addressed. Over the past year, the programme's focus has shifted from production issues to become more people-oriented. In 2017, an additional 70 employees graduated the seventh EVRAZ New Leaders Programme, which is hosted by the Skolkovo Moscow School of Management. Overall, 317 people have completed the programme, 60% of which received new positions at the Group.

**Performance management.** To ensure high efficiency, EVRAZ continues to improve its performance management process, which was updated in 2017, including:

- KPI methodologies were standardised;
- The list of technical KPIs was updated to reflect best industry practice (the list is reported to the CEO);
- Goal setting deadlines were shortened. ➔

**Training and development.** EVRAZ relies on its staff's technical expertise to develop proprietary educational materials and training programmes that help to prepare its workforce to handle whatever challenges they might face on the job. ➔

Over the past year, the Group has expanded its young engineers' clubs project, which was started in the Urals division (EVRAZ NTMK and EVRAZ KGOK).



#### ➔ CORPORATE SCIENTIFIC AND TECHNICAL YOUTH CONFERENCE

*In 2017, a total of 50 young professionals from EVRAZ's largest production subsidiaries took part in the Group's fifth annual corporate scientific and technical youth conference. The teams presented their best technical implementation solutions and then used the tools of the "Theory of Inventive Problem Solving" (Russian abbreviation: TRIZ) method to improve their solutions. They presented their final proposals to EVRAZ' panel of scientific experts, which recommended all the solutions presented for implementation at the Group's operations.*

#### ➔ SAP SUCCESS FACTORS

*In 2017, the SAP SuccessFactors implementation was completed. The project automated the processes for searching for candidate, building careers and creating a staff reserve, setting goals and assessing personnel. These are used for calculating bonuses based on employees' final KPI results.*

*The SAP solution combined these HR processes into one system, which helped to improve process efficiency and create a single database.*

In 2017, a total of 10 sessions of EVRAZ' "Chief Engineer School" were held at Russian and Ukrainian sites, as well as a technical forum dedicated to improving the efficiency of mining operations. A special feature of the reporting year was the addition of a new format for the programme: participants were part of a scientific and technical council tasked with solving problems involving benchmarking production processes.

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.

EVRAZ continues to invest in increasing the prestige of working professions. Workers' roles are actively changing as they technologically determine business results and the quality of the products that EVRAZ offers to the market. ➔

#### Assessment of training programme

**efficiency.** As part of the "Retaining and Developing Engineering Competency" programme that was established in 2012, the Group gathered about 700 of its top experts to take part in training programs and technical forums, as well as to set tasks for and supervise projects involving young professionals.

The scientific and technical advisory board strengthened its role and provided valuable guidance, helping the experts to benchmark the progress of technology and the development of technological solutions.

Regular 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.

#### Assessment of personnel

Ahead of the annual talent committees in 2017, EVRAZ conducted 360° feedback sessions for 220 managers (CEO-2 and successors). This helped to determine their strong points and areas of improvement, and going forward will facilitate the creation of a group development programme.

EVRAZ continues to apply various assessment methods, depending on the goals and category of personnel, including Korn Ferry's Learning Agility™ model, the "From Foreman to Managing Director" programme, SHL testing and questionnaires.



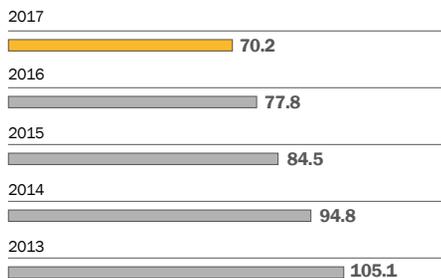
**Pavel Tereshenko,**  
electrical installer at EVRAZ ZSMK,  
won a gold medal at WorldSkills

#### ➔ WORLDSKILLS HI-TECH 2017 CHAMPIONSHIP

*In 2017, EVRAZ took part for the fourth time in the Russian Federation's WorldSkills hi-tech national championship. The Group's staff took their first gold prize, three silvers and two bronze medals out of the seven skills competitions in which they took part.*

*This is first time that EVRAZ sent a junior team to the championship and they took second place in the "electrical installation 12+" nomination.*

**NUMBER OF EMPLOYEES AS OF 31 DECEMBER 2017, thousand people**

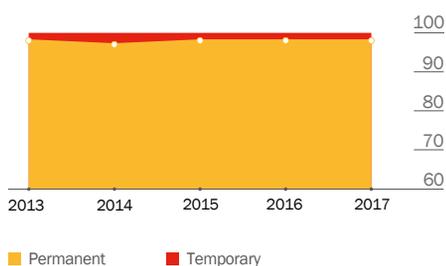


**BREAKDOWN OF EMPLOYEES BY AGE AS OF 31 DECEMBER 2017, %**



Age Group	Percentage
<20	0.3
20-29	14.9
30-39	30.6
40-49	29.3
50-59	20.8
>60	4.1

**BREAKDOWN OF PERMANENT AND TEMPORARY STAFF, %**



**Headcount**

In 2017, EVRAZ had 70,186 employees, a reduction of 9.8% compared with 2016. To better achieve the Group's strategy, it disposed of non-core assets in 2017, such as Evraz Nakhodka Trade Sea Port and Evraz Sukha Balka. ➔

**Diversity**

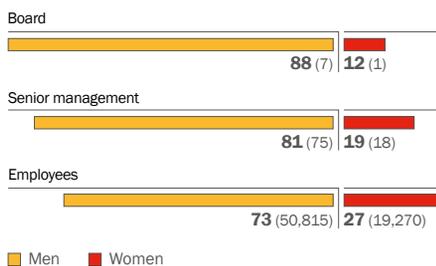
EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees' rights receive equal protection, regardless of race, nationality, gender or sexual orientation. ➔

**BREAKDOWN OF EMPLOYEES BY REGION IN 2017, %**



Region	Percentage
Russia and CIS	94.5
North America	5.2
Europe	0.3

**DIVERSITY OF EMPLOYEES, SENIOR MANAGEMENT AND DIRECTORS, % (number of people)**



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 uses a wide range of channels to communicate with employees, including its corporate intranet and website; corporate publications; social media channels; webcasts and Q&A sessions with the senior management team; town hall meetings and employee surveys (including engagement surveys).

**Work with trade unions**

EVRAZ' relationship with labour unions that represent its employees' rights is founded on the principle of partnership, which allows it to maintain constructive and positive relations. The management regularly meet with union representatives for discussions at every EVRAZ operating facility. The overall level of unionisation at the Group's enterprises stands at around 73%, albeit with significant variations across operations and countries.

The labour unions at EVRAZ' operations 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. Meanwhile, the Ukrainian Union of Metallurgists and Miners represents the Group's employees at its operations in Ukraine.

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 Association. In Ukraine, in negotiations with trade unions at the industry and national level, EVRAZ has the right to an advisory vote in the Working Group of the Federation of Metallurgists of Ukraine.

**EMPLOYEE TURNOVER, %**

Region	2013		2014		2015		2016		2017	
	Overall	Voluntary								
Russia and CIS	14	7	17	7	12	5	14	5	11	6
North America	30	14	20	14	20	12	26	15	23	14
Europe	21	9	15	9	22	14	18	10	8	2

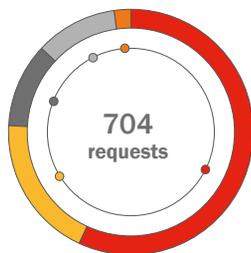
**Tracking employee engagement**

Measuring employee engagement in 2016 helped to determine EVRAZ' HR priorities for 2017. We used the survey to develop local and corporate-wide improvement plans. The corporate focus was on ensuring that every employee knows what is happening within the Group, including its short- and long-term goals, the development plans for the operations where they work, and what the employees themselves can expect. We chose a new format that we call "Informational Days" to discuss these matters with staff. All told, we gathered more than 3,000 people at our subsidiaries and the management company. Local activities were mostly focused on improving working conditions. More than 50 such improvement measures were implemented in the Urals and Siberia divisions, where we implemented the pilot programme last year.

In 2017, the engagement survey included all the Group's main operations. The projects primary goal is to establish a dialogue between the organisation and its employees at all levels, from the enterprise, to the shop and site. ➔

**EVRAZ Hotline**

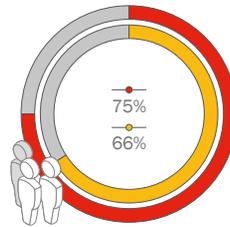
➔ **BREAKDOWN OF HOT LINE ENQUIRIES IN 2017, %**



Labour relations	57
Health and safety	19
General information	11
Security	11
Others	2

In 2017, the hotline received 704 requests. The most popular issue concerned labour relations, including the quality of services for workers (114) and salaries (71). There was a significant increase in enquiries concerning safe pedestrian routes and lighting conditions (25). These requests helped the Group to identify the most dangerous areas, like railway crossings, and improve their safety.

➔ **EMPLOYEE ENGAGEMENT SURVEY RESPONSE RATE, %**



■ 2017 ■ 2016

**Financial motivation**

In 2017, EVRAZ launched a grading program where consultants helped to evaluate roles within the organisation and develop remuneration management principles. The grading system and remuneration management principles will improve the transparency of employee remuneration.

As part of the EVRAZ Business System Transformations project, the Group introduced a system to motivate employees to provide for process improvement ideas and take an active role in their implementation.

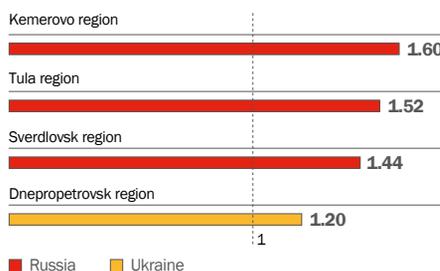
The Group strives to look beyond compliance with minimum wage requirements to ensure that it compensates its staff adequately. ➔

**Key projects**

**HR Transformation**

The HR service solutions centre (SSC) project encompasses the entire HR service chain, including employee records, payroll, and timesheet data. In 2017, the centre's services were rolled out to assets in the Urals division. This brought the total number of users to more than 55,000 employees. Since its inception in August 2016, the centre has performed more than 580,000 operations. As of December 2017, the HR SSC project has helped to improve service quality and reduce process costs by 3%.

➔ **AVERAGE WAGE RATIO, EVRAZ VS THE REGION OF PRESENCE**



➔ **EVRAZ WINS BUSINESS PROCESS MANAGEMENT PROJECT OF THE YEAR AWARD**

The Russian chapter of the Association of Business Process Management Professionals holds an annual nationwide contest with the support of the Skolkovo Foundation's IT cluster. Out of a total of 24 business process management projects presented at the competition, EVRAZ' HR services solutions centre won the grand prize and was named Business Process Management project of the year. The SAP solution combined these HR processes into one system, which helped to improve process efficiency and create a single database.



**Objectives for 2018**

EVRAZ strives to implement international best practices in the field of human resources to match its needs and expectations. This helps the Group to maintain high-quality processes and ensures that it has engaged, motivated, loyal and competent managers and employees. The following programmes are a vital part of these efforts:

- EVRAZ Business System. One of the group's overriding priorities for 2018 is to continue supporting the EVRAZ Business System transformation in terms of employee development, motivation and engagement.
- Digital HR. The human resources function is focused on digitising its operations, including through the introduction of employee and manager self-services.
- Human capital development. The Group is implementing a human capital development programme that aspires to cultivate world-class leadership qualities among its middle managers and executives.
- Employee engagement. In 2018, EVRAZ aims to further improve employee engagement by promoting an ongoing dialogue between the organisation and its people, at every level.