

# HSE Committee report



**Karl Gruber**

Independent Non-Executive Director, 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 <http://www.evraz.com/governance/directors/committees/>.

*In 2017, the Group made significant improvements in HSE reporting transparency and HSE risk assessment practices by implementing controls and auditing processes. These efforts have led to a considerable 20% improvement in our LTIFR. Despite these achievements, we were still rocked by several tragic fatalities that occurred during the past year. This fact should lead to a greater focus on eliminating the root causes of fatalities, paying more attention to systems and procedures, and fostering a culture in which everyone cares about each other's safety and our common environment. We will continue our efforts to make sure that our managers at all levels understand the range of health, safety and environmental risks in their part of the organisation, give sufficient attention to each of them, and demonstrate leadership to engage their employees in safety.*

## Role and responsibilities

The Board has tasked the Health, Safety and Environment (HSE) Committee with providing guidance on matters of health and safety. The committee is also accountable for environmental and local community risks that are deemed to be material to the group's operations.

The HSE Committee's responsibilities include:

- Evaluating the impact of the Group's HSE initiatives, community efforts and operations on its workforce, the local populace and EVRAZ' reputation;
- Acting as the Board's interface with the management regarding fatalities or serious incidents at the Group's operations, and reviewing the mitigating actions undertaken in response;
- Monitoring the HSE aspects of independent audits of the Group's operations, reviewing the management's strategies and planned responses to any issues that may arise from time to time and, as needed, briefing the Board on any recommendations in this regard;



- Apprising the Board and providing recommendations, as appropriate, whenever it deems that a matter within its remit warrants action or improvement.

## Committee members and attendance

As of 31 December 2017, the HSE Committee's members were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who has continued as a committee member since leaving the Board on 14 March 2016.

The committee met at EVRAZ' headquarters in Moscow, Russia on two occasions during 2017: 8 February 2017 and 2 August 2017. Both meetings were duly convened and had a proper quorum.

The committee receives monthly HSE updates and provides a quarterly HSE report to the Board.

During the reporting period, the HSE Committee met to review current issues and division-

specific HSE initiatives with the divisional (operational) vice presidents of the Ukraine, Urals and Coal divisions. As planned, the committee chairman and vice president responsible for HSE matters also visited the production sites of EVRAZ' Urals division to review HSE practices in 2017.

## Activity during 2017

The following sections summarise how the committee fulfilled its duties in 2017.

### HSE performance review

In 2017, the committee reviewed EVRAZ' HSE initiatives twice, using the following metrics to measure performance:

- Fatal incidents;
- Lost time injuries (LTI);
- Lost time injury frequency rate (LTIFR), which is calculated as the number of injuries resulting in lost time per 1 million hours worked;
- Cardinal safety rules enforcement;
- Progress of health and safety initiatives.

The HSE Committee reviews every fatality, severe injury and serious property damage incident that takes place at the Group to determine the root cause and assess the management's follow-up efforts. This is an ongoing practice that includes annotating each case with a detailed description of the incident scene, sequence of events, root cause analysis and corrective actions taken.

Throughout the reporting period, the HSE Committee continued to focus on the HSE reporting procedure, noting the effort that the Group has taken to improve quality and transparency in this regard. EVRAZ' LTIFR figure began to rise in Q2 2015, when the Group launched a systemic effort to ensure full transparency in reporting. Several LTI incidents that were not duly reported brought serious consequences for the managers involved, sending a clear message to both blue-collar employees and managers at all levels that failing to report an LTI is unacceptable and will not be tolerated.

EVRAZ' LTIFR stabilised in H1 2017 and has since begun to decrease.

Due to the increased number of contractor fatalities, the committee has requested a deeper analysis of contractors' health and safety statistics, as well as information on implemented countermeasures.

The HSE Committee measures the Group's environmental performance against the below metrics, which are intended to track the implementation of environmental targets:

- Key air emissions, including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds;
- Non-mining waste and by-product generation, recycling and re-use;
- Fresh water intake and water management aspects.

It also monitors the following additional environmental compliance metrics:

- Non-compliance related environmental levies (taxes) and penalties;
- EVRAZ' 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 an effort to improve environmental compliance management, the committee has endorsed lowering the threshold used to assess whether financial losses associated with environmental risks are material. The risk level has decreased due to the implementation of mitigation measures within the last five years. This change in methodology would increase the significance of some environmental risks to assist the management in setting proper priorities for EVRAZ' environmental initiatives.

The HSE Committee has reviewed the forecast on greenhouse gas (GHG) emissions based on the Group's production plans and initiatives, as well as the estimated risks and opportunities associated with GHG issues.

## HSE strategy review

In 2017, committee members approved the annual HSE targets and reviewed the status of the year's HSE efforts, concluding that the priority HSE initiatives are generally on track.

The committee supports the efforts of the Group's management to develop and implement an HSE management system, including the following corporate-level HSE

initiatives that were launched in previous years:

- Implementing a lockout-tagout (LOTO) system;
- Providing the proper personal protective equipment for electric arc exposure;
- Introducing safe operating procedures for the 10 most hazardous jobs (operations) in every shop;
- Safety conversations;
- Divisional health and safety initiatives;
- Environmental programmes, including air emission, water consumption and waste management initiatives.

The HSE Committee specifically discussed the efficiency of safety conversations and standardisation through safe work procedures with the divisional vice presidents and asked to arrange a random check on whether the facilities have controls in place to ensure that personnel are indeed following safe operating procedures.

It also reviewed the status of the environmental projects that EVRAZ launched as part of Russia's 2017 Year of Ecology action plan, concluding that the HSE initiatives require further implementation in all areas.

## HSE regulatory changes

The HSE Committee monitored the risks and opportunities related to introduction of new Russian regulations. In 2017, the EVRAZ team reviewed more than 30 drafts of HSE-related legislation as part of the Russian Steel Association's HSE Committee, helping to provide consolidated positions to the regulator. The committee also oversaw the follow-up related to the introduction of new Russian regulations based on the best available techniques approach.

## HSE audit results review

State supervisory agencies and internal HSE auditors conduct compliance inspections of EVRAZ' operations.

The committee members reviewed:

- The HQ Industrial Safety Department's audits of processes and structural units at EVRAZ' facilities;
- The health and safety cross-audits performed by representatives of similar operations from other EVRAZ facilities and headed by the HQ Safety Team;
- 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 that are carried out by environmental authorities,

as well as the implementation of corrective actions.

The HSE Committee's review had the following findings:

- The trends of HSE risk minimisation and the practice of cross-audits are satisfactory;
- The audit intensity should correlate with the risks highest on the risk matrix;
- Sites should be re-audited at a later stage to ensure that safe conditions are maintained.

The committee also reviewed the plan for industrial safety audits for 2017 and requested to maintain the focus on coal operations.

## Externally facilitated review

During the year, committee members undertook a self-assessment process with the assistance of an external facilitator, Lintstock LLP, to consider the HSE Committee's performance, composition, duties, responsibilities and access to management.

The external review rated the committee's performance highly and recommended continuing with a greater focus on longer-term HSE strategy and keeping the organisation moving to achieve its vision of having accident-free operations.

Following this evaluation, the members of the HSE Committee expressed their approval of the approach applied so far and agreed to focus on all measures and activities already introduced to the organisation.



For more details on HSE issues, see the Corporate Social Responsibility section on pages 84–95.