

Message from the CEO

Dear stakeholders,

I am proud to present you with EVRAZ first comprehensive Report on sustainability performance. The decision to prepare a separate Sustainability report is a logical step in the Group's continuous efforts to improve the economic, social, and environmental aspects of our operations and is a reflection of our commitment to transparency and corporate social responsibility.

The Group is convinced that creating long-term value and delivering robust operational and financial results are unattainable without the systematic management of sustainability performance. As a global steel and mining company, EVRAZ recognises the importance of ensuring the highest levels of occupational health and safety, engaging and developing employees, protecting the environment, contributing to the development of the regions where we operate, and maintaining mutually beneficial relations with all groups of stakeholders.

A proactive and balanced approach to managing sustainability related issues at all stages of the Group's operational activity forms an integral part of EVRAZ corporate philosophy. The Group strives to integrate best practices in sustainable development

and contributes to attaining the sustainable development goals (SDGs) adopted by the UN General assembly in 2015.

In 2018 the Group delivered impressive results and demonstrated financial and operational resilience. In the reporting year EVRAZ generated EBITDA of US\$3,777 million, our highest since 2008. These results are underpinned by initiatives to boost efficiency and reduce costs, as well as efforts to improve sustainability performance. Healthy financial and operational results allow the Group to expand the areas, scope, and directions of the Group's sustainable development activities and to create value for stakeholders.

One of the most crucial sustainability related projects in 2018 was the construction and launch of blast furnace No. 7 in Sverdlovsk Region (EVRAZ NTMK). The furnace has an annual pig iron output of 2.6 million tonnes and is considered to be one of the "cleanest" in Russia: it increases air purification by 250% and reduces coke consumption by 5 kilogrammes per tonne compared with other operating furnaces. The launch of the new blast furnace allowed the Group to not only significantly improve our environmental performance, but also led to the creation of new jobs.



OCCUPATIONAL HEALTH AND SAFETY

Mining and steel production are typically associated with high levels of occupational hazards, that is why the Group prioritises the safety of our employees and contractors. The key areas of the Group's approach to managing occupational health and safety comprise developing a culture of safety among employees and contractors, complying with all applicable legislation, and monitoring and managing risk factors.

The Group's key goals with respect to occupational health and safety are achieving

a zero fatality rate, making continual improvements to the safety culture, and attaining a lost time injury frequency rate (LTIFR) value of less than 1 point by 2021. In 2018 the LTIFR was nearly unchanged compared to 2017, and stood at 1.91 per 1 million hours.

Despite the extensive work carried out by EVRAZ to improve our health and safety performance, I deeply regret to report that there were 10 cases of fatalities in 2018 – six Group employees, and four contractors. The Group conducted

thorough investigations into all of these cases and elaborated measures to prevent similar cases from reoccurring in the future.

In 2018 the Group focused on two key new safety initiatives – the contractor safety programme and HSE performance assessment for operations managers. The Group also conducted events for our employees and contractors dedicated to safety, such as the EVRAZ Safety Week and the EVRAZ Safety First youth conference.

HUMAN CAPITAL MANAGEMENT

The Group greatly values our people and endeavours to create a stimulating environment where each employee is able to fully realise their potential. EVRAZ adopts a comprehensive approach to creating favourable and competitive working conditions, training and developing employees, improving the corporate culture, and implementing an integrated social policy.

EVRAZ pays special attention to the training and development of our personnel and working with young professionals. In 2018 the Group held a number of major educational events, including the WorldSkills programme, the EVRAZ New Leaders programme, and the new corporate training programme Top-300. The Group also

held for the first time ever a mentorship forum, and launched a new project entitled Mentorship Reloaded.

In 2018 the Group continued with work to enhance and systematise the remuneration system: grading evaluations were conducted and the approach to remuneration reviewed. After this preliminary work is completed, a two-year project will be launched in 2019 to upgrade the payment system used within the Group.

Another key development in 2018 was a project to streamline the EVRAZ organisational structure in accordance with the results of a benchmarking analysis of the structures of Russia's largest metals companies. Currently

the Group is working on optimising the number of management levels, which will facilitate faster decision-making and improved controls.

The Group encourages open and transparent communications and collects regular feedback from employees. Since 2016 EVRAZ has conducted the annual We Are Together engagement survey. In 2018 the geography of the survey was expanded to include employees from the Shared Service Centre, EVRAZ Metall Inprom, and Evraztekhnika. The results of the survey conducted in 2018 showed that the employee engagement level rose by 1 percentage point, to 53%, thus demonstrating a positive trend in employee satisfaction.

MANAGING ENVIRONMENTAL IMPACTS

Taking a holistic approach to managing environmental impacts is crucial for the Group's growth and business continuity. The principles of minimising negative impacts on the environment and the efficient use of resources are integrated into EVRAZ daily operations.

The Group has an Environmental Management System (EMS) in place, which ensures that environmental risks are mitigated and that all regulatory requirements are met. The EMS also incorporates environmental and social impact

assessments, environmental due diligence, and the management of environmental projects.

In 2018 EVRAZ made significant progress in terms of reducing our negative environmental impacts. By the end of 2018 the consumption of fresh water had fallen by 29%, and an overall share of 111.3% of non-mining waste had been recycled, compared with 104.7% in the previous year. As of December 2018 the Group's total greenhouse gas emissions had declined 6.9% year-on-year, while the key air emissions (sum of NO_x, SO₂, dust and VOC) had fallen by nearly 6.5%.

The Group implements various environmental protection programmes and places a focus on finding new ways to mitigate our impacts on ecosystems. One of the most noteworthy projects completed in this area in 2018 was the rehabilitation of disturbed land at the old EVRAZ ZSMK waste storage area. 17.9 hectares of land were rehabilitated, 2,400 pine seedlings were planted, and the territory was then transferred to the Administration of Novokuznetsk.

COMMUNITY RELATIONS

The attainment of the Group's strategic goals depends on having a stable economic and social environment in key regions of operation. As a major employer and taxpayer, EVRAZ recognises our responsibilities towards supporting local communities. With this in mind, the Group implements a number of long-term projects aimed at sponsoring and promoting education and sports, the development of infrastructure, and environmental protection and conservation.

At the federal level, in 2018 EVRAZ provided support to the Rogachev Centre for Paediatric Haematology and Immunology, whose aim is to improve the treatment of acute myeloblastic leukaemia in children. The Group also contributes to the development of education and culture by sponsoring the Documentary Film Centre in Moscow, the Garage Museum of Contemporary Art in Moscow, the Yeltsin Centre in Ekaterinburg, and the Novokuznetsk Drama Theatre, the men's volleyball club

Dynamo (Moscow) and the Grand Slam international judo competition in Ekaterinburg.

The Group's commitment to improving the quality of life of people in regions of operation does not stop at large-scale projects coordinated by the corporate headquarters. EVRAZ employee community is actively involved in several voluntary and charitable initiatives, thereby helping people in difficult life circumstances, supporting children, and organising social and sports events. In the medium term the Group is considering creating a volunteers programme to further develop this stream and to support volunteers locally.

EVRAZ will go on working to create shareholder and stakeholder value in the years to come. I am sure that this will only be possible by constantly improving our sustainability performance and by further integrating economic, social, and environmental considerations into the Group's decision-making.

Alexander Frolov
Chief Executive Officer