



Republican unitar y enterprise

BYELORUSSIAN STEEL WORKS

SOCIAL REPORT

2010

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GENERAL DIRECTOR'S APPEAL



Dear friends!

I would like to draw your attention to the Report on social responsibility and corporate stability of Byelorussian Steel Works for 2010 so as to prove the contribution to and the results achieved by the enterprise in the social area.

Being rehabilitated after the crisis that affected the world economy, the enterprise's staff managed to maintain the positive tendency which took shape in the second half of 2010. The experience gained during the operation in very difficult conditions, new solutions and ideas born during that period became

an extra capital of the enterprise and will be used for the benefit of the plant's personnel for many years. Market outlets were not reduced, and the plant attained a big number of new business partners.

2 million 530 thousand tons of steel were produced in 2010 which is 2,4 % more than in record-breaking 2008. During a few nearest years the plant will actively change for the better. Time has come for a more rapid innovative development! By this time we have managed to achieve good results. The program for modernization and technical revamping aimed at increase of the high value added product output is being implemented. The existing facilities of the main and auxiliary production are being modernized and a number of new ones will be erected and put into operation. We plan to organize joint ventures both with foreign and Russian partners. Building of a sheet mill is project No.1. The project for erection of a new section rolling mill is at the stage of implementation now. A production method for manufacturing wire for cutting of silicon wafer used in solar batteries is being developed in the steel cord and wire production.

It is very important to point out that we do not only develop our production, but bear responsibility for the land on which we work and live. In the nearest future we will continue solving environmental issues directing investments towards processing and utilization of industrial wastes and emissions. A contract was signed with Water Group, a Finnish company, for modernization of the gas and dust removing system which will allow us to decrease harmful emissions to a considerable extent. In the next 5 years the enterprise plans to spend approximately EUR17 million for the improvement of the environment in the region.

We are well known and appreciated in the world: 80% of BMZ production is exported; the portion of the currency gains from abroad is about 15%. BMZ debars are used in the foundation of the Olympic stadium



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in London. They are also used in the erection of the Olympic facilities in Sochi and one of the power units of the Russian atomic station. Our plant continues to move forward. Last year we sold products to the amount of USD 1,5 billion, by the end of the year 2011 we plan to reach the 2billion level.

Speaking about our results it is necessary to mention our people whose labour makes them possible. The plant achieved these results thanks to its personnel. Our staff is our main value. As usual, wages and salaries of the plant's personnel remain one of our priorities because they are an important incentive driving towards self-perfection and labour quality improvement.

The plant provides work for more than 12 thousand citizens of Zhlobin and makes a weighty contribution to the development of the infrastructure of the town and the region. In the end of 2010 vacancies previously optimized were restored, 182 new work places were

created, over 800 people were employed. According to the results of 2010, the portion of tax deductions of BMZ in the regional budget makes up 38,8%.

Having occupied the leading position we recognize that apart from charity and sponsorship we need a new fundamental interaction with the interested parties influenced by the activity of the enterprise which reflects the enterprise's position in respect of a steady development of the society. That is why we consider corporate social responsibility to be a principle of the corporate management. Starting with 2008, every Social Report of the plant does not only illustrate the realization of the concept of social responsibility by the enterprise, but reflects the system character of social investments as well.

Best regards,
A.M. Savianok,
General Director



INTRODUCTION TO THE THIRD REPORT

Maintaining the tradition of reports on sustainable development, RUE “BMZ” confirms its readiness for an open dialogue with stakeholders. Despite the economic instability on the world markets, the plant does not deny the undertaken obligations and pursues the chosen policy of improvements and transformations in all directions: management of sustainable development, business activity, personnel development, social activities of the enterprise in the regions and cooperation with suppliers and customers, environmental policy and industrial safety. However, it should be noted that the world economic crisis affected some effectiveness indicators in 2010.

Within the framework of the annual report all aspects of the enterprise’s activity in the field of social responsibility are shown.

RUE “BMZ” represents the third Corporate Social Report prepared in G3 format of the Reporting Manual in the field of sustainable development and the principles being the basis of the UN Global Compact. The report contains information about the activities of the plant in 2010 as well as plans, goals and commitments for future.

Strategic goals of the plant in 2010 are, to a large extent, significant in 2011 preserving succession and sustainability in the development of BMZ. Appraisal of the results of the enterprise activity in 2010 is represented as a comparison with the performance of the same period of 2009 or the degree of gaining the target values.

Preparation of this report was based on stakeholders’ opinions about the Social Report of 2009.

The report is based on the documents developed by the plant in accordance with the requirements of the law of the Republic of Belarus and international standards.

The report on social obligation and corporate sustainability informs the stakeholders about strategic priorities, potential of RUE “BMZ”, peculiarities of

management and the level of competence of the management, effectiveness of risk management, cooperation with stakeholders. The report reveals not only efficiency of the plant in money making, adaptation of new equipment and technologies, but also reflects the activities in human capital formation, environmental safety and arrangements of favourable conditions for dynamic social and economic development of the region of production activities of BMZ. The report aims to inform the public and all stakeholders: owner, investors, personnel, representatives of the district, regional and republican authorities, populace and product consumers.

There is no considerable change of information given in the previous plant reports.

There is no information about joint ventures and enterprises located outside the Republic of Belarus.

Electronic copy of the report 2010 will be available on the corporate BMZ website

www.belsteel.com.

For the development of a constructive dialogue with all stakeholders each opinion about the activities of BMZ in the field of sustainable development is of importance to the plant. To that end, there is contact information and a feedback form in the Report

If you have any questions or opinions and suggestions regarding the reporting form and the content of the report, send them to:

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METALLURGY: ATTAINMENT OF NEW GAINS

World economic crisis developed in 2008 and started with financial perturbations made a negative impact on all sectors of economy. Decrease of steel product demand in the condition of its extremely high prices in the pre-crisis period lead to a considerable reduction of the production output.

A significant gap between the level of mobility of different branches of the country industry, their flexibility and ability to overcome the periods of unfavourable market conditions became apparent during the crisis. Exactly those branches focused on the internal demand (construction, automotive industry and engineering in whole) appeared to be in the most difficult situation in 2009. Steel consuming branches had to decrease their volume of production sharply and in 2008 steel industry output dropped to an unimaginable level.

Steel product demand drop and the subsequent decrease of its production made a negative impact on prices and other economic indices of the branch. Byelorussian Steel Works integrated in the world steel market faced the same difficulties as the vast majority of the steel makers of other countries.

Measures taken to optimize the numerical composition, restructuring of the enterprise, improvement of the production organization and usage of the production capacity gave a positive effect from the point of view of labour productivity growth of the steel industry in general and of Byelorussian Steel Works in particular.

World economic crisis made important amendments in the development dynamics of the ferrous metals market. If we assess the last year results from the viewpoint of the depth of the preceding drop, they can be considered as rather positive. In the post-crisis period steel demand is recovering, thus giving a possibility for the steel-making enterprises including BMZ to develop and set new targets.

According to the World Steel Association (WSA) global steel output grew by 15% in 2010 as compared with 2009 and made up 1,414 billion. Steel output grew in multiple directions during the year. In the first half-year Asia and Middle East were the leaders in steel production growth. During that period steel output increased by more than 20%. In other regions of the world steel output still lagged behind its pre-crisis level. And only in the second half of 2010 plants in the USA, CIS and other regions started to increase their production turnover against the background of the world economy recovery.

In 2010 Asia increased its production by 11,8 % and reached the level of 881,2 million tons; its share in the world output grew from 63,5 % to 65,5 %.

EC-27 (including Germany, Italy, and France) showed production growth by 24,5% up to 172,9 million tons.

Production of steel in North America increased by 35,7 % up to 111,8 million tons.

In CIS countries steel making equals to 108,4 million tons, i.e. 11,2 % growth.

In general, considerable growth of steel output in 2010 as compared with the previous year was shown by Japan, the USA, and Germany, but they have not reached the pre-crisis level of production yet. Some countries (for instance, China, India, Turkey and Iran) not only overcame the negative processes in its ferrous metallurgy and started to intensify their production output, but also exceeded the pre-crisis level to a considerable extent.

The improvement of economic indices of the enterprise's operation was influenced by the growth of the production output, sold product price increase, change of the product range, and moderate growth of the cost value of the products sold.



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In 2010 negative impact of the world crisis sequels continued to correct the dynamics of the ferrous metals market and affect the results of the operation of the steel plants active on the export markets.

The period of withdrawal from the recession for metallurgy in general and for Byelorussian Steel Works in particular depends on a regular increase of the production output and gradual recovery of demand for most types of the products from key customers: automotive industry, engineering and construction:

- in the middle of the year demand for billet and debars in the countries of the Middle East and North Africa became more active;

- revival in engineering forms a stable demand for rounds produced in mill 850;

- section market in Belarus and CIS countries remains balanced. Construction market shows stability. According to experts, amount of construction work will not decrease in the nearest future;

- existing orders exceed production capacity and this allows adjustment of the price policy;

- due to a competent marketing and sales policy and in spite of a still weak demand from seamless pipe customers, the plant managed to increase the volume of seamless pipe sale considerably;

- main tire producers – steel cord consumers as Continental, Goodyear, Bridgestone, Cooper Tire & Rubber, Apollo Tyres increase their volume of sale. Their financial results of the first half of 2010 were much better than expected;

Country	2005	2006	2007	2008	2009	2010
Germany	44,5	47,2	48,6	45,8	32,7	43,8
Turkey	21,0	23,3	25,8	26,4	25,3	29,0
Russia	66,2	70,8	72,4	68,7	59,2	66,3
USA	94,9	98,6	98,1	91,5	58,1	80,6
Brazil	31,6	30,9	33,8	33,7	26,5	32,8
Egypt	5,6	6,0	6,2	6,2	5,5	6,7
Republic of South Africa	9,5	9,7	9,1	8,6	7,5	8,5
Iran	9,4	9,8	10,1	10,0	10,9	11,9
Saudi Arabia	4,2	4,0	4,6	4,7	4,7	5,0
China	355,8	423,0	494,9	502,0	567,8	626,7
India	45,8	49,5	53,1	55,1	56,6	66,8
Japan	112,5	116,2	120,2	118,7	87,5	109,6
South Korea	47,8	48,5	51,5	53,5	48,6	58,5
Taiwan	18,9	20,1	20,9	20,2	15,7	19,6
World total	1146,7	1251,2	1351,3	1307,3	1229,4	1413,6
RUE "BMZ"	1,91	2,14	2,21	2,48	2,33	2,53



METALLURGY: ATTAINMENT OF NEW GAINS

– in the second half-year demand for fiber among European companies is invariably high.

That is why primary task of the enterprise in these conditions is forecast of the plant activity with consideration of the results of analysis of the permanently changing macroeconomic conditions so as to rearrange the production in the directions dictated by the market.

All efforts of the management and specialists were directed towards optimization of the existing and operating expenses. It was not just a reaction to the external environment but a continuation of the corporate strategy of the last years.

«BMZ trade mark is well known in the world. We are among the first three enterprises from the viewpoint of tire cord sales and I consider it a big success of the enterprise».

*N.G. Rodikov,
Procurist, BelastahlAussenhandel*

Optimization policy is intensified by special anti-crisis programmes. They are based on a strict policy of mobilization of internal resources, reduction of non-productive expenses, decrease of product prime cost, strict adherence to the financial discipline by way of toughening of the control over fulfillment of the fund flow budget. A special section of the programme was devoted to issues of activation of work on the external markets, adoption of a really aggressive marketing policy of steel selling on advantageous for the plant conditions, search of alternative customers and suppliers. The personnel on all management levels were informed about the task of fulfillment of the anti-crisis measures. Mechanisms providing structural reorganization were adjusted and in the personnel opinion allowed a less painful and less wasteful solution of costs decrease, staff retention, and implementation

of a large investment project of a continuous caster modernization aimed at decrease of product prime cost and increase of labour productivity. Strict control of programme fulfillment on all levels gave a positive result. In general the amount of USD 53,9 million were saved in 2010. This saving was due to production output growth and improvement of the technological processes as well as power saving measures and decrease of productive resources and company-wide operating expenses.

Results of the plant operation in January-December 2010 leave behind last year results, and in some items even exceed record-breaking pre-crisis figures. Financial and economic situation of RUE “BMZ” is gradually becoming stable. The existing dynamics allow adoption of work strategy on the external markets and transform the priorities of the medium-term development.

Financial state of the enterprise complicated by the outcomes of the crisis and a high credit load in the period of investment projects implementation at the beginning of 2010 remained complicated. Nevertheless, during the year the financial figures improved. In spite of the complicated financial situation and irregularity of the sales receipts, all immediate payments (wages and salaries, taxes, power payments, payments under bank obligations) were effected when due.

The crisis had a positive side as well. It became an incentive for the enterprise to search for new resources, new organizational and technical solutions. The experience gained in very difficult operation conditions, new solutions and ideas born in this period became an extra capital of the enterprise and will be used for the benefit of the staff for many years ahead. Market outlets were not reduced; the plant acquired a large number of new business partners. According to the results of 2010, joint efforts made it possible to restore healthy proportions of the plant development: profit growth rate leave behind proceeds and costs growth rate. Costs growth rate was 143,5%, proceeds



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of USD 91,97 million, net profit made up USD 19,58 million, i.e. by USD 60,54 million and USD 17,56 million more than in 2009 accordingly. Profitability of the product sold was 6,5% against 3,2% of 2009.

An important result of 2010 is successful achievement of the targets set as regards the improvement of financial and economic state of the enterprise and improvement of effectiveness of its functioning which allowed the enterprise to ensure an adequate level of the personnel salaries

As the analysis show, the main condition for the retention of the achieved level of the production output and its further growth in the situation of hardening competition on the world market, is a more active implementation of measures aimed at technical level and manufactured and exported product quality improvement. The latter should provide for the increase of the efficiency of material, fuel, power and human resources use which is very urgent for the national steel industry.

Our plant supports the principles of social responsibility and continues to solve social problems considering the existing possibilities without decreasing its business activity.

growth rate was 148,1%, sales income growth rate was 292,7%.

In January – December 2010 industrial produce was shipped in the amount of USD 1493,03 million, which is practically one point five times more than in 2009. Downstream product portion (steel cord, steel wire and seamless pipes) in the shipped product structure increased considerably. 1,9 million tons of steel in the amount of USD 1 160,6 million were exported. Percentage of the exported product was 78,4%. Sales income was received in the amount



PARTICIPATION OF SCIENTIFIC POTENTIAL OF THE REPUBLIC IN THE DEVELOPMENT OF THE STEEL FACILITY

Metallurgy is one of the key production links of any contemporary industrially developed state. This branch plays a very important role in the development of the total national economy of the Republic of Belarus. During a rather short period of time a large advanced steel enterprise was built in the republic – Byelorussian Steel Works – which occupies a leading position in the industrial complex and economy of the Republic of Belarus being a large supplier of science-intensive competitive high quality steel products (wire rod, reinforcing bars, tire cord, etc.) manufactured on the basis of resourcesaving advanced technological processes corresponding to the world criteria of technical novelty. To a certain extent, steel production is present practically in all large industrial productions of Belarus: JSC «Minsk Automotive Plant», JSC «Belarusian Automotive Plant», PA «Minsk Tractor Plant», JSC «Minsk Heating Facilities Plant», JSC «Gomel Foundry «Tsentrolit», JSC «Mogilev Metallurgical Plant» which use metallurgical, foundry and powder technologies and adjacent productions on a large or a small scale. In general, about 300 foundry, metallurgical and thermal production shops and departments function at Belarusian enterprises today. Strategy of further development of technological processes of steel melting, casting, rolling, thermal production dictates the necessity of obtaining quality steels and alloys and creation of scienceintensive steel products on this basis. This supposes designing, technical revamping and modernization of foundry, metallurgical and thermal equipment including steel melting furnaces, secondary metallurgy devices, continuous casting machines, rolling mills, heating and thermal furnaces, drawing and other equipment. Power efficient methods are required. So as to solve these issues the state program of scientific applied researches “Creation of highly efficient technological processes and equipment for the development of the metallurgical complex in the Republic of Belarus” was formed in 2005. The program was approved by the resolution of the Council of Ministers of the Republic of Belarus and by the resolution of the Presidium of the National Academy of Science of the Republic

of Belarus. The aim of the Program is to improve quality, competitiveness and export potential of the metallurgical sector through improvement of the existing and development of new technological processes of casting and metallurgy including powder metallurgy, attracting the scientific potential of the country. On this basis, main tasks of the Program related to BMZ were as follows:

- development of casting technologies and equipment to produce high quality ingots and billets of special cast irons, steels and alloys;
- creation of power- and resource-saving processes and methods in metallurgy and powder metallurgy allowing to reduce fuel consumption and scale formation;
- development of methods of steel forming and heat treatment, principles of designing of up-to-date heating equipment and proposals regarding the reduction of power consumption and payback period.

During last five years of BMZ cooperation with the leading scientific establishments of the Republic of Belarus within the framework of the Program a number of important results was received both in the area of theoretical and practical developments. High scientific level of the developments is evidenced by the fact that based on the results of the task implementation more than 1000 scientific studies were published including 30 monographs, textbooks, teaching aids and various research methods and methodologies were created. The following most important and needed studies can be singled out:

- mathematical methods of modeling of steel continuous casting processes at the «tundish – casting mold» stage in a continuous casting machine and solidification of a melt in a thin wall mould;
- mathematical models and programs of numerical modeling of heat- and mass-exchange processes of the medium in the area of the furnace



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charge and steel residue, temperature fields in a cast and casting mold;

- static models for the improvement of the technological processes of different stages of metallurgical production.

The developed mathematical models allow optimization of steel continuous casting and die casting in thin wall moulds, melting in electric furnaces, production of casts with the set properties and structure.

The following should be marked out among practical developments:

- methods and means for production of

concast billet (HMI of the NAS of Belarus). Due to the introduction of these methods stability and productivity of casting and quality of concast ingot improved, and stocklist of the produced billets was expanded;

- mathematical model of steel thermal treatment in reheating furnaces. A complex of experimental researches was fulfilled so as to find optimal parameters of heating of cylindrical pipe billet diameter 150 mm up to the hardening temperature in a chamber furnace with the use of a roof flat flame burner and side short flame burners;

- methods of sputtering of anti-wear coatings on complex contoured surfaces of large size parts of the rolling production. The technology allows recovery of functional properties of worn parts and increase their endurance 2–3 times.

In 2011–2015 work in the above directions will be continued within the framework of the «Metallurgy» subprogram which is an integrated part of the state program of scientific research «Development of scientific fundamentals of the technical system mechanics, methods and means of their diagnostics, creation and improvement of the technological processes in metallurgy and engineering».

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The steel making complex includes 8 enterprises the key products of which are certified in many countries of the world and produced in accordance with international standards. Enterprises of the branch produce steel welding round and shaped pipes, steel billet, rolled sections, different types of wire, steel cord, bolts, screws, nuts, nails, molding materials, heating equipment.



«Sheet production at a new plant should make 600 thousand tons per year. Thus, demand of Belarusian industry for this type of product will be met. This plant will be much bigger than the existing pipe mill».

*Vladimir Semashko,
First Vice Premier*

RUE "BMZ" is the largest enterprise not only in Belarus but in Europe as well and is a head metallurgical enterprise of the republic. It has been among the reputable steel producers for two decades. Design, erection and equipping of the plant with the advanced equipment and state-of-the-art technology with subsequent commissioning of the production facilities in the guarantee operation period was carried out under the contract with European companies on a turnkey basis. Advanced world experience and state-of-the-art technologies attracted for the erection and further operation of the plant allowed creation of a unique industrial facility in the Republic of Belarus.

AIMS AND TASKS OF THE REFORMATION OF THE BRANCH

Main forces of ferrous metallurgy are reoriented from the growth of volume of metallurgical raw materials processing to the expansion of the depth of their processing and improvement of the technological effectiveness (improvement of product quality and mastering of new types of products). In the nearest five years the first priority directions of the development will be: increase of production of highly technological products with a large degree of processing, improvement of the structure of manufacturing and selling of quality steel grades, rolled materials, hardware products, development of powersaving methods, modernization of production, as well as erection and commissioning of new production facilities.

Metallurgy is one of basic branches of industry of the Republic of Belarus and the level of its development should correspond to the strategic tasks of providing Belarusian economy with quality products and stable position on the external markets.

Main tasks to be solved by any steel making enterprise are:

- marketade quate growth of production;
- strengthening of the position on the existing marketing outlets and new market penetration;
- high valueadde d product sale increase.

Consequently, the worked out strategy of the branch development should strengthen the existing competitive advantages and create new ones.

It is necessary to consider the following main directions of further development of the metallurgical branch of the republic:



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- further development of the existing rolled section production at RUE “BMZ” and a complete refusal from production and selling of such type of product as marketable semifinished products (cast billet and bloom) which constitute 25% in the existing shipment structure of RUE “BMZ” in the medium-term perspective;
- expansion of the pipe mill by organizing a finishing line for OCTG pipes at RUE “BMZ”;
- erection and development of a new independent sheet production facility;
- solving a problem of providing the steel industry of the republic with raw materials.

DEVELOPMENT STRATEGY

So far the strategy of steel plants development was focused on increasing volumes of steel melting. But high rate of the Chinese metallurgy development, growth of competition on all traditional export markets lead to high risks related to this extensive way of development.

Main task of RUE “BMZ” development program for 2011-2015 is arrangement of technical and technological measures to remove the imbalance of the production capacities and creation of conditions for steel melting and casting growth to the level of 3 million tons per year (at present it is 2,5 mio t). Besides, the main task of mastering new capacities is complete processing of cast billet into a finished marketable product with a high added value, creation of new facilities to allow eventual reduction of the finished product prime cost. So as to fulfil the tasks set forth, modernization of the existing main and auxiliary production facilities is foreseen, as well as building and putting into operation of a number of new facilities.

- On the basis of the target mentioned, the plant determined the following direction of development:

increase of the technical and economic level of production due to reconstruction, modernization, and erection of new facilities;

- expansion of high added value products manufacturing;
- improvement of export deliveries structure in the



Fulfillment of the arrangements of the investment program and implementation of investments will help RUE “BMZ” not only to increase production capacity and improve the effectiveness of its operation, but also to fulfil one of the main tasks in the area of social responsibility: it creates favourable conditions for the development of the economy and social sector of the area of BMZ production activity »

.A.A. Sotnikov, Chief engineer

direction of increasing the portion of downstream products, development of import-replacing production;

- further decrease of the specific consumption of raw materials, fuel, power, and human resources for steel manufacturing;
- improvement of the environmental characteristics of the existing production (introduction of environmentally safe methods, decrease of waste



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yield and specific emission of harmful substances in the air and water basin, growth of the volumes and effectiveness of industrial waste processing);

- improvement of the standard of living of the personnel.
- Prerequisites required for the fulfillment of the chosen strategy:
- provision with raw material resources. Availability of raw material sources is a powerful lever of product prime cost control;
- unified steel products marketable on export markets which is the basis of the production program;
- growing competition and increasing costs demand the necessity of a fast introduction of resourcesaving and powersaving methods and equipment, optimization of the cost composition (reduction of raw material and power expenses, growth of the amortized deductions). Alternative: gradual loss of competitiveness on the external and consequently on the internal market;
- efficient management;
- stable economic position of the enterprises allowing to increase the level of borrowings for troublefree implementation of large scale projects.

Analysis of the existing situation and prospects of development of the national steel industry make it possible to focus on three problems:

1. In the near term outlook: retention of export markets and dominance on the domestic market, retention of a rather high level of profitability of the metallurgical industry. Aim: retention and gradual growth of the production volume on the existing basis, gradual increase of deliveries to the domestic market

In compliance with the growth of consumption, successful competition with CIS producers, further modernization of equipment.

2. In the medium term outlook: growth of steel yield, erection of new production facilities and mastering of new productions.

3. In the long term outlook: solving of raw material problems, development of iron ore deposits, production of sponge iron with the use of ecologically clean technologies of the direct reduction of iron.

Realization of the strategy will help to fulfil the tasks determined by the Program of development of the industrial complex of the Republic of Belarus for 1998–2015 and The national strategy of stable social and economic development of the Republic of Belarus for the period till 2020 where provision of a steady high growth rate on the basis of modernization, improvement of the sector and technological structure of production and improvement of the competitiveness of the manufactured products were determined as the main aim of its development. Advance development of scienceintensive export-oriented productions is foreseen with the state support of the enterprises which are very important for the state and strengthening of responsibility for their efficient use.

As for ferrous metallurgy, its main attempts will be reoriented from the increase of volumes of metallurgical raw materials processing to the increase of the depth of its processing and increase of the technological effectiveness of production (improvement of product quality and mastering of new types of products). In the nearest five years first priority directions of development will be growth of production of high technological downstream products, improvement of the structure of production and selling of quality steel grades, rolled material, hardware products, development of powersaving methods, production modernization, and erection and commissioning of new production facilities.



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CHARACTERISTICS OF KEY IMPACTS, RISKS AND OPPORTUNITIES

DATES AND EVENTS OF SUSTAINABLE DEVELOPMENT

- **March 19, 1982** – signing of the plant development CONTRACT.
- **October 15, 1984** – start of the operation of the production facilities of the melt shop and melting and casting of the first heat.
- **November 4, 1984** – start of the operation of the production facilities of the rolling mill and rolling of the first lot of rolled section in mill 320/150.
- **November 21, 1987** – start of the operation of:
 - the secondary metallurgy facilities (ladle-furnace, ladle and circulation degassers) and CCM No.3 at the melt shop;
 - large section rolling mill 850 of the rolling plant;
 - production facilities of wire shop No. 1 and production of the first lot of Belarusian tire cord.
- **March 1, 1991** – start of operation of the production facilities of wire shop No.2, lime kiln No.2, EAF3 and ladle degasser at the melt shop.
- **August 1, 1996** – opening of the Metallurgical technical school
- **September 15, 2000** – commissioning of a new complex of wire mill 150 in the presence of the President of the Republic of Belarus A. G. Lukashenko.
- **November 30, 2000** – start of operation of the production facilities of wire shop No.3.
- **May 19, 2002** – start of operation of the production facilities of the 2nd stage of the oxygen station.
- **May 24, 2005** – beginning of erection of the pipe facility.
- **February 24, 2006** – commissioning of a new brass plating line No. 6 after modernization at wire shop No.2.
- **October 2006** – realization of the «Dnepr» project: installation of new six block and ten-block drawing machines at wire shop No. 3.
- **December 28, 2006** – commissioning of a new bead wire bronzing line No.2 at wire shop No. 1.
- **December 30, 2006** – commissioning of a new ion exchange plant at wire shop No.1.
- **July 13, 2007** – commissioning of the pipe mill in the presence of the President of the Republic of Belarus A.G. Lukashenko.
- **January 17, 2008** - opening ceremony of the Olympic reserve centre: a skating rink and a swimming pool including water attractions, saunas, a solarium, a cafe and other objects. The ceremony was attended by the Chairman of the regional executive committee A.S. Yakobson, the Chairman of Zhlobin district executive committee L.N. Apanasyuk, the general director of RUE “BMZ” N.V. Andrianov and the director of building company No. 27 A.M. Ryabkov.
- **March 6, 2008** – 62nd Meeting of the Board of manufacturers and exporters of ferrous metals of CIS countries was held at RUE “BMZ”. Members of the Board discussed ferrous metal market opportunities, evaluated the outlooks for its development and worked out a forecast of the average level of export prices for main types of ferrous metals.
- **June 18, 2008** – A Belarusian metallurgical Forum “Integration of science, production and education in the development of metallurgy in



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the Republic of Belarus till 2020” was held at RUE “BMZ” premises. This event helped to determine a concept for further development of the steel making industry of RB for the nearest future.

- **June 30, 2008** – modernization of the sulfuric acid regeneration station of the chemical plant of wire shop No. 2.
- **August 8, 2008** – modernization of the gas-cleaning system of EAF-2.
- **December 2008** – achievement of the full capacity of the pipe production.
- **March 2009** – modernization of the finishing line of section mill 320.
- **July 9, 2009** – presentation of a new type of BMZ product – steel fiber.
- **October 9, 2009** – the plant was the first in the country to submit its Corporate Social Report for hearing by the public and participants of the UN Global Compact.
- **December 6, 2009** – completion of a large investment project: reconstruction of continuous casting machine No.3.
- **December 14, 2009** – approval of Mr. Anatoly Savenok’s appointment as general director of RUE “BMZ” by the vice president of the International Union of Metallurgists.
- **2009** – the plant expanded distribution of export deliveries to more than 17 countries in spite of the crisis.
- **February 2010** – Mandrel and disk saw preparation department started to work at the pipe mill. The department is fitted with the equipment unique for our country.
- **March 2010** – technology of shaped (square) wire production for pressure hoses was mastered at SWS-2.
- **April 2010** – Start of production of pipes from round billet diameter 200 mm cast in CCM-3.
- **March 29, 2010** – a contract for the erection of the third lime-kiln was signed with TECHCOM (Germany).
- **June 2010** – realization of one of 11 projects for the expansion of the rough-intermediate drawing department of SWS-1. Two new rough drawing machines were installed.
- **July 2010** – in the result of BMZ negotiations with Techcom a contract for the delivery of the equipment for the new lime-kiln was signed with Maerz (Austria).
- **July 2010** – International scientific and technical conference “Metal-2010” worked at BMZ; it united 80 plant workers and 45 representatives of the enterprises and educational institutions of Belarus, Russia, Ukraine, Lithuania and Kazakhstan.
- **August 2010** – mastering of the technology for flat wire production for pressure hoses.
- **September 2010** – A contract for modernization of gas recovery and cleaning system of EAF No.1 and No.3 was signed with Water Group. The project was developed based on the conditions of the steel-making furnaces of BMZ.
- **October 2010** – Team No. 4 of rolling mill 150 set up a record: 1200 tons of wire rod were produced during a shift. Previous maximum production reached 1070 ton level.
- **November 2010.** – 20 years ago first steel was produced in EAF-3. Now it produces 12 heats per shift, not 4 as before.

CHARACTERISTICS OF KEY IMPACTS, RISKS AND OPPORTUNITIES

- **November 2010.** – a jubilee 500th thousand ton of steel cord was produced at SWS2 .
- **December 2010.** – a million ton threshold was exceeded by SWS2 . This is the yield of the shop in the period of 1991 - 2010 inclusive.
- **December 2010** – the staff of rolling mill 320 produced a millionth ton of reinforcing material in 2010.

STRATEGY AND MISSION

Since its startup in 1984 the plant has successfully fulfilled its infrastructural function being an integral part of a complicated system of social and economic relations in the region where it carries out its business activity. RUE “BMZ” is reckoned among the largest companies of the republic from the viewpoint of the volume of the product sold and the scale of purchasing activity: it is the biggest employer and taxpayer.

BMZ makes a significant contribution to the development of the economy of the Republic of Belarus. In 2010, similar to the previous periods, the plant traditionally invested its profit to support and develop a steady production activity, to the rational use of resources, creation of new work places and payment of salaries and wages to the personnel. The created cost was also distributed for payment of the republican and regional taxes, financing of the programs of social and economic partnership, and charity projects in the region of its presence. Timely deductions to the budgets of all levels are considered by the plant as a part of its social responsibility and basis for the development of social projects (see section «Economy»). According to the data of 2010, the plant's share in the gross domestic product (GDP) of the Republic of Belarus was 2,9%, export share out of the total volume of the country was 4,6%.

The plant steadily adheres to the chosen course of improvement and reforms in all directions: management of sustainable development, economic activity, work with the personnel, social activity of the enterprise in the region, and interaction with suppliers



«At present, the steel market is rising. Our task is to arrange the work accordingly and get maximum profit from the existing situation».

*Anatoly Savianok,
General Director*

and customers, environmental and industrial safety policy.

In 2010 we continued formation of a new top- management team and improvement of the management structure of Byelorussian Steel Works.

Being oriented towards effectiveness, the top management attaches great importance to implementation of the principles and practices of sustainable development on the plant scale. Strategic task of BMZ is to occupy leading positions among metallurgical enterprises of the world in the area of sustainable development. Aspects of personnel



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support, environment interrelations with the region are closely connected with the production and economic priorities.

RUE "BMZ" top management undertook obligations, determined the common corporate policy and set common targets for the plant. The top management analyses the fulfillment of the targets every six months and every year and makes adjustments, if required.

Republican Unitary Enterprise «Byelorussian Steel Works» is a developing and constantly revamping organization which takes into account the changes, tendencies and risks of surroundings.

The mission of our enterprise is production of advanced technology products so as to increase profitability of the enterprise considering the safety of the environment and people's health providing high standards of living for the staff and satisfaction of all parties concerned.

BMZ vision is to be the best supplier of products satisfying the needs of national and foreign customers in all developed segments of the steel market due to the use of advanced and environmentally safe methods, rational use of resources and optimal organization of the production and management processes.

BMZ values: personnel, environment and effective use of natural and other resources, partners, quality, knowledge, society.

The plant's strategy is directed towards satisfaction of the interests of all parties concerned in the area of:

- production of goods of the required quality, amount and product mix;
- providing of sustainable development;
- supporting and strengthening of the positions on the developed markets;

- improvement of the personnel welfare;
- conservation of health and life of every member of the staff;
- continuous decrease of impact on the environment during the production activity;
- maintenance and further development of the corporate management standards

PRINCIPLES OF STRATEGY REALIZATION

The plant sets measurable, achievable and compatible economic, social and ecological targets understanding its role and assuming responsibility for the outcome of its decisions and actions.

Realization of the mission and the strategy consists in:

- attainment of the targets of the plant activity set forth;
- timely response to constantly changing environment using the P-D-C-A cycle (planning – disposal – control – action);
- introduction of advanced methods during the design, and development of the processes of new competitive types of products aimed at improvement of product quality, decrease of dangers and risks of the production processes, prevention of harmful impact of the production factors on the staff, decrease of emissions of contaminants in the air, discharges into the water basin, waste formation, consumption of natural resources;
- continuous growth of effectiveness and efficiency of the management system functioning in correspondence with the requirements of ISO 9001, ISO 14001, OHSAS 18001, SA-8000 and industrial requirements of the automotive and petroleum industry: ISO/TS 16949, ISO/TS 29001 (API spec Q1), development and inclusion of sub-section



CHARACTERISTICS OF KEY IMPACTS, RISKS AND OPPORTUNITIES

«Management of power saving» in accordance with STB 1777, «Financial management» in accordance with ISO 10014, «Information protection management system» in accordance with ISO 27001 in the management system;

- prediction of risks related to the plant activity;
- continuous control of risks related to the production processes, preventive and corrective actions directed towards prevention of occupational illnesses and accidents in the production;
- prevention of environment pollution, injuries and personnel health impairment during the production activity;
- activity in the area of quality, social responsibility, information protection, finance, power saving in conformity with the requirements of the international standards, the existing law and other requirements;
- activity in the area of labour protection and industrial safety, environment protection in accordance with the requirements of the international standards, the existing law, and other requirements concerning environmental aspects of the activity, products, and services, danger in the area of professional health, and labour safety;
- regular monitoring of the production and management processes;
- improvement of product quality, provision of labour safety and health protection, protection of environment, power saving including suppliers, subcontractors and RUE “BMZ” customers
- task-oriented professional training of the personnel, creation of optimal conditions for high-quality labour, reveal of personal abilities and initiative of every worker and their interest in providing a high level of product quality, rational

use of raw materials, auxiliary materials and power resources;

- improvement of production culture and provision of personal moral and material responsibility for labour quality.

The plant management is interested in the fulfillment of Corporate Policy and continuously creates all conditions required for providing an adequate standard of life of the staff and their confidence in the morrow.

The plant management and the staff carry out their activity in accordance with the Code of Business Ethics and acquaint their business partners with it. RUE “BMZ” Code of Business Ethics is worked out with consideration of key values, such as truthfulness, straightforwardness, and respect for interests; and their fulfillment leads to mutual confidence, openness and transparency of relations. Trust of interested parties is one of the key values of our plant.

Every year RUE “BMZ” top management establishes targets on the basis of predictive figures determined by the Ministry of Industry of the RB, the policy, target-oriented orders and results of management analysis. Based on these targets, policy, target-oriented orders managers of the subdivisions set targets for their subdivisions. The plant targets and goals of the subdivisions are brought to the notice of all workers of the subdivision. Top management, leaders of the structural subdivisions analyze fulfillment of the targets every half-year, every year, and adjust them, if required. Effectiveness of fulfillment of the goals is checked during internal audits and management analysis. This procedure is regulated by STP 840-KSM-4.2.

Analysis of target fulfillment by RUE “BMZ” for 2010 as compared with the same period of 2009 is given in Annex 1.



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STRATEGY AND TARGETS OF SUSTAINABLE DEVELOPMENT

The plant management provides the development and implementation of technical, production, and investment programs aimed at product quality improvement and which directly contribute to sustainable development of the plant in accordance with its policy.

A number of measures aimed at provision of high consumer properties of the produce, is included in an annual business plan, the development procedure of which is regulated by STP 840S MK4 .1.2.

For the improvement of product quality and provision of its competitiveness, increase of the technical production level a long term plan of introduction of advance methods and new types of products for 2006-2010 is worked out at the plant; plans of scientific research and pilot design (technological) work are approved and fulfilled on contractual basis by own force.

Key measures for quality and production effectiveness improvement are included in annual goal oriented orders of the general director indicating time of performance and responsible person(s):

- No.1 «Improvement of business activity and investment programs»;
- No.2 «Measures for quality and commodity competitiveness improvement»
- No.3 «Measures for provision of safe labour conditions»;
- No.5 «Personnel development»;
- No.6 «Advanced technologies, mastering of new types of products, rationalization and invention activity»;
- No.7 «Measures of environmental protection»;
- No.8 «Measures for production costs decrease».

CHARACTERISTICS OF KEY IMPACTS, RISKS AND OPPORTUNITIES

TARGETS OF THE PLANT FOR MEDIUM-TERM DEVELOPMENT OUTLOOK

Achievement of the following level of the key targets of the social and economic development of the plant is planned for 2011:

1. Production, finance, and economy:		
– Labour productivity in industry, minimum,	%	106
– Sold product profitability, minimum,	%	10
– Decrease of the level of material capacity of products,	%	1 ,5
– Power saving,	%	6 ,5
– Balance of foreign trade, minimum,	USD mio	605
– Investments in the fixed capital, minimum,	USD mio	57.0
2. Quality		
–Level of rejects due to the production shops, maximum,	%	Order No 2
– Level of none onforming products, maximum,	%	Order No 2
– Level of expenses due to defects per \$1000 of the commercial output, max.,	%	3,52
– Evaluation of the customer satisfaction, minimum,	%	90
– Amount of claimed product in comparison with 2010	%	to be decreased by 10
3. Environment		
– Amount of stored production wastes in comparison with the level of 2010, % to be decreased by	%	2
4. Labour protection and industrial safety		
– Ont hej ob injury rate should not exceed the level of 2010		
– Improvement of labour conditions and provision of its safety for workers of the shops,	people	790
5. Social responsibility		
– Training of managers and specialists,	people	929
– Professional training if workers,	people	3399
– General satisfaction of the personnel, minimum,	%	72,0
– Salary growth rate, minimum,	%	117,3
– Employee turnover, maximum,	%	2.5



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CHRONOLOGY OF NEW PRODUCT TYPES MASTERING

RUE "BMZ" is one of a few enterprises of the Republic of Belarus which increases the volume of industrial production every year investing considerable amounts in reconstruction, modernization, and technical revamping. Starting with the plant commissioning in 1984, molten steel output grew from the estimated 700 thousand tpy by more than 3 times.

Besides, increment of the output in natural terms takes place together with the growth of the percentage of the new types of products in the total output. Close cooperation with the national science in the first place with the establishments of the NAS of Belarus and educational establishments allows mastering of new types of quality steel products every year.

The following products can be singled out among the most important types of products mastered by the plant during last 5 years:

2005:

- quality wire rod C70D, C76D;
- ordinary light-section reinforcing steel A500C;
- cold-deformed die-rolled wire B500C, Bp-1 4 mm, Ø 5 mm for concrete reinforcement.

2006:

- high-tensile steel cord 2+2x0,26 HT and super high-tensile steel cord 4+3x0,41 ST;
- reinforcing wire of 3-side die-rolled section with mechanical descaling acc. to DIN 488, Ø5÷12 mm;
- round section steel, quality carbon and alloyed, Ø160 mm.

2007:

- quality carbon steel pipes;
- hose wire 0.33UHT (3050 – 3350 N/mm²).

2008 :

- reinforcing steel grades At800, A500C, U500, S500, RB500W, etc. die-rolled section No.10 produced with 5 –piece slitting rolling;
- reinforcing steel grades At880, A500C, U500, S500, RB500W, etc. die-rolled section No.10 produced with 5 –piece slitting rolling;
- bare pipe, quality carbon steel (6 dimension types and steel grades);
- different constructions of super high-tensile and high-tensile steel cord;
- steel wavy fiber acc. to the requirements of TU 14-1-5564-2008.

2009:

- super high-tensile steel cord construction 7x(3+9x0.245)+0.20 HT and ultra high-tensile construction 1+5x0,185UT;
- quality carbon steel pipes of different sizes.

2010:

- die-rolled welding rebar No. 10-32 class A500C in bars;
- quality carbon steel pipes of different sizes;
- die-rolled welding rebar No. 10-32 class B500NC;
- hot-rolled section of bearing steel grade ЛХ15СГ Ø160;
- ultra high-tensile steel cord construction 4+3x0,35 UT;
- steel cord construction 3x5x0,245;
- galvanized steel wire for single-wire cores 1,85; 2,10; 2,65; 3,05 mm;
- galvanized steel wire for single-wire cores 2,0 mm;
- microfiber.

CHARACTERISTICS OF KEY IMPACTS, RISKS AND OPPORTUNITIES

STAGES OF PRODUCTION VOLUME INCREASE

Considerable positive changes have taken shape in the world steel industry and in its outlook for further development. A large failure in the process of technical re-equipment of steel industry took place in 2008-2009 due to the world economic and financial crisis. Outcomes of its negative impact on decrease of the global market of steel consumption lead to a sharp drop of the volumes of steel production almost in all regions of the world and in countries producing rolled steel. In its turn, sharp drop of production volumes told on the profitability and effectiveness of the enterprises and their ability to invest in technical revamping and production modernization.

At the same time in 2010 enterprises of the ferrous metal industry paid more attention to the issues of reconstruction and technical revamping. Investment programs of the enterprises were directed towards growth of steel production so as to increase or maintain the market share by way of commissioning of new facilities, expansion and improvement of the product range. It is necessary to point out that in spite of the crisis the plant did not cut down any investment project.

Considering the trends of an impetuous growth of steel demand taking shape in the second half of 2009, the plant management and technical specialists planned and implemented a number of measures aimed first of all at increasing the production output.

Earnest of success of any modern enterprise aspiring to occupy a leading position on foreign markets is continuous renovation. Of course, reconstruction, modernization, commissioning of new production facilities is a rather expensive and important thing, but it is the only correct way of development. During last five years the enterprise directed over USD 685,4 million to technical revamping, including USD 31,2 million in 2010. In general, the metallurgical complex is a successful segment of the economy in terms of investing. But in



«Today there exist all preconditions for sustainable development and prospects of modernization and construction of new stages of production, as well as the existing directions of steel cord, pipe, and section production. The plant is on the up-grade».

I.I. Demidovich, First deputy minister of industry

In spite of the fact that national enterprises are able to implement large investment projects, the main task of the state is assist these investment processes of the industry, create additional possibilities for its participants, and undertake solving of the tasks which cannot be resolved by the enterprises themselves and which give a considerable multiplicative effect.

In 2010 the enterprise completed implementation of the projects of the State program of innovative development of RUE "BMZ" for 2007-2010, including the following projects and innovative technologies:

1. Production of seamless hot-rolled pipes. Quality of the manufactured product is in full compliance with the requirements of the international standards. National, Russian, German, and American quality certificates are received for the total products manufactured in the pipe mill (T V NORD, API 5L, etc.).

2. Modernization of arc steel furnaces No.2 and No.3. A new steel production method with the use of new oxygen technologies, and EAF injection equipment allowed intensification of steel melting. Within the implementation of this project window and



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wall manipulators (burners) were installed (together with the devices to inject a carbone containing material. Project implementation in aggregate with power and material resources saving allowed manufacturing of steel grades with high carbon content used for the production of high ensile, super high ensile steel cord and hose wire. With the increase of every furnace's productivity up to 1 million tons a year, specific consumption of electric power was decreased by 7.3% on average. Installation of series reactors helped to decrease specific consumption of electrodes.

3. Reconstruction of continuous casting machine No.3. At present adjustment of a new innovative method of casting billet (bloom) 250x300 and 300x400 mm and round cast billet diameter 200 mm is going on. Implementation of the project allowed to abandon the slitting process in mill 850 used to provide the level of requirements to high carbon wire rod regarding segregation, thus making it possible to increase productivity of steel cord and hose wire production. Fabrication of round billet used in pipe mill without being processed in the rolling mill, will allow decrease of the prime cost of hot rolled seamless pipes.

4. Casting of square billet section 140x140 mm. Implementation of the project gave the possibility to modernize steel casting in continuous casting machine (CCM1) and to change from continuous casting of section 125x125 mm to concast billet section 140x140 mm. Realization of the project allowed production increase of CCM1 with casting in 6 strands up to 123 t/h, as well as raise the output of semifinished concast billet section 140x140 mm.

At the same time, implementation of the project allowed mastering of the technology of multistrand rolling of reinforcing thermomechanically strengthened bars No. 16, No. 18, No. 20 of stock billet square section 140x140 mm (2- and 3-strand slitting) and the technology of a multistrand rolling of reinforcing thermomechanically strengthened bars No. 10 (5-strand slitting) in mill 320 of the rolling production.

5. Mastering of round steel diameter 52 mm production of quality structural steel grades. New technological process of round steel production of quality structural steel grades with the use of a new Morgan block in mill 150. Method of production of rolled coils 11,5 mm, 13,5 mm, 16 and 18 mm of low-carbon and low alloy steel grades was developed and mastered. At present method of production of carbon steel wire rod diameter 20 mm is being worked through. The implemented project of mill 150 mini-block reconstruction increased the output of high-quality wire rod for steel cord and wire production by more than 20%.

6. Modernization of the packing line of mill 320 was carried out in 2010.

In 2010 increase of steel yield made up 108.64%, rolled metal – 104.46%; seamless pipe – 208.33%; steel cord and wire – 148.43% in comparison with 2009.

High professionalism of the plant's specialists, use of advanced technologies, organizational and management solutions guaranteed high quality of construction, assembly and adjustment work, and minimization of the corresponding risks.

METHODS OF INVESTMENT PROJECTS DEVELOPMENT

If we consider recurrence of the processes going on the global steel markets, it becomes clear that during the recession it is most reasonable to take a number of measures regarding modernization of the existing production, creation of conditions for a strong start during a headlong growth of the steel market which started in 2010.

A considerable growth of production is hardly possible without building and putting into operation of new production facilities. The plant has exceeded

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its rated capacity long ago. Increment of the output volume and level of commodity sale can be achieved first of all due to stepwise modernization and reconstruction of the existing facilities by way of introduction of new advanced technologies and equipment, bringing into operation of new production facilities.



By 2015 total amount of investments will reach half a billion euros. The nearest five years will become a period of an acceleration of innovative development of the enterprise. In four years we plan to reach the production of three million tons of steel per years ».

Anatoly Savianok, General Director

It gave rise to the necessity of reformation. Already in 2009 the management of the plant initiated preparation of the technical revamping program aimed at expansion of metallurgical stages, refusal from selling of semifinished products with low added value. Technical concept of this program is the basis of the business-plan «Innovative development of Republican Unitary Enterprise «Byelorussian Steel Works» for 2010 – 2015» which determines further development of the main business with consideration of all aspects of responsibility. This business plan is approved by the general director of the plant and the Ministry of Industry of the Republic of Belarus.

The business plan includes:

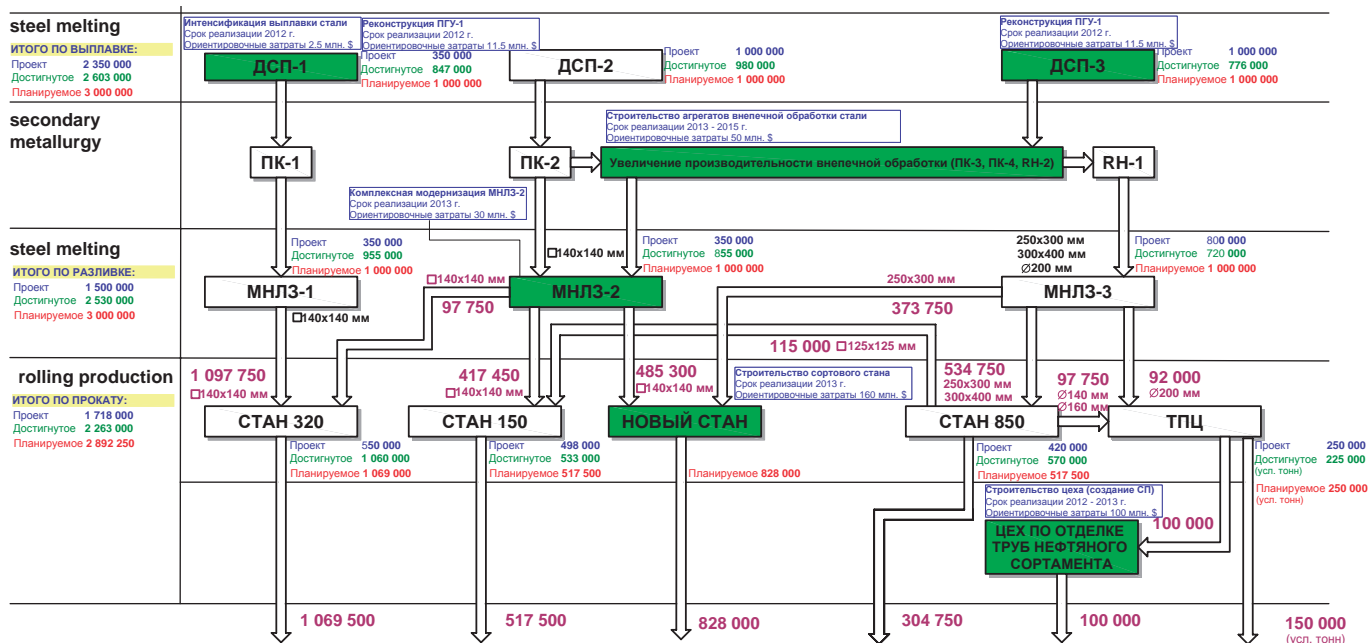
- complex, balanced development of the production facilities;
- provision of industrial, fire, and environmental safety, and labour protection;
- introduction of progressive power- and resource saving methods;
- renovation of the existing production facilities;
- improvement of the competitiveness on the steel markets.

First of all, during the nearest five years it is supposed to implement projects ensuring steel-making and rolling production as well as projects related with elimination of bottlenecks of the production process and solving of ecological tasks. Planned general investment costs including building of new objects in 2010-2015 are more than USD 650 million. Financing of the projects will be for the account of own assets of the enterprise, long term borrowed funds, and external investors' funds.

The main aim of RUE «BMZ» investments is development of high-tech productions, a large degree of raw material processing, replacement of the outdated equipment, and introduction of new advanced technologies meeting the world level of development of the steel industry. A distinctive feature of the investment projects is their direction towards stepwise fulfillment of a complex, large-scale renovation and modernization of all production stages. They foresee introduction of technologies and equipment considering the latest technical and production achievements of the steel industry and will be carried out with the help of leading Austrian, Italian, German, and American companies. Besides, a transition to the production of principally new types of products with new consumer properties



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Annual productivity of the main production facilities of steel melting, existing and planned based on the results of a complex modernization

corresponding to the European and American standards and best world analogues is provided.

Implementation of the business plan will lead RUE "BMZ" to new frontline positions, will allow introduction of most advanced steel production method, thus, will create the preconditions for high-rate development of the economy and social area of the region.

INFLUENCE OF THE PLANT ON THE SOCIAL AND ECONOMIC DEVELOPMENT OF THE REGION OF ITS BUSINESS ACTIVITY

For the provision of a balanced development of the region and uniform improvement of the living standards, not only the authorities should make attempts, but business should also display initiative able to exert a considerable influence on the social and economic situation in the territory of its business activity. RUE “BMZ” is one of those enterprises of the Republic of Belarus which demonstrate a system approach to solving this important issue.

Fulfilling the arrangements of the investment program and making investments, RUE “BMZ” not only increases the capacity of the production objects, but also fulfils one of the main tasks in the area of social responsibility, namely it creates favourable conditions for the development of the economy and social sphere of the territory of its production activity. Influence of the economic and social development of the regions in the area of economic, environmental, and social activity of the plant is described in detail in the corresponding sections of the report.

One of the first priority directions of influence within the framework of social responsibility is improvement of human potential which includes not only provision of favourable conditions for realization of each man’s capabilities, improvement of living conditions of the population, and quality of social environment, but improvement of competitiveness of the human capital. standards and social stability in the civil society.

The planned system of the region staff potential development supposes not only continuous professional training of its employees during their labour activity, but also:

- fulfillment of the training program of the young citizens who want to join the plant or any other enterprise of the region by evening studies at the corporate training centre;

- training of the graduates of Belarusian schools at Zhlobin Metallurgical College leading its educational activity on the basis of the total financing by Byelorussian Steel Works;



«The crisis influenced many enterprises of the republic, and did not avoid our region. Nevertheless, the budget plan for 2010 was fulfilled. To a large extent it happened due to RUE “BMZ”.

L.N. Apanasyuk, Chairman of Zhlobin District Executive Committee

- cooperation with educational establishments of the country which allows increase of the level of training of future specialists with consideration of own requirements and due to organization of practical training of students on workplaces equipped with advanced technologies and equipment;

- bringing up of the coming generation carried out by the teachers’ team of an extensive network of the preschool establishments;

- formation of a healthy way of living and development of creative potential of the citizens of the region which is a first priority direction of the activity



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of the plant's Palace of Culture «Metallurg» and the sport facility of the plant.

Active participation of the plant in international exhibitions and forums, effective promotion of its products on the world markets, creation of the image of a reliable business partner has a positive influence on the development of the region. This direction supposes expansion of the possibilities of realization of competitive advantages on markets and strengthening of external economic positions of the plant and the country in general, formation of stable diversified relations with our international partners to provide a steady development of the economy in a long term outlook.

Developing non-financial reporting in accordance with the international standards, interacting with organizations regarding issues of social responsibility, participating and winning in republican and international contests, RUE «BMZ» actively facilitates the formation of a favourable image of the Republic of Belarus.

Providing social guarantees, implementing programs in the area of the environmental safety of the production facilities, labour protection, and prevention of production injuries, and sport development, RUE «BMZ» contributes to regulation of the population size and creation of conditions for its growth. The plant ensures employment of about 30% of the employable population involved in the economy of Zhlobin area. Every second citizen is connected with the activity of the plant in some way. Actual number of RUE «BMZ» staff is 12 463 people.

Being the largest employer in the region, the plant exerts a direct influence on the labour market development. While implementing the investment program, the enterprise creates additional work places for the inhabitants of the region. RUE «BMZ»

provides adequate salary and social guarantees for its staff, thus assisting the formation of a higher living

TARGETS AND OBJECTIVES OF INVESTMENT PROJECTS

To solve the tasks of the production output growth up to the level of 3 million tons, and to eliminate the “bottlenecks” in the existing steel production flow of RUE «BMZ» in 2011 – 2015, technical strategy of the plant supposes implementation of the projects in the following directions:

1. Formation of the required infrastructure and increase of metallurgical stage productivity to reach the finished product production level of 3 mio tpy:

- Construction of lime kiln No.3 with the capacity of 400 tons per day. It is planned to expand the capacity of ferroalloys store, reconstruct the transportation systems for material delivery to the melt shop, reconstruct the electrical substation “Stal” within the framework of the project.
- Extension of the scrap preparation department and the slag area. It is planned to create an additional area for railway wagon unloading and installation of manipulators; expansion of the building of the scrap processing department, increase the number of slag discharge points and the capacity of its cooling.
- Building of an air separation unit with the capacity of approximately 10 000 m³/h of oxygen. It is supposed to organize a separate legal entity – a joint venture with RUE «BMZ» share of 51% for implementation of the project. Providing of the plant with the products of air separation will be

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carried out on a long-term basis.

- Intensification of steel melting in EAF1 with the use of oxygen technologies. In addition to productivity growth up to 1 mio tpy, the project is assumed to decrease the specific consumption of electric power and electrodes.
- Increase of secondary metallurgy productivity. The project is supposed to unite the frames of the buildings of melt shop No.1 and No.2 so as to organize a secondary metallurgy and ladle department in the new bay. 2 ladle furnaces and an RH vacuum degasser will be installed.

«Specialists of Siemens VAI will use their competence and experience, and make efforts so as the CCM modernization will become a certain step forward for the plant in realization of the modernization program planned for the nearest 5 years».

Nikita Mikhevich, Director of Siemens VAI subdivision in

- Complex reconstruction of continuous casting machines No. 1 and No. 2. The first stage: CCM-2 modernization to increase its productivity up to 1.2 mio tpy. In the result of the modernization we will get the possibility to cast quality billet 125x125 and 140x140 mm which will be processed in a new light section mill. Based on the results of CCM2 modernization, a corresponding technical concept will be formed and CCM1 modernization project will be carried out.
- Modernization of rolling mill 320 including reconstruction of the production process control system and main drive speed regulation system; reconstruction of the finishing area packing line. Transition to the usage of cast billet 140x140 mm in rolling mill 150.

- Creation of a logistics centre to optimize transportation flows by providing an accurate planning and coordination of the deliveries of equipment and materials, shipment of finished products and internal goods traffic.
- Organization of a joint venture for processing steelmaking slag
-

2. Provision of a raw materials base

of the enterprise:

- Development of a scrap procurement network of the «BMZ Trading Firm» Limited (Saint Petersburg) by a centralized provision of scrap deliveries from Russian sites in railway wagons (including own and rented wagons), and by way of organizing of.
- increase of scrap deliveries from Baltic states. Organization of a firm for scrap collection and processing in Lithuania on the basis of BMZ Trading Firm Baltija Limited.
- entering into long-term agreements (contracts) for the delivery of raw material resources and hot-rolled iron (HBI) in particular, from UC «Metalloinvest» (Russian Federation).
- Detailed market study and organization of scrap delivery from Poland and Germany.

3. Construction of new facilities and mastering of high added value products manufacturing:

- Erection of a light section wire mill with the capacity of 700 thousand tons per year and the possibility to increase annual production output to 1 million tons. Tasks of the project implementation:



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- Complete processing of cast bloom and billet residues, abandonment of semifinished product sale. Increase of RUE "BMZ" proceeds by USD 140 million per year after the project implementation due to production of products with a high added value.
- Provision of RUE "BMZ" steel cord and wire production and RUE "Rechitsa Hardware Plant" with wire rod and consequently, creation of conditions for their further development.
- Production of rounds with small diameter for the enterprises of the Republic of Belarus and West Europe.
- Mastering of the production of additional assortment of rounds in rolling mill 850.
- Growth of the production output of OCTG pipes:
- Increase of the volumes of cast billet Ø200 mm produced in CCM3.
- Realization of measures of pipe mill equipment improvement aimed at optimization of the flow diagram and observation of international standards in pipe production.
- Erection of the 3rd inspection line.
- Organization of an enterprise for OCTG pipe finishing according to API 5CT, GOST 6328 0, GOST 6338 0. So as to avoid antidumping we plan to organize a joint venture with a large trader having a developed merchandising network.
- Organization of a joint venture with Manuli Rubber Industries (Italy) to produce high-pressure hoses. It will be organized in Orsha on the basis of JSC Legmash.
- Building of a shop to produce steel cord in the amount of 20 000 tpy. The project will be implemented together with the erection of the light section mill. Aim of the project is to receive an extra cost by processing the high carbon wire rod to be produced in the new mill. We assume that this production will be organized in the form of a joint venture.
- Organization of the production of stabilized rebars and prestressed cables in SWS3 of RUE "BMZ".
- Organization of saw wire production department.
- Organization of the production of wheel axes for wheel sets of the rolling stock at JSC «Mogilev Metallurgical Plant». Production of axes in the amount of approximately 20 000 pieces per year by forging, thermal and mechanical processing of bloom 300x400 mm produced in melt shop No.2 of RUE "BMZ".

CHARACTERISTICS OF KEY IMPACTS, RISKS AND OPPORTUNITIES

RISK MANAGEMENT

High level of influence on sustainable development is exerted by a potential jeopardy. Its detection, analysis, systematization, and management is a part of the plant's activity aimed at achieving progress in the area of sustainable development. The top management forms the plant's strategy and acts on the basis of the analysis of external environment risks and risks related with the plant's activity. Management of financial and nonfinancial risks allows decrease of potential loss and provision of additional guarantees for achieving the strategic goals. Sustainable development of the plant is exposed to the following risks:

- decrease of steel demand and prices;
- growth of prices on raw materials markets;
- dependence on raw material base;
- changes of political and economic conditions of the RB;
- changes of law of the RB;
- growth of power, gas, and railway transport rates of the natural monopolies;
- fluctuation of foreign currency and interest rates;
- breakdown in the production;
- accidents;
- personnel.

Measures of risk management are integrated in the system of corporate management of the plant. RUE "BMZ" takes a set of measures to decrease risks:

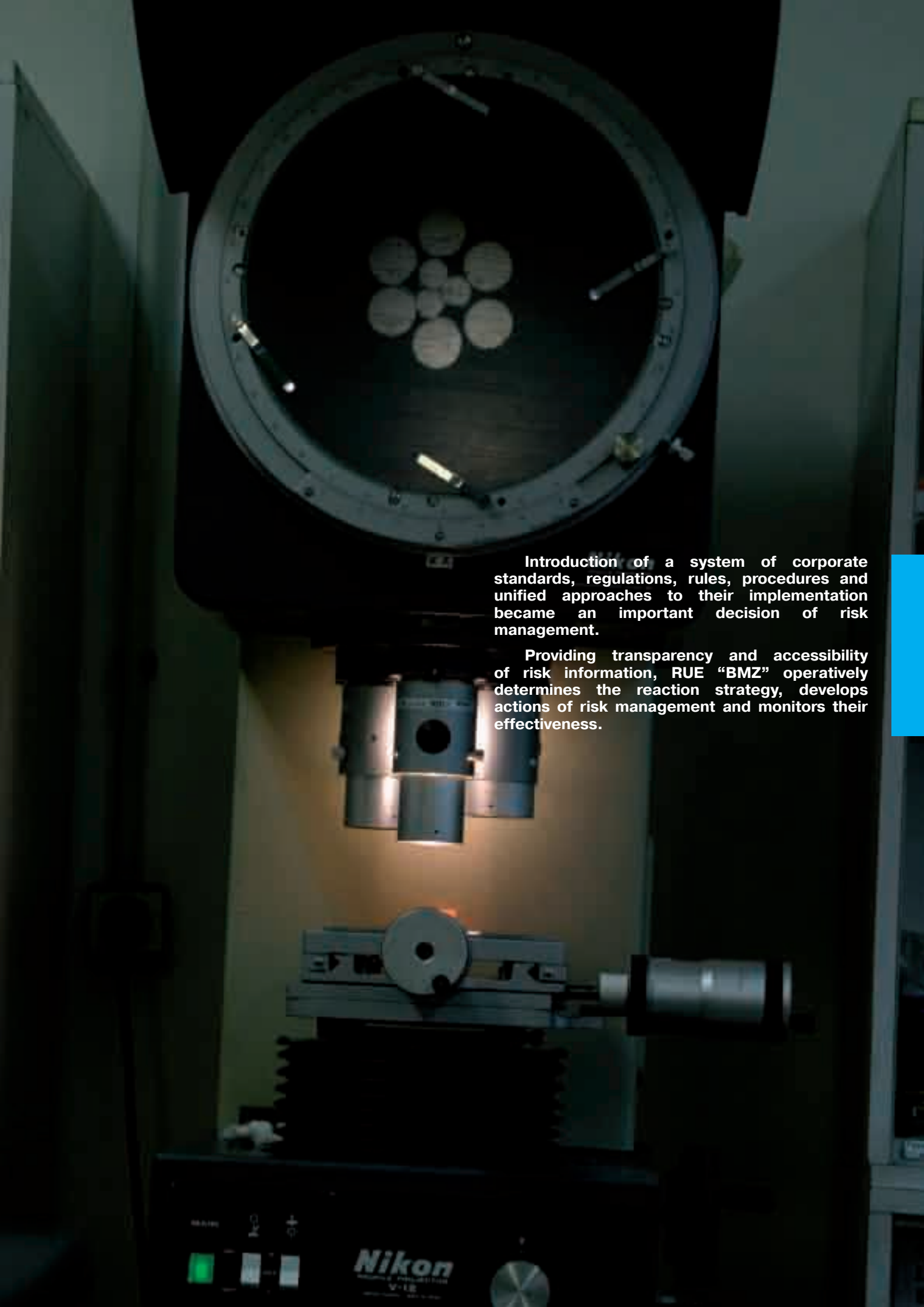
- implementation of the system of calculation of expenditures at the place of origin;
- improvement of material support;
- development of the system of internal audit and control;
- reduction of production costs;



«Fate of every business and enterprise is determined by the capability of its managers and their teams quickly to understand the essence of the ongoing changes in the external environment, determine trends and risks».

E.A. Peretyagina, Quality director

- improvement of the system of environment management;
- expansion of the product range;
- product quality improvement;
- development of the merchandize network;
- re-orientation of the production towards the types of products which are more in demand;
- development and introduction of new methods and products;
- monitoring of the market of raw materials resources;
- development of long-term contractual relations with suppliers and customers;
- monitoring of rates and quotas limitations for key and prospective sales markets;
- cooperation with state authorities in the development of a balanced policy of RUE "BMZ" and its support.



Introduction of a system of corporate standards, regulations, rules, procedures and unified approaches to their implementation became an important decision of risk management.

Providing transparency and accessibility of risk information, RUE "BMZ" operatively determines the reaction strategy, develops actions of risk management and monitors their effectiveness.



DESCRIPTION OF THE PLANT

GENERAL INFORMATION

Republican Unitary Enterprise “Byelorussian Steel Works” is a state-owned enterprise that is located in the center of Europe, namely in Zhlobin, Gomel region, 220 km from the capital of the Republic of Belarus – the city of Minsk. The total area of RUE “BMZ” industrial site is 249.06 ha.

RUE “BMZ” is subordinated to the Ministry of Industry of the Republic of Belarus.

Legal address (postal address) of the enterprise, head office address:

37 Promyshlennaya st., Zhlobin, Gomel region, 247210, Republic of Belarus.

Not only is RUE “BMZ” the largest enterprise in the Republic of Belarus, but also in Europe. It is the base enterprise for the metallurgy industry of the republic. During the last two decades it has been among reputable steel products manufacturers. Design, construction and fitting of the works with newest equipment and advanced technology with further putting production capacities for guarantee maintenance were based on the European firms contracting principles involving handover of industrial facilities and technologies on the turnkey basis. Use of advanced world experience and newest technologies during the works construction and further development allowed to create a unique industrial complex in the Republic of Belarus.

«The plant studies and analyzes operation of its competitors and this is a sign of a successful production».

*Tomas Pallagi, Representative of TÜV International
s.r.o. TÜV Rheinland Group*

DESCRIPTION OF THE MAJOR STRUCTURAL DIVISIONS

The enterprise structure includes two main productions: metallurgical (steelmaking and rolling) and hardware production as well as infrastructure plants and departments for the works activity management. The steelmaking production includes: a scrap yard, two melt shops, and a technological motor transport shop. The rolling production is represented by a rolling plant having three rolling mills producing various sections and a pipe mill.

The hardware production consists of three wire shops, powder metallurgy and drawing die shop, a tare and packing shop. The works infrastructure is represented by the plants for repairing metallurgical, power, electric and mechanical equipment, plants supplying production with media and electric power, transportation shop and other subdivisions. The product catalog of the plant includes such components as concast and hot-rolled billet; rolled section and shapes, concrete reinforcing bar; pipe billet, wire rod, steel cord, hot-rolled formed seamless pipes; steel anchoring and wavy fiber and microfiber, multipurpose steel wire.

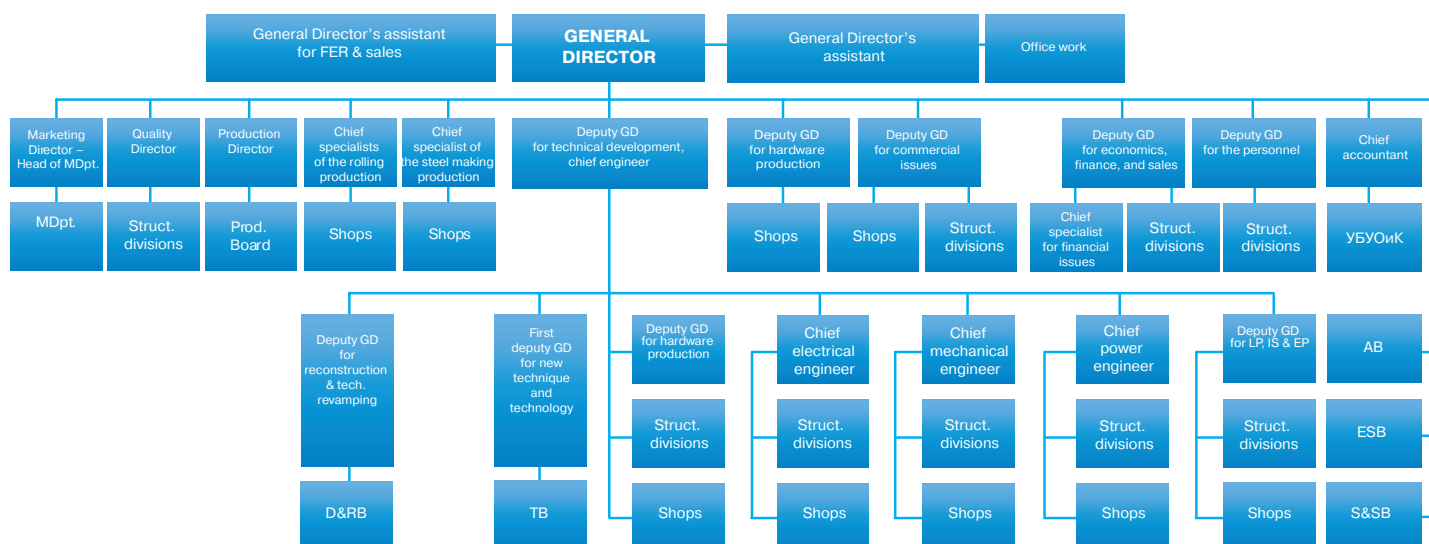
Republican Unitary Enterprise “Byelorussian Steel Works” is a high-technology metallurgical complex with a complete metallurgical cycle. The overall production takes place on a single production site in the Republic of Belarus that allows to save the size and manufacture low expenses products. Vast choice of the productive capacities allows to organize a flexible production flow taking into account market conditions and to maintain stable long-term sales quantities.



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ORGANIZATIONAL MANAGEMENT STRUCTURE

The organizational structure is based on the hierarchical principle. The enterprise is headed by the Director General that acts in conformity with the republican legislation and the Articles of the enterprise, sets objectives and policies, distributes responsibility and authority to the subdivision managers. As of December 31, 2010 the total number of employees was 12033 people.



COMPETITIVE ADVANTAGES OF RUE "BMZ"

Basic competitive advantages are:

- strong position on global steel markets;
- favourable geographic location of the plant;
- professionalism of the personnel;
- high competitiveness of the products;
- up-to-date investment program;
- high level of reputation among customers due to product quality.

APPROACHES ENSURING STABLE DEVELOPMENT

Severe situation on the steel market resulting from the world economic crisis, long period and unstable withdrawal from the recession was characteristic of the entire year 2010, in particular its first half. These circumstances attached great significance to the policy of costs reduction continued by the plant as well as effectiveness of the sales and marketing services functioning which were mastered in new market conditions changing approaches to product selling.

DESCRIPTION OF THE PLANT



«It took the plant a long time to penetrate Asian markets. The decisive role was played by the high quality of hose wire produced by BMZ».

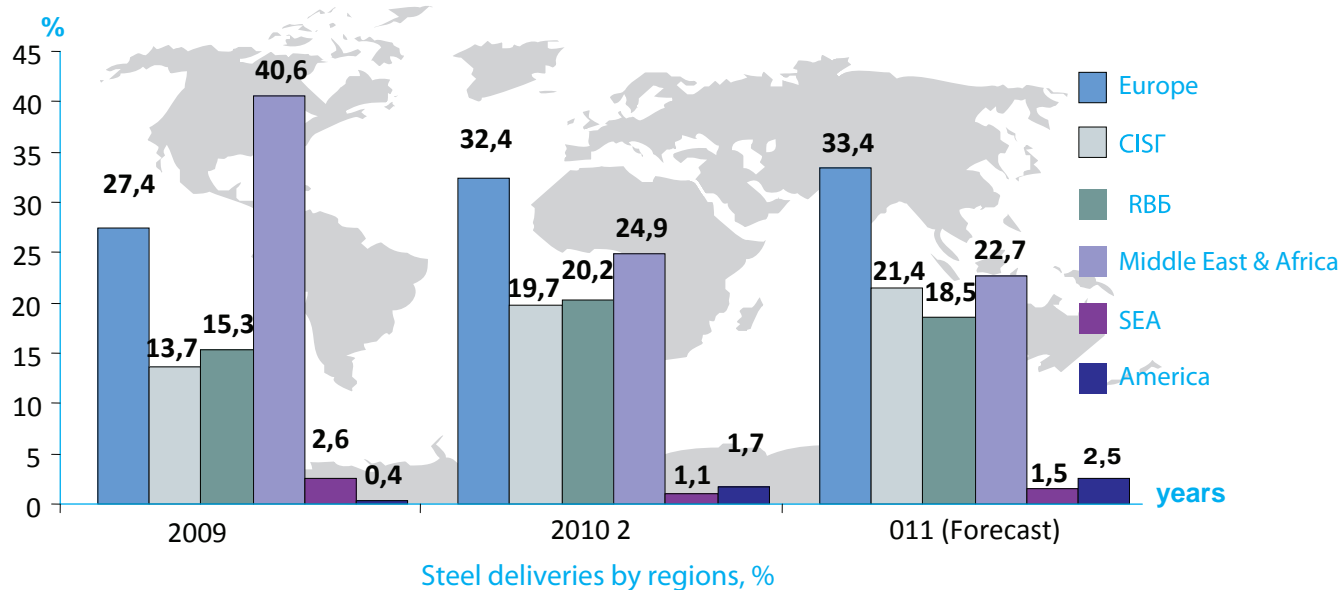
I.A. Charniauskyy, Deputy General Director

Continuous monitoring of the sales market allowed selling of RUE "BMZ" products at rather high and competitive prices taking into consideration regions and receiving countries at the same time

supporting its presence on the most significant market outlets. Starting with the middle of 2010, continuous monitoring of raw materials markets has been carried out. This helps us to procure quality materials at optimal prices. Analysis of steel consuming branches of industry including engineering, construction, and tire industry allows determination and setting of optimal prices, RUE "BMZ" production output, and product sale with a rather precise degree of reliability.

Traditionally European and CIS markets were considered the basic sales markets for RUE "BMZ" products. In the result of product delivery diversification started in 2009, we extended distribution of deliveries due to such regions as Middle East, North Africa, South-East Asia, North and South America. In 2010 first deliveries to the markets of Albania, Switzerland, Congo, Mauritania, Brazil, Venezuela, and Hong Kong were made. Most promising of the above markets are Venezuela and Brazil — main trade partners of RB in Latin America. Due to electronic bids we promoted offers and sales of steel cord, bead wire, and hose wire to world leading concerns for 2011.

The year 2010 was the period of a stepwise search





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of a way out of the crisis for Belarusian metallurgy. There were rises and drops. But consequently, it became a memorable year and actual results appeared to be much better than those predicted.

In 2010 shipments to new customers made up about 14 000 tons of steel to the amount of approximately USD 11 million.

Owing to implementation of successful marketing strategies in 2010 we managed to recover the volumes of production lost during the crisis of 2009, strengthen the position of the plant on global markets, and increase volumes of steel deliveries. In money terms export grew by 31,6% and made up USD 1159,5 million. Foreign trade balance of all enterprises of the Ministry of Industry was USD 1,7 billion, USD 414 million of which is BMZ share.

For promotion of the plant's products onto world markets, acquainting of would-be customers with new types of products the plant pays much attention to advertising, actively participates in national and international specialized exhibitions and fairs where

talks are held with largest traders, final users of steel, and new partners regarding key product delivery and studies of issues related to possible production of new products for certain customers, and change of production methods of some types of products are carried out.

Long work experience on external markets, availability of own commodity distribution network in different countries of the world made it possible for the enterprise to obtain the reputation of a reliable partner delivering high-tech products. High international authority and cooperation with international financial establishments gave the enterprise vast prospects for obtaining profitable credit lines from first-class European banks.

High quality of the products delivered to various countries of five continents of the globe is evidenced by RUE "BMZ" trademark which is registered in 60 countries of the world. In the nearest future the plant

Product description	Region of product delivery
Cast billet	Europe, Middle East and Africa, SEA, CIS, Republic of Belarus
Bloom	Europe, CEA, CIS, Republic of Belarus
Rolled steel	Europe, CIS, Middle East and SEA, Africa, Republic of Belarus
Seamless pipe	Europe, USA, Venezuela, Vietnam, Russian Federation, Republic of Belarus
Steel cord	Europe, NAFTA countries, CIS, Republic of Belarus
Hose wire	Europe, Middle East, SEA, CIS, USA, Republic of Belarus
Bead wire	Europe, CIS, Republic of Belarus
Steel wire	Europe, CIS, USA, Republic of Belarus

Distribution and structure of RUE "BMZ" product sale in 2010

DESCRIPTION OF THE PLANT

plans to get registration documents for 18 countries more. Efforts of the management and the whole staff directed towards increase of product competitiveness and creation of a positive image of the enterprise are marked with awards received in republican contests in the following nominations:

- «Best Importer of 2010»
- «Best construction product of 2010 »

RUE “BMZ” was designated the name of “The best Supplier in 2010” among 1000 suppliers of Eaton Corporation for high quality of the products manufactured, supply logistics, and operative respond to customers’ enquiries .

Total activity of RUE “BMZ” perfectly fits the corporate policy of the enterprise: production of high-tech products with a high added value satisfying the needs of national and foreign customers, increase of profitability of the enterprise in case of rational use of resources, protection of the environment, and ensuring of a high living standard of the staff. Results of 2010 clearly demonstrate that it is not just a declaration.

PERSPECTIVE DIRECTIONS OF SALES ACTIVITY

From the geographical point of view and taking into account transport logistics of RUE “BMZ” products delivery, the most interesting countries in 2010 were European, CIS, Middle East, and African countries. Considering prospects of development of these regions, the enterprise arranges continuous monitoring of prices and participates in exhibitions so as to strengthen RUE “BMZ” positions in these regions and increase volumes of steel supplies.

From the viewpoint of demand and prices for products, the most attractive markets in the Middle East and Africa are the markets of oil producing countries. These are promising markets for RUE “BMZ” pipe products due to absence of any limitations of their supply as well as due to current growth of oil production in this region.



«In the result of a fruitful cooperation of the marketing and technical board measures for the development of new types of products were taken to allow the plant to penetrate and consolidate its position on new market outlets».

Y.A. Malchanau, Marketing Director

In 2011 markets of Europe, Middle East, and CIS will remain most capacious sales markets for RUE “BMZ”.

Commodity export in 2010 was 78,4 %. Steel products of the plant are delivered to more than 70 countries of the world and its trademark is widely known on the steel market.

Recovery of the world economy from the financial recession, continuous oil price increase will help the oil industry to grow (implementation of the suspended projects, development of new deposits, commissioning of new longdistance lines); which allows to hope for a steady demand for OCTG seamless pipes. RUE “BMZ” pipes were supplied to 27 countries in 2010: Europe, North and South America, Middle East, Africa, and CIS; rolled material and cast billet are sold in 48 countries of the world, steel cord and steel wire - in 36 countries.

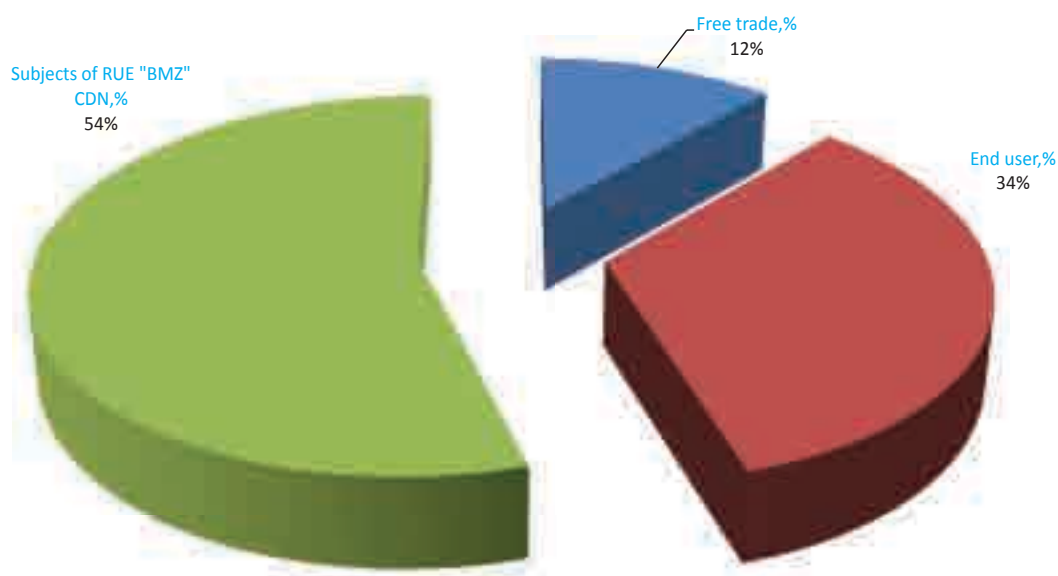
It is necessary to point out that steel fiber, one of new projects of RUE “BMZ”, is now conquering strong positions in Europe. Thus, BMZ fiber was



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used in the reconstruction of the Panama Canal. So as to fulfil the task of sales market expansion and fiber sales activation, an international conference and a seminar "Outlook for RUE "BMZ" steel fiber usage in the building sector" was held in May 2010. Representatives of building firms and concrete structure producers participated in it.

RUE "BMZ" marketing strategy is directed towards retention and active extension of its presence on the existing sales markets as well as search for new economically profitable regions, increasing volumes of products sold through its own commodity distribution network.



Steel sales structure in 2010,% USD thou.

Outside the Republic of Belarus RUE "BMZ" interests as on 01.01.2011 are represent-ed by 7 joint-ventures in Germany, Austria, the USA, China, Lithuania, and the Russian Federation which sell more than half of the products. For steel product sale diversification and provision of the proper sales level we plan to improve the operation of our own commodity distribution network in 2010-2015 and stop working with independent traders.

Our joint-ventures carry out logistics which includes insurance of export-import loads, organization and fulfillment of export transportation from the works to customers, customs clearance of the documents, organization of buffer and consignment warehouses, coordination of supplies between the seller and its customers, control of supply settlements, etc.:

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1. JSC «BELASTAHL Außenhandel GmbH», Berlin, Germany, established in 1994. It sells tire cord, bronze-plated bead wire, hot-deformed seamless pipes in the north-west Eu-ropean region

2. JSC «BELMET Handelgesellschaft m.b.H.», Linz, Austria, established in 1996. It sells tire cord, bead wire, hose wire, and hot-deformed seamless pipes in the south-east re-gion of Europe.

3. JSC «BEL-KAP-STEEL, LLC», Miami, USA, established in 1998. It sells tire cord in the USA and reinforcing bars for construction, wire rod, cast billet, and hot-deformed seamless pipes in North and South America, Scandinavia, and the Netherlands, Italy, Poland, Great Britain, Slovakia, and Turkey.

4. JSC «BELMET (Shanghai) Trading Co., Ltd.», Shanghai, China, established in 2004. It delivers technological and raw materials.

5. UAB «Prekybos Namai BMZ-Baltija», Shaulai, Lithuania, established in 2008. It sells rebars for construction, steel wire, and hot-deformed seamless pipe in the Baltic coun-tries.

6. JSC «Torgovyi Dom BMZ», St. Petersburg, Russian Federation, established in 2003. It was organized so as to ensure raw material safety for Byelorussian Steel Works: de-liveries of scrap and materials.

7. JSC «Torgovyi Dom BMZ» Moscow, RF, established in 2007. It was organized so as to sell finished products (rebars for construction, steel wire, and hot-deformed seamless pipes) of RUE «BMZ» in the Russian Federation.

So as to increase the share of steel exports of the plant through the commodity distri-bution network, we first of all pay attention to the extension of the number of joint-ventures, distributors, and improvement of the efficiency of their activity.

Tasks set forth for the joint-ventures regarding the promotion of high-tech products of RUE «BMZ» and expansion of the sales markets, are successfully fulfilled. Optimization of the money flow by the joint-ventures helps to improve the reliability of money proceeds from our customers and to considerably reduce the period for sold product payment.

Thus, having analyzed the basic sales markets of BMZ, we may say that the plant has strong positions and big prospects.





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WORLD MARKET TRENDS

Short term outlook

The outlined prospects of the metallurgical sector development in a short term outlook can develop in the way which foresees stagnation of the world economy and retention of the existing level of consumer activity and regional steel trade; the market is supported by the economic growth in China and the developing countries. Developing countries act as growth drivers; economy of the developed countries is a constraint. At that, starting with 2011 recovery of the key countries of the world is more and more slowing down in the result of the discount rate level growth.

In the environment of withdrawal of the anti-crisis economic incentives (credit policy, real estate market conditions have become tougher this year; a transition to a floating yuan rate has taken place), signs of slowing down of the business activity indices have appeared: industrial output growth rate decreased, building activity in the USA reduced. There is no doubt that the growing budget deficiency in the USA remains one of the most serious threats to the world stability, at the same time during the

last half year a number of macroeconomic figures demonstrate a slight strengthening of the market situation in the result of the measures undertaken by the government. Unemployment growth and slowing down of the growth rate of the income of the population will follow the announced cutoff of the budget deficiency in the EC countries. Consequently, there are no preconditions for consumption growth and for the recovery of the pre-crisis level in this region in the nearest future. In the situation of strengthening of the protectionist mood, European interest in imported goods will continue to fall.

Price change dynamics will be characterized by a shorter wave cycle, but the amplitude of its fluctuation from the average level will rise. Among other reasons of the cyclic recurrence character change we may point out universal decrease of the level of the inventory (in this situation prices will quickly react to the emerging demand) and transition to quarterly raw material agreements.

Stagnation (rather absence of signs of deterioration) of the world economy will render support to the raw material and power price level which means a relative stability of the budget filling for CIS countries. Even slow recovery of the population's





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incomes will help to expand the domestic demand. Implementation of the anti-crisis programs of the government became an urge for the customer demand activation, and starting with the middle of 2011, volumes of floating assets injection into the key branches of economy will start to go down. It is determined by limited possibilities of the budget (high social obligations remain weak points of CIS economies which is especially clearly seen against the background of the decreased post-crisis tax proceeds). Long-lasting saturation of the market with liquidity together with decrease of borrowed fund cost can provoke strengthening of inflation processes with simultaneous backflow of the demand. It is necessary to point out that for the industrial production (for example, for the participants of the program of autoutilization) decrease of the state subventions would most likely turn into the decrease of the demand and corresponding drop of production figures.

Long-term outlook

During 35 years recovery of the world steel market is supposed and consequently, improvement of steel consumption, recovery of such industries as engineering, construction, motor industry, oil production, and oil processing. In the long-term outlook RUE "BMZ" plans to recover its customers on traditional markets (Europe, CIS) completely, retain its customers on the developing market outlets (Middle East), and get new customers both on the existing and new markets. In particular, the plant actively develops new products and studies sales markets for these products which will help to get new customers.

DATE AND EVENTS OF 2010

February:

Mandrel and disc saw preparation department started to operate in the pipe mill. It is fitted with the equipment unique for our country.

February:

BMZ participated in the republican information and prophylactic program «Health @ work» started in the republic (within the project of Belarusian Red Cross Society «Prophylactic of HIV in the labour sector»). The aim of the program developed by the experts of the Global Business Coalition against HIV/AIDS, tuberculosis, and malaria is to help enterprises and organizations to organize training of their staff in this subject.

March:

March 3: the first lot of round billet diameter 200mm was cast in CCM-3 of EMS-2.

March 29:

a contract on the construction of the 3rd lime-kiln was signed with Tech-com (Germany).

– At the end of the month BMZ started implementation of a contract for manufacturing OCTG pipes for Venezuela.

April:

150th ton of pipes was rolled in the pipe mill. With this round number the mill practically completed production of the first shipment of OCTG pipes for PDVSA B. V. Bariven (Venezuela).

Scientific and technical conference of young workers «Metal-2010» united over 100 participants in 11 groups.

The pipe mill started mastering of pipes produced from round billet diameter 200 mm fabricated in CCM-3.



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June:

BMZ team won the 4th Republican Sport and Tourist Rally of Young People organized by the Belarusian Trade Union of Industrial Workers. It was dedicated to the 65th anniversary of the Victory. 17 teams from the biggest enterprises of the republic participated in it.

Last tons of pipes were shipped for Venezuela. Total amount of the shipment was 5863 tons of hot-deformed seamless pipes of 6 dimensions for oil and gas lines.

July:

Chemist's shop No. 199/3 was opened in building No. 2 of the headquarters. It was a request of the staff expressed during a traditional meeting of the top management with the labour team.

Training of a group of specialists from Tenaris (Mexico) was organized in the pipe mill for the first time. Thirteen workers of one of the plants of this concern were trained in technology of seamless pipe production and acquired practical skills on workplaces.

BMZ started commercial production of concast round billet diameter 200 mm. At the end of July the first export lot of round 200 mm was cast at EMS-2.

International scientific and technical conference «Metal-2010» was held at BMZ. This prestigious forum of young people united 80 plant workers and 45 representatives of the enterprises and educational establishments from Belarus, Russia, the Ukraine, Lithuania, and Kazakhstan.

August:

A delegation of Continental visited BMZ. The parties discussed current issues and plans for the nearest future. The year 2010 was specific for the cooperation of our plant and this German giant of the tire industry: 15 years had passed from the date of signing an agreement on cooperation.

September:

At the end of September the first shipment of hot-briquetted iron arrived at BMZ from Venezuela. Its volume was 5 thousand tons.

A contract for modernization of waste gas trapping and cleaning system of EAF No.1 and No.3 was signed with Water Group. This project was developed exclusively for the conditions of operation of BMZ furnaces.

September 15:

rolling mill 150 celebrated its 10th anniversary. The rated capacity of the mill has increased from 30 up to 46 thousand ton per month.

Byelorussian Steel Works became the only participant of The 8 Republican Environmental Forum which exhibited the whole range of environmental issues at the exhibition in Grodno. BMZ was awarded a certificate for «Considerable investment in the development and introduction of advanced technologies in the area of wastes handling».

Steel fiber for concrete reinforcement produced at BMZ was considered the best construction product of 2010. The awarding took place within the framework of the exhibition «BUDPRAGRES-2010».

BMZ was the first in the republic to start preparation for the acquisition of a complex nature-conservation permit. If now environmental permits are issued for separate components, then a complex permit considers total environmental impact of an enterprise as well as efficiency of usage of natural resources in the production.

October:

October 29: public hearing of the Corporate Social Report took place at BMZ.

Making its debut at the prestigious competition, the scientific and technical library of BMZ was considered

DESCRIPTION OF THE PLANT

the best among similar republican libraries. It was the only one out of 446 participants to be awarded for the utmost use of automatic technologies in reference – bibliographic and informational servicing of its readers.

Staff of team No. 4 of rolling mill 150 set up a record: 1200 tons of wire rod were produced during a shift. The prior record was at the level of 1070 tons.

November:

November 17: the third Belarusian investment forum took place in Frankfurt-am-Mein. S.S. Sidorsky, prime-minister of Belarus, heads of ministries, and our general director participated in the forum where a memorandum on intention to build a facility for sheet production was signed between BMZ and Danieli (Italy).

20 years ago first tons of steel were produced in the third electric-arc furnace. Now EAF-3 produces not 4 as before but 12 heats per shift.

The jubilee 500th ton of tire cord was produced at SWS-2. This tire cord was delivered to Bobruisk Tire Plant.

December:

A new tradition was born at BMZ: December 17 a corporate calendar was presented at the Palace of Culture of Metallurgists.

SWS-2 crossed the level of one million tons. Exactly this amount of product had been produced at the shop from 1991 till 2010 inclusive.

Staff of rolling mill 320 produced one million tons of reinforcing section in 2010

GENERAL INFORMATION

ABOUT ACHIEVEMENTS AND AWARDS

- Winner of the Competition for the RB Government Award for Quality Achievements (2001, 2004, 2007);
- Winner of the Competition for the RB Ministry of Industry Award for Quality Achievements (2001, 2004, 2007).
- Winner of the competition “Best Products of the Republic of Belarus” in the nomination “Technical Industrial Products” (2002-2010).
- Winner of the competition “Best Products of the Republic of Belarus on the Russian Federation Market” in the nomination “Technical Industrial Products” (2001, 2003-2010).
- Winner of The Badge of Honor Award “Commonwealth Star” in the nomination “Best CIS Company” (2006).
- Winner of the 3rd International Quality Tournament among CEE countries, holder of EFQM certificate “5 Star Excellence Acknowledgment in Europe” (2007).
- Winner of the Competition for CIS Award for Production and Services Quality Achievements (2006/2007).
- Winner of the republican competition “Best Exporter-2007” in the nomination “Machine Building, Metallurgy and Metal Finishing”.
- Winner of the republican competition “Best Quality Manager” (2008-2009).
- Winner of the 4th International Quality Tournament among CEE countries (2008).
- “5 Star Excellence Acknowledgment in Europe” by the European Fund for Quality Management (EFQM) – (2009);



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- Winner of the national competition «Brand of the year – 2009» in the nomination
- «Socially Responsible Brand» in the categories «Best employer» and «Active Social Position»;
- «Professional nomination, goods and services B2B» in the category «Brand-export».
- Winner of the competition «Best Construction Product of the Year» (2010).
- Certificate of the 8th republican ecological forum «For a considerable contribution to the development and introduction of advanced technologies in the area of wastes handling».
- Winner of the 4th republican tourist rally of young people organized by the Belarusian Trade Union of Industrial Workers.
- BMZ library became the winner of the republican competition among scientific and technical libraries of the Republic of Belarus in 2010.
- RUE «BMZ» is awarded a diploma for the development and introduction of power-effective technologies in steel production among 200 enterprises from 14 countries of the world participating in the XV Belarusian power and environment forum.
- Winner of 2010 contest «Best Goods of the Republic of Belarus on the market of the Russian Federation» in the nomination «Technical and Industrial Products».
- BMZ steel fiber for concrete reinforcement is recognized as the best construction product of 2010.
- Gomel Regional Union of Entrepreneurs officially thanked Anatoly Savianok, RUE «BMZ» general director, for his considerable personal contribution to the provision of efficient activity of the Union of Entrepreneurs and improvement of the system of social partnership.
- Presidium of the Council of the Federation of the trade unions of Belarus awarded Nikolai Anelkin, chief rolling specialist of RUE «BMZ», a labour laureate prize.
- Gomel Regional Executive Committee officially thanked RUE «BMZ» staff for its active foreign economic activity in 2010.
- Winner of the national contest «Brand of the Year – 2010» in the nomination «Socially responsible brand» in the category «Active social position».
- BMZ is awarded the name of «The best supplier – 2010» among more than 1000 suppliers of Eaton Corporation for high quality of its products, delivery logistics, and operative respond to customers' enquiries.
- Based on the results of 2010 JSC «Belarusbank», the largest bank of the Republic of Belarus, named Byelorussian Steel Works a laureate in the nomination «For the expansion of the international forms of settlement».







MANAGEMENT, RESPONSIBILITIES, INTERACTION WITH INTERESTED PARTIES

CORPORATE MANAGEMENT

Corporate management of RUE “BMZ” is the total of processes providing for control and supervision of the plant’s activities, including relations between the owner, the management and employees established for the purposes of achieving the enterprise’s strategic aims. RUE “BMZ” considers corporate management to be a means for enhancing efficiency of the plant’s activities and for raising its reputation. Corporate policy of RUE “BMZ” is based on constant updating of the enterprise’s management system as its efficiency is a significant factor of the plant’s being attractive for investments.

RUE “BMZ” is subordinated to the Ministry of Industry of RB (Minprom). Minprom is a republican organ of state administration and is subordinated to the Council of Ministers of the Republic of Belarus.

Minprom pursues scientific, technical, and economic policies directed towards creation of conditions for efficient work of its subordinate organizations. Minprom works out forecasts of production and technical, financial and economic development of the corresponding branches of industry; develops and ensures implementation of investment programs aimed at acceleration of scientific and technical progress, growth of product competitiveness, decrease of its materials and power consumption; provides pursue of the scientific and technical policy directed towards extension of the range of products manufactured, improvement of their quality; organizes and controls work to provide rational use of raw materials, materials, fuel and power resources, accessories, involvement of secondary material resources and local types of raw materials in the economic turnover; carries out general management of state organizations according to the established procedure providing their effective operation together with the managers of these organizations; coordinates foreign economic activity of state organizations and economic associations within its competence, helps them to establish

foreign economic relations, develop progressive forms of integration, organizes cooperation with the corresponding organs of state administration of CIS countries; within its competence it organizes and coordinates work of state organizations and economic associations in the area of technical regulation and standardization, certification and product quality, etc.

Improved effectiveness in the field of sustainable development is ensured by an efficient corporate management system. The enterprise’s top management carries out its activity adhering to the following approaches in corporate management:

- compliance with legislation and statutory norms of the Republic of Belarus as well as with the international legal acts validated in the RB;;
- improvement of management quality;
- involving of all units and participants of business processes;
- improvement of the system of effectiveness evaluation;
- updating the technological level of the production processes;
- expanding production facilities with minimization of energy and raw material consumption levels;
- disclosure of complete and reliable information on the plant’s performance;
- making the plant attractive for investment;
- enhancing of responsibilities;
- keeping up an open dialogue with interested parties;



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- providing for the best possible output/expenditures ratio;

- ensuring a reasonable balance between the plant's and public interests.

To provide for trust and mutual understanding among all interested parties the plant follows the below principles of the Code of Ethics:

- transparency – prompt provision of reliable information;

- accountability;

- justice – equal attitude;

- responsibility – recognition of the rights and obligations.

In its activities, the plant aspires to ensure compliance with international standards of business activities. RUE “BMZ” has adopted and introduced into active use internal documents providing for fulfillment of obligations concerning compliance with the corporate management principles. These documents are available to general public on the plant's website: www.belsteel.com.

Our mission, as we see it, is to ensure sustainable development that would account for long-term economic interests, contribute to social peace, and provide for safety and wellbeing of the plant's employees and citizens in the region of BMZ production activities, environment and human rights protection.

To achieve high indices of long-term social and economic efficiency BMZ strives for maintaining of a reasonable balance of interests of all parties concerned by distribution of responsibilities and involvement of employees in accordance with the

enterprise's organizational structure (see section Description of the plant), the Articles of association (as approved by the Ministry of Industry of the Republic of Belarus), Provisions on Structural Divisions of the plant and other normative acts.

Strategic and operational management of the plant's activity is carried out by RUE “BMZ” general director Anatoly Savianok.

Management by the Director General down to the heads of divisions is based on the following:

- taking decisions within one's competence;

- establishing policies and specifying objectives to be recorded in the respective documentation, such as business plan of RUE “BMZ”, Corporate Policy, Target Indices of RUE “BMZ”, Objectives of Divisions.

- identifying resources (labour, infrastructure and production environment) as required for planning and carrying out activities to achieve the tasks set forth;

- determining processes of the corporate management system and providing for their efficient functioning.

Qualifications, competence and activities of the plant's top management are evaluated by the plant's owner — the Ministry of Industry of the Republic of Belarus. Fringe benefits are paid out to the top management depending on the plant's performance and compliance with the indices of social and economic development established for the plant.

Internal control system for supervision of financial and economic activities of RUE “BMZ” comprises the Audit Department and the internal audit service.

To ensure awareness of the top management of economic efficiency, performance in the fields of environmental protection, occupational safety,



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production quality control and to provide for interaction with employees and operational decisionmaking the plant arranges monthly meetings of management executives and heads of structural divisions.

Based on the global experience in the field of corporate management, the plant introduced and is now implementing the Corporate Management System, which is in compliance with requirements of ISO 9001, ISO 14001, OHSAS 18001 and SA 8000 international standards.

Compliance of the plant's activities to ISO 9001, ISO 14001, OHSAS 18001 international standards is validated by international audit companies, such as TÜV Rheinland (Germany), BUREAU VERITAS CERTIFICATION (France) and others. BMZ activities confirming its adherence to the principles of UN Global Compact are represented in this report.

To provide for continuous evaluation of applicability, adequacy, and efficiency of the system and updating of documentation the top management should carry out an analysis of the plant's CMS performance. The performance analysis is carried out once a year and once a half year based on the requirements identified in the Enterprise Standard STP 840K SM5.6 "Management analysis. Self-assessment of the corporate management system" The results of the analysis are presented as a Report on CMS Performance and a Report on CMS Self-assessment. Based on the analysis results, corrective measures and preventive actions to avoid unwanted events are identified so as to improve efficiency of the CMS. The procedure for identifying the above actions shall be governed by STP 840K SM8.5 "Continuous improvement. Data analysis. Preventive and corrective actions".

The corporate management system existing at the plant comprises documentation regulating processes, distribution of rights and obligations within the staff, interaction of executives with all interested parties, responsibilities and powers of employees.

CMS processes were determined with the use of IDEFO method, which ensures their proper sequence and interaction:

- **A11 Marketing;**
 - **A12 Management analysis;**
 - **A21 Human resources management;**
 - **A22 Maintenance and repairs;**
 - **A23 Infrastructure and production environment management;**
 - **A31 Interaction with customers** (contract analysis);
 - **A32 Design and development:**
 - **A32/1 Design and development of new types of products, new methods;**
 - **A32/2 Equipment design and development;**
 - **A33 Procurement;**
 - **A34 Production planning and preproduction activities;**
 - **A35 Manufacture and supplies of cast billet;**
 - **A36 Manufacture and supplies of rolled sections;**
 - **A37 Manufacture and supplies of pipes;**
 - **A38 Manufacture and supplies of steel cord, wire and fiber;**
 - **A41 Internal audits;**
 - **A42 Process flow and production monitoring.**
- 



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Self-assessment in terms of corporate management system efficiency for the year 2010 was carried out based on EFQM Excellence Model with the use of the following evaluation criteria:

Criteria characteristic of the organization capabilities:

- management's leadership;
- organization's policy and strategy;
- human resources;
- partnership and resources available;
- processes;

Criteria characteristic of the organization's performance:

- external customers;
- internal customers;
- benefits for the society;
- basic performance indices.

According to the self-assessment, the total enterprise rate for the year 2010 amounted to 81,6% against 71,1% for the same period of the previous year, which corresponds to the "reliable" rating. Based on the self-assessment results, corrective actions were determined to improve the situation.

Based on the comprehensive social and psychological climate study carried out by the plant's social service, the participating employees rated top management efficiency quite high (the satisfaction index was 0,74 against 0,76 of the year 2009).

COMMUNICATION

Approaches in the field

of communication formation

Corporate management is maintained by ensuring high levels of employees' awareness. Organization of communication rests on the following principles:

- good timing and regularity;
- reliability and comprehensiveness;
- free accessibility;
- feedback;
- operational flexibility and availability.

High level of information work provides for:

- setting goals and assigning tasks, ensuring employees' awareness of the performance results achieved;
- feedback;
- identifying actions for further improvement;
- discussions of focal issues;
- making proposals.

Information exchange is ensured by:

- meetings according to the schedules established in conformity with local regulations;
- materials of the corporate newspaper "Metallurg";
- weekly receptions on personal issues arranged by the top management and heads of divisions;
- meetings and gatherings with participation of

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the top management and the plant's employees in accordance with approved information activities schedules;

- negotiations and consultations;
- discussions and "round tables";
- sociological polls;
- correspondence;
- providing information to put on the stands located in various structural divisions, representing performance of the division and the plant in whole as well as dynamics of their activities;
- data transfer within the local computer network;
- use of "InfoBMZ" informational system covering over 3000 computerized work stations;
- use of electronic displays with creeping lines.

Exchange of information and consultations on issues related to quality control, occupational safety and environment protection, industrial safety and sanitation, data security, energy and material resources saving, involving representatives of various management levels, employees and other interested parties, are aimed at the following:

- understanding of one's role and responsibility;
- improving awareness;
- engaging in efficiency improvement activities;
- illustrating management's obligations;
- saving of energy and material resources;
- ensuring proper interaction of all management levels;

- arranging reporting activities;
- operational decisionmaking on current issues.

Approach implementation

The plant's management is developing internal communications, using them as one of its major tools to encourage social partnership, maintain favorable social climate among working employees and to ensure efficient information exchange between the enterprise's management and its employees. Acting in accordance with the principles of the UN Global Compact, RUE "BMZ" provides free access to any data, which is only limited by legislation requirements. For the purposes of efficient performance, special attention is given to feedback. Being an essential element of the enterprise's policy, the feedback provides an enhanced mutual trust, consolidates and unites interested parties based on common public objectives, values and interests.

Feedback channels comprise both traditional forms of communication with employees (conferences, informative meetings with participation of the plant's top management and public authorities, meetings of working employees, press conferences, "free microphone" events, etc.) and polls, interviews, "Direct Lines", when every single employee could ask the management a question and would be given an irrefragable answer to it. To ensure timely response of the management in connection with any issue, comment and proposal raised or made by the plant's employees, an automated "Signal" system was introduced which is active 24 hours a day. Every person who has anything to say could make a phone call and state their request, make a comment, a proposal, and those will be considered on a daily basis with response communicated either directly to the requesting person or through the plant's local newspaper "Metallurg".

One more tool of feedback (or it's better to say

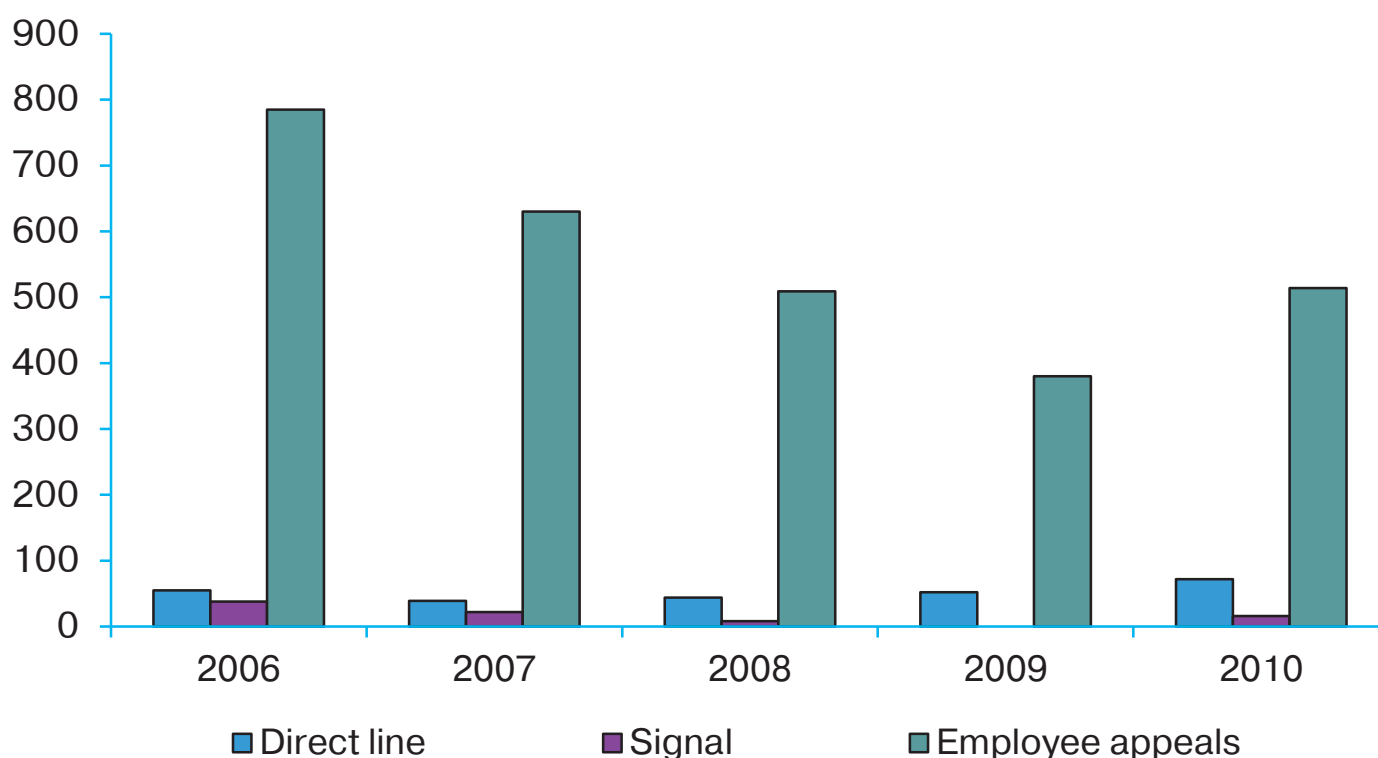


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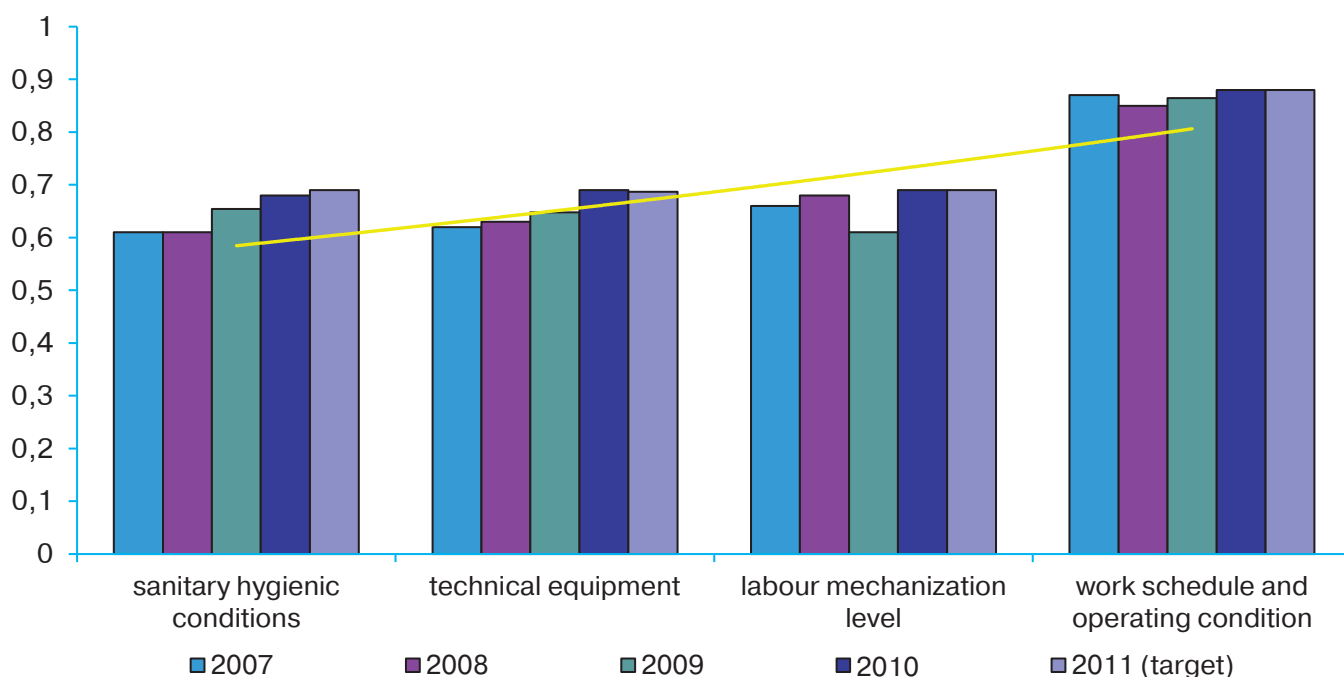
bidirectional communication) between the plant in the person of its management of different levels and the staff is the plant's website «InfoBMZ» with elements of a corporate social network. This tool creates multiple and frequently new relations between the staff and different working groups of the plant. These relations help to spread corporate knowledge and experience according to the method of «cross pollination» and create quite real commercial advantages. Use of new platforms of social software within the plant allowed the corporate information activity factor users not only to increase use of the information, but have a possibility to comment, get the feedback, create an educational social network where specialists discuss important issues, council, and train recruits, create documents, and suggest ideas.

Owing to the activity of the staff, the so called information resource (content) is formed on the corporate website which is the basic element of the corporate social network and of the knowledge management system.

The site represents over 22 000 materials of technical, normative, and housekeeping information. On the average, 3 445 people visit the system every day. «InfoBMZ» is a platform for carrying out on-line social polls among the plant's employees which considerably enhance the efficiency of the information acquisition and its results output. The enterprise's development level includes not only analysis of its financial, economic and production indices, but also the outcome of social studies, which make it



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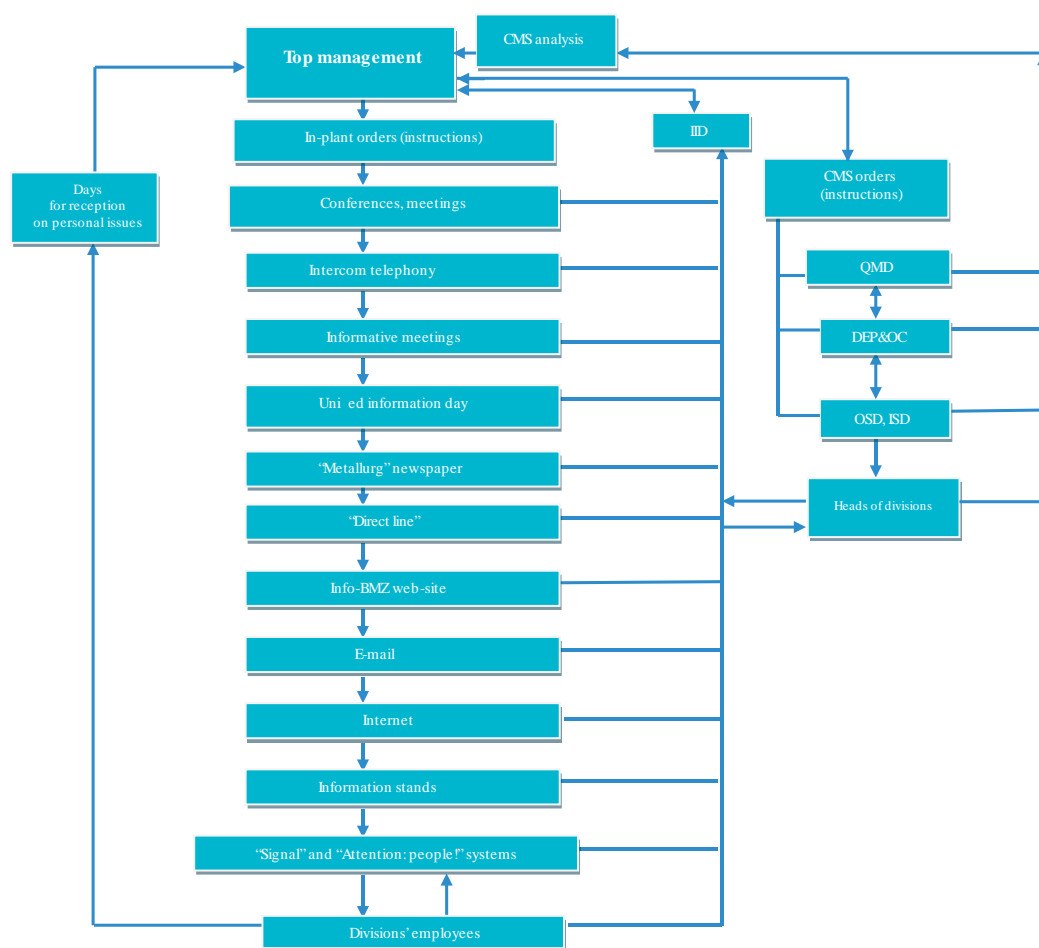
possible to obtain a realistic picture of the social and psychological climate and working environments and are part and parcel of self consistent internal communications. Knowledge of the psychological background existing within the enterprise is of essential significance when it comes to the need for non conflict upgrading activities.

Regular enquiries conducted in plant's divisions make it possible to obtain data on social well being of its employees, levels of satisfaction with the working environment and utilities within the frames of the production process as well as information on the social and psychological climate. Results of the above enquiries are taken into consideration when developing social programmes, projects and identifying actions to improve employees' working environment and living conditions and when taking managerial decisions concerning both employees' interests and interests of the enterprise in whole.

During last year, research fields in terms of plant's employees' opinions were identified as follows: general social and psychological climate within the enterprise; work of the plant's canteens, satisfaction of the staff with attitudes of employees towards the conditions, nature and scope of works, their satisfaction with the working environment, as well as evaluation of the level of readiness to maintain order and cleanness of workplaces, provision of the production with a trained management reserve, attitude of young specialists towards their working activity at the enterprise, towards implementation of the plant's youth program, towards their personal development and professional growth perspectives; promotion opportunities, employees' career aspirations, satisfaction with the wage system and reward schemes existing at the plant. The research activities also covered issues, such as satisfaction of BMZ employees with healthcare services provided by the plant and the quality of the latter, and provided



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Internal communication structure

recommendations on some improvements to be made in connection with healthcare activities, etc.

An important role in the internal and external communication system is attributed to the corporate newspaper "Metallurg." Its main tasks include ensuring a comprehensive representation of events and activities within the enterprise and consolidation of the staff working at RUE "BMZ" for the purpose of achieving objectives set for the plant. Events and

activities on both the in-plant and regional scales are represented in such columns as "Firsthand", "The way we work", "In social organizations", "Best in profession", "For strong Belarus!", "Creative Young Generation", "International Cooperation", "On the hemit", and others. The first issue of "Metallurg" was published in 1985 with circulation of 2000 copies. At present, its printing office increased the circulation to over 9 500 copies, which means that almost every single family of specialists employed at RUE "BMZ"

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is able to get its own copy of the newspaper. The distribution area for the newspaper covers not only the plant's production region, but also Rogachyov and Svetlogorsk districts. Among its readers one can mention the plant's old timers. For their benefit, the plant's trade union committee takes out, at its own cost, an annual subscription for the newspaper.

The editorial staff includes a TV news team. Every week, local town TV channel "Nyuns" broadcasts "BMZ News" program. Some stories about Byelorussian Steel Works are also shown in "Region" TV program broadcast across the whole Gomel region.

In 2010 five newsletters were prepared and issued:

Elections to the local Soviets of deputies of the Republic of Belarus of the 26th convocation »;

«Plant's employees – nominees to Zhlobin District Soviet of Deputies of the 26 convocation»;

«Results of elections to the local Soviets of deputies of the 26th convocation»;

«BMZ youth – for healthy way of living!»;

«In the approach to elections: together for strong and prosperous Belarus!».

News about events at RUE "BMZ" and about its market standing were highlighted real time on the plant's website, in district, regional and republican periodicals, such as "Novyi Den", "Gomelskaya Pravda", "Znamia Yunosti", "Respublika", etc.

Communication functions are also maintained by the plant's museum, active since 1999, which is intended for preservation of the enterprise's historical and cultural heritage and is actively engaged in vocational guidance activities, bringing up of the younger generation to stay loyal to the plant and passing on labour traditions of RUE "BMZ" to young specialists.

The museum has exhibits highlighting the plant's history and narrating about people who used to work here and contributed to its development at various times as well as about those who are still working for the labour glory of the plant. The stories are illustrated by numerous documents and photos scattered at stands. Much of the museum space is dedicated to awards, which the plant was honored with throughout the years of its production and social activities

In the museum, one can learn about all stages of BMZ and region's development. There are numerous biographical resources telling about famous people of the plant, specimen products, prizes and gifts.

Today the museum is a historical and cultural centre; research and outreach activities carried out by the museum are also constantly improving. Major activities include excursions, exhibitions and shows of films about the plant's history. In 2010 more than 1500 employees and guests of RUE "BMZ" visited the museum.

A key role both in human resources and internal communications development belongs to the plant's information and training centre – the scientific and technical library.

«Field seminars can be held on the basis of BMZ library. Foreign delegations can make tours in the library. I would like to express my appreciation to the plant management for keeping the material base of the library at the due level».

R.N. Sukhorukova, director of the republican scientific and technical library

The library is mainly intended for support of the enterprise's research activities and providing the plant's innovative activities with appropriate information resources, ensuring access of the



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plant's employees to all kinds of information of public significance (legal, cultural), rendering information services to the plant's employees, representatives of various communities and discussion groups. The scientific and technical library of RUE "BMZ" has a reading and an Internet hall. The library stock comprises 36 331 issues.

So as to acquaint the employees with new arrivals the plant's library organizes exhibitions, viewings, «engineering hours». For quick information retrieval, the method of network technologies is used. The library has close cooperation with other regional and republican scientific and technical libraries.

Making its debut at the prestigious contest which gathered many participants from Belarus, Russia, and the Ukraine in Minsk in 2010, BMZ scientific and technical library was found to be the best among similar libraries of enterprises and organizations of the republic. It was mentioned for maximum use of automatic technologies in reference, bibliographic, and information servicing of the visitors.

A.N. Savianok, general director of RUE "BMZ", received a written commendation. «Organizing committee of the II Republican contest announced among scientific and technical libraries of enterprises and organizations of Belarus would like to thank you for exemplary organization of the activity of the scientific and technical library of RUE "Byelorussian Steel Works" and creation of favourable conditions for its development and professional growth of its staff», —the document says.

From the very beginning of its activity the plant pays great attention to the issues of communication development and growth of the level of the staff awareness.

Arrangements aimed at improvement of the informational support of the employees are worked out on the basis of assessment of its indices and analysis of the state of this activity. Every year plant's

sociological service carries out a complex study of the psychological atmosphere in the working teams of the divisions. More than one thousand of participants of this study organized in 2010 highly estimated the level of awareness of the personnel (satisfaction index equaled to 0,73 against 0,72 in 2009).

According to the results of the regional contest for the best organization of informing of labour collectives V.A. Dvornik, chairman of Gomel regional committee, handed an official note of thanks to the Republican Unitary Enterprise "Byelorussian Steel Works" owing to high level of information support of the staff and inhabitants of the region in 2010.





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PARTICIPATION IN EXTERNAL INITIATIVES

RUE “BMZ” has its representatives in various national-scale organizations, including all levels of legislative bodies, which makes it possible for the plant to take part in lawmaking, influence the decisions related to the regional economic development, establish open relationships with authorities, thus providing for a steady reduction of the risks associated with its activities.

Economic, environmental and social charters joined by the plant are listed in section 8 of this report.

To provide for interaction with international professional community and proper representation of its interest, the plant became a member of the following associations:

- Byelorussian Association of Foundries and Steel Works;
- International Union of Steelmakers;
- International Union of Rollermen;
- Quality Leaders Club of Central and Eastern Europe.

Membership in the above organizations makes it possible for the plant to ensure a more efficient representation of its interests on the global scale and to develop its business activities based on the global trends and strategic tasks.

INTERACTION WITH INTERESTED PARTIES

Interested parties are establishments and individuals substantially influenced by the plant's activities, whose actions could produce a certain effect on the plant's ability to ensure efficient implementation of its strategies and to achieve objectives set.

BMZ corporate social responsibility is a systematic function within the complex scheme of social and economic relations, which is effectively incorporated in the plant's everyday activities and is performed by ensuring interaction with an extensive number of interested parties.

By providing for an efficient model of interaction with interested parties it is possible to ensure successful implementation of plans, strategies and to achieve any objectives set. BMZ forms processes of interaction with interested parties according to the stages listed below:

- setting a strategic interaction task;
- identifying interaction parties;
- setting objectives and limits of interaction;
- designing of processes and involving in interaction;

- analyzing and planning;
- evolving competence to encourage interaction;
- evaluating results, corrective actions and reporting;
- ensuring awareness of interaction parties.

When identifying major interested parties, the plant accounted for their ability to influence the activities of RUE “BMZ.” The plant is engaged in interaction with an extensive number of interested parties. Among those, the parties listed below are considered to be of major significance:

- public authorities;
- plant's employees;
- the trade union;
- people living in the region of BMZ production activities;
- customers and suppliers;
- educational establishments.

BMZ deems it especially important to keep up an open positive dialogue with interested parties and, in its relations with those, it is guided by the principles of the Code of Ethics.

Awareness of interested parties' opinions and due



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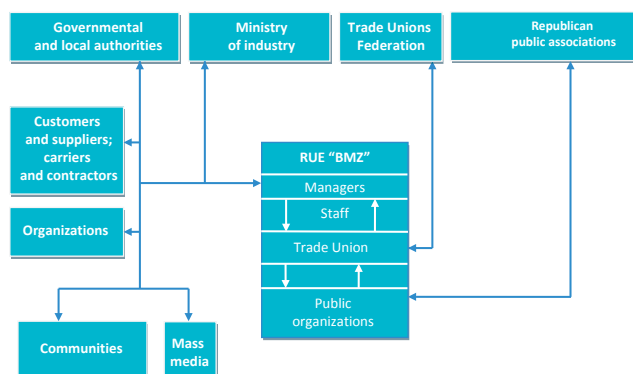
account for those contribute greatly to the plant's stability.

Striving for a more informed decision-making, RUE "BMZ" receives feedback from its employees, the government, public authorities, public organizations, and communities. In 2010, the plant's information services conducted a number of social studies involving the plant's employees and people living in the region of the plant's production activities.

Within the frames of public hearings arranged for the purposes of social reporting, there was a poll conducted with participation of a large number of interested parties (public authorities, suppliers and customers, supervision agencies, public organizations and repre-sentatives of communities).

EXTERNAL COMMUNICATION STRUCTURE

To provide for awareness of public opinions shared by people living in the region of the plant's direct influence in connection with the plant's production and social activities, its Corporate policy, ways it affects the surrounding communities and for a more efficient interaction with interested parties, there was a special social study conducted under the title "External influences exerted by the enterprise on general public; town-scale image of the enterprise." Representatives of public communities rated actions taken by the plant in social responsibility field quite high. The study



External communication structure

results show that the enterprise enjoys favorable and respectful attitudes in terms of its activities; it has succeeded in forming a high prestige value of being employed by the enterprise and a scaled-up social status of BMZ employees as viewed by other people living in the region.

A major event of 2010 in terms of establishing interaction with interested parties was preparation and public discussion of the Corporate social report for the year 2009. This event involved representatives of public authorities, local communities, the owner, suppliers and customers, public organizations and mass media. The preparatory work in connection with the above report was an opportunity for the plant to check its system of interaction with stakeholders, made it possible to reveal its weaknesses and strengths and to identify per-spectives for its further development. The report was presented to all interested parties of ac-tual or prospective influence on BMZ activities or development, which was an important step towards enhanced information transparency. The Russian version of the report was also made available on the corporate site www.belsteel.com and its English variant – on the UN Global Compact site. Public discussions on the reported data arranged as public consulta-tions provided for a proper feedback and awareness of interested parties' opinions related to the plant's activities, its strategic intents and its social responsibility system. Outcome of in-teraction with interested parties, key topics and concerns together with respective response by various organizations can be found in sections 9.3, 9.4 и 9.5.

SOCIAL SAFETY AND DISCIPLINE

To ensure economic safety and prevent corrupt practices, the plant carries out its production and economic activities based on principles of responsibility and transparency.

In accordance with the recognized international principles of unhindered economic activities established by the UN Global Compact, RUE "BMZ" considers fair competition a prerequisite to provide for exercising of the right to entrepreneurial freedom.

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«Resistance to corruption which destructively affects social and economic processes remains one of the main directions of the state policy».

G.B. Svidersky, deputy minister of industry

No legal sanctions have ever been imposed on the enterprise in connection with actions violating the fair competition principle.

In 2010 the plant continued to implement Directive No. 1 dd. 11.03.2004 On Measures to Enhance Public Safety and Discipline. It was not once that issues of labour and administrative discipline and occupational safety were raised at administrative meetings, regular conferences and head of divisions made reports in connection therewith. In 2010, the total number of such issues considered amounted to 12. In pursuance of Directive No. 1, indices of labour and administrative discipline and occupational safety were included into the list of criteria used for evaluation of the management efficiency. Violation of the above criteria is strictly punished, up to early termination of labour contracts.

Guided by the Directive on Measures to Enhance Public Safety and Discipline, the law of the Republic of Belarus on Corrupt Practices Counteractions and in support of the principles of the UN Global Compact, the plant formed a department intended for prevention of corrupt practices and abuse, risk optimization

in connection with the selection of suppliers and customers of goods under severe competition observed at the trading markets, and preservation of the state-owned property managed by the enterprise.

The active economic security department excludes any possibilities of unlawful acts at the enterprise, including those involving corrupt practices with regard to both newly employed personnel and current employees of RUE "BMZ." Over 90% of the security department staff are people with higher education. In 2010, over 50% of the security department staff completed training courses on policies and procedures concerning human rights

Corruption counteraction program was elaborated and is functioning at BMZ. According to this program, continuous monitoring of the results of financial and business activity of the enterprise is fulfilled, local normative acts regulating the procedure of preparation tender documents and selection of suppliers are updated. A complex of measures are taken to prevent corruption and delinquency in all divisions: a closer control of consumption of inventory holdings is kept, unplanned random stock-taking of assets is carried out, information of the organs of domestic affairs regarding financial investigations as well as facts of corruption crimes committed by the plant's employees submitted by the public prosecutor's office is studied.

Implementation of the Program is monitored by the committee for prevention of corrupt practices, which held 5 meetings in 2010.

Open dialogue, transparency, partnership and mutual consideration of interests of all concerned parties made it possible to prevent corrupt practices in the immediate business environment and inside the enterprise proper in the year 2010. No fines or sanctions were imposed on the plant in connection with violation of laws or statutory requirements in 2010.

Ensuring fulfillment of the assumed obligations to the investors, its employees, business partners, and the society in general, the plant strictly adheres to applicable legislation, civil regulations, business Code of Ethics and pursues the principles of efficient management, information transparency, financial discipline, legitimacy and ethicality.



EFFECTIVENESS INDICES IN THE FIELD OF SOCIAL RESPONSIBILITY





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CORPORATE SOCIAL RESPONSIBILITY

The plant regards corporate social responsibility as the total of obligations and decisions taken with participation of interested parties, which are aimed at implementation of internal and external programmes to contribute to the plant's development and scale its status up.

Social responsibility covers a wide range of actions taken by the plant in the economic, social and ecological fields and provides for a responsible business conduct, which ensures its sustainable development with due account for expectations of all interested parties. The plant considers introduction of corporate responsibility principles into its business practice to be an essential prerequisite for efficient management. Decisions concerned with social responsibility can be made at each of the management levels. Production and economic decisions are taken in the context of social and ecological consequences both for the plant and the other interested parties.

What impressed us most is that we saw well-organized team work, personnel highly motivated to be more efficient, and adherence to the concepts of quality, environmental protection and occupational safety.

*Alexandr Nikolayevich Voinich, Chief Auditor for FILR
"Bureau Veritas Bel LTD"*

Corporate social responsibility is one of the most important principles RUE "BMZ" relies on in its activities. Measures taken by the plant in this field are of regular character and are intended for establishing a safe and efficient working environment, ensuring professional development of its employees, providing support for sports and culture facilities, environmental protection and regional development.

In the field of social responsibility, plant's activities are based on the following approaches:

- compliance with legislation and statutory norms of the Republic of Belarus;
- enhancement of business processes efficiency and investment attractiveness of the plant;
- enhancement of the plant's reputation and confidence in it;
- ensuring ecological as well as occupational and health safety in regions of active production;
- minimizing financial and nonfinancial risks, enhancing competitiveness of the plant's production;
- implementation of social and charity initiatives;
- providing for positive cooperation with all interested parties (stakeholders);
- availability of information, open dialogues and transparency.

Actions which RUE "BMZ" undertakes in the economic, ecological and social fields as well as interaction with internal and external interested parties and measures taken to ensure their awareness of the plant's performance are the key fields of corporate social responsibility implementation.

Corporate social responsibility concepts for economic, ecological and social activities are governed by the legislation of the Republic of Belarus, branch and corporate regulations, international standards of ISO 9000, ISO 14000, OHSAS 18000, SA 8000 series and stipulate the need for evaluation and analysis of the plant's effectiveness.

ECONOMIC ACTIVITY

The plant's strategic objective in its economic activities is to provide for as much stability and efficiency of development as possible and to achieve high financial results, at the same time ensuring a reasonable balance of interests of all parties concerned and satisfying social and economic needs of civil and business communities in the regions of its active production.

The plant believes social responsibility to be an integral part of its business strategy and corporate ethics, with the latter based on the principles of decency, justice and honesty implemented in relations with its partners and competitors.

In its economic activity, RUE "BMZ" relies on the RB legislation, stability and production development factors, economic feasibility as well as its responsibilities assumed before the owner, investors, employees and business partners, local communities and other interested parties.

Economic development of the plant is understood as ensuring increased profitability by ramping up manufacture of high-technology products as required by the strategy and enhanced production efficiency.

- In its economic activity, the plant implements approaches as follows:
- - compliance with the legislation and statutory norms of the Republic of Belarus;
- - involvement of all production segments and business process participants;
- - complete and reliable disclosure of the plant's performance information;
- - enhanced responsibility;
- - ensuring the best possible expenditure/economic performance ratio;
- - maintaining the plant's interests in reasonable balance with those of the community.



«Spirit of your staff allows people to be in good mood and have free communication. It speaks of the fact that in production, economy, and social sector you "feel the pulse". Indeed, BMZ is a flagship of the region and the country. Industrial product output at your enterprise makes up 90% in the district and 15% in the region. Export share for the district is 94%, for the region — 43%. It is a significant figure. I hope that you will continue setting the pitch in the republic. You have the best employees. Small and average enterprises should follow your example».

*B.K. Pirshutuk,
Deputy chairman of Gomel Executive Committee*

An overall increase in production rates, operational intensity and production quality, technical sophistication of the production processes, and speed up decision-making set up enhanced requirements regarding the employees irrespective of their departments. The plant's commercial team is composed of skilled specialists being highly qualified. They are regularly trained to understand policies and procedures connected with the issues of production efficiency and business processes effectiveness.



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FINANCIAL ECONOMIC ACTIVITY

In 2010 RUE “BMZ” managed to find a way out of a long global financial and economic crisis of 2008 – 2009. Increment in business activity on global markets, stabilization of steel deliveries, as well as hard measures taken by the enterprise to save resources made production and sales growth stable, helped to improve economic indices and finish the year successfully and profitably.

The plant developed a comprehensive program aimed at surmounting crisis phenomena. Strict control of fulfillment of this program on all levels had a positive effect. In general, savings in 2010 equaled to USD 53,9 million. This result was received due to production volume growth and production process improvement as well as for the account of fulfillment of powersaving measures and decrease of the processwide and businesswide expenses.

To obtain a substantiated expert opinion concerning reliability of financial representations, RUE “BMZ” annually requests an internationally recognized independent audit organization to carry out an audit in accordance with the International Accounting Standards (IAS)

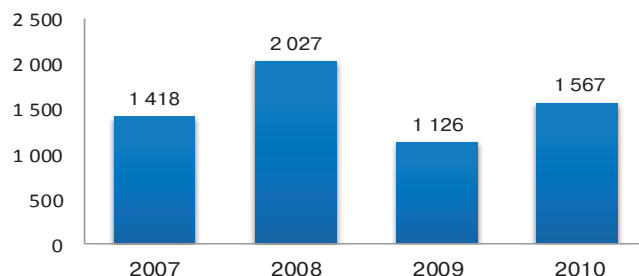
Top management is informed about production and financial economic activity by means of monthly summary reviews, economic councils, and analytical reporting.

For the purposes of communication development and expanding opportunities of interaction with the interested parties, employees’ professional advancement and exchange of experience, RUE “BMZ” arranges annual international scientific conference “Metal.” Apart from participants from the CIS countries, the “Economics and Finance” section of the conference includes specialists from the plant’s financial, economic and marketing departments. During the conference, its participants make reports on current issues and exchange their

experience in implementation of strategic objectives and introduction of recent engineering solutions in the field of stable production development and corporate social responsibility.

ECONOMICAL EFFECTIVENESS

The plant’s performance in 2010 was influenced by the outcomes of the global economic crisis. Activity on international markets observed starting from the second quarter, and committed internal performance of the enterprise aimed at optimization of the production process, resource saving, and revision of the sales strategy allowed the enterprise to restore healthy proportions of the plant’s development by the end of the year: profit growth rate exceeds proceeds and expenses growth rates and as regards some of the indices, it surpasses the recordbreaking pre-crisis year 2008.



Dynamics of proceeds from sales of production, works and services / mln. US dollars

Measures to decrease the consequences of the world crisis were also taken on the governmental level. In compliance with the Resolution of the Council of Ministers of the Republic of Belarus No. 662 “On depreciation charge issues” and so as to improve the competitiveness of the manufactured products, the enterprises were given the right not to charge depreciation of the fixed assets.

Main indices

Based on the results of 2010, production growth rate in comparable prices was 114,1%. Commodity

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sales proceeds equaled to USD 1 567,3 million which is 39,2% higher than the amount of proceeds in 2009.

Prime cost of products sold and services rendered grew up by 34,6% and equaled to USD 1 409,1 million. This is connected with increase of steel product output in the established price by 147,4 per cent.

Other types of business activities (financial and non-operational transactions) resulted in losses, which accounts for a reduction in profitability of primary activities. However, irrespective of the above, the enterprise's total financial and economic activities for the period under consideration turned out to be profitable

Profit

Sales proceeds in 2010 made up USD 92 million, which is 2,7 times more than in 2009. Cost-efficiency of sold products equaled to 6,5%, which is 3,3% higher than the level of 2009.

Net profit of RUE "BMZ" in 2010 amounted to USD 19,6 million, which 7,6 times exceeded the level of net profit in 2009. Net returns on sales grew from 0,2% in 2009 to 1,3% in 2010. Profit allocation for 2009 and 2010 is given on the diagrams below.

In 2010 RUE "BMZ" sponsored its daughter company RDUAE «Paporotnoe», State Environmental Protection Establishment «Pripyatsky», and other enterprises of the Republic of Belarus to the amount of USD 4,7 million. Besides, by the decree of the president of the Republic of Belarus financial assistance in the amount of USD 4,8 million was rendered to the hockey and volley-ball teams for the development of sport.

In 2010 the enterprise effected all required payments to its employees in the amount of USD 5,1 million, including payments for labour products, as well as compensation, motivational and social ones in the amount of USD 0,66 million, and maintenance of social facilities in the amount of USD 5,3 million.

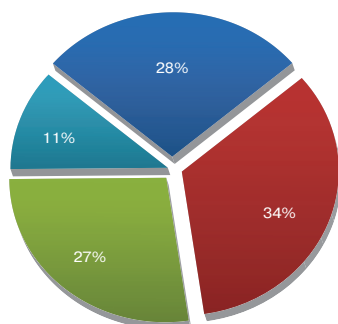
Payment to the owner

The enterprise contributed to the state budget a part of its profit (the so-called dividends) in the amount of USD 1,1 million.

Taxes and compulsory payments

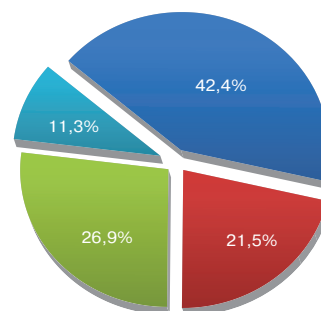
RUE "BMZ" is a responsible taxpayer and provides for consolidation of the state's financial foundation by regular tax payments made into budgets of various levels. Timely and correct tax payments by the plant in favor of the state determine economic stability in the region of its active production activities and, in particular, opportunities of infrastructure development by regional and local authorities. Tax payments made by RUE "BMZ" are of significant influence in terms of the region's economy as those are key funding sources forming local budgets: the plant's share in the total budget revenues in Zhlobin district makes up about 38,8%; on the regional budget scale RUE "BMZ" accounts for 3.5% of the total revenues; as for the republican budget, revenues from the plant make up 0.3 per cent.

The total share of taxes and profit-based levies in 2010 amounted to 44.2%, and, as compared with 2009, the above share increased by 16,6 per cent.



Use of profits in 2009

- Profit taxes and other obligatory payments
- For social services and community needs
- To fund capital investments
- Sponsor support



Use of profits in 2010



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Enterprise's risks

Investment risks

Any project is associated with certain organizational, technological and financial risks. However, investment projects launched by RUE "BMZ" are implemented at an operating enterprise which has sufficient experience in use of the process equipment and construction of new production facilities. That's why organizational, technical and technological risks are of little significance in this case. High qualifications of the enterprise's employees, application of modern technological, organizational and administrative solutions in the production activities ensure a enhanced efficiency and sustainability of the implemented projects against probable contingencies, while availability of invested funds makes it possible to minimize any financial risks.

To mitigate and account for probable risk effects in business plans, the plant carries out multivariant calculations to identify projects' financial performance and efficiency indices against various variable factors (capital input amounts, selling price for products, manufacturing costs, debt to equity ratios).

Results of the cost efficiency evaluation given below were calculated for the basic pricing conditions, effective at the time of business plan validation. However, as projects proceed to subsequent stages of implementation, these pricing conditions could be changing due to global economic changes. Based on the above, it was important and essential to carry out a reliability (sensitivity) analysis, providing for evaluation of possible effects on project efficiency due to variations of external factors and identification of acceptable and critical scopes of changes.

When carrying out the sensitivity analysis, possible changes in the following factors of major influence on economic indices were considered:

- selling price as a factor which is most susceptible to changes due to metal market variations;

- manufacturing costs, which depend on prices for melting stock, energy resources and other materials and services essential for the production processes;
- investment amounts which largely depend on contractual prices for equipment;
- debt to equity ratios.

The sensitivity analysis included evaluations concerned with the ways in which the above factors influence the two major efficiency indices – simple payback period and internal rate of return.

Branch risks

Metallurgic industry is distinguished by its susceptibility to cyclic variations of prices for raw materials and steel. Demand for steel is determined by country-specific levels of economic development and consumption by major steel-consuming industries. Variations in prices for raw materials are of significant influence on the financial-economic state of Byelorussian metallurgy as most of raw materials consumed by steel works are imported. Recently, steel pricing trends have been rather unfavorable. That's why potential metallurgy inherent risks due to cyclic price reductions are still present. At the same time, world's market prices for primary raw materials and consumables used by the plant, namely for scrap metal, cast iron and ferroalloys, are exhibiting a growth trend. Reduction of prices for metal products with simultaneous increase in prices for raw materials significantly affects the enterprise's operational activities and its financial performance.

Besides the price variations, metallurgy, on a global scale, faces risks of excessive production capacities. Currently, a bunch of new large enterprises appeared all around the world, while a great number of leading producers have plans for a substantial expansion of their production capacities, particularly, those associated with manufacture of reinforcing bars. With



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a view to advances in steel production technologies and transition from blast furnace and open hearth furnace melting of cast irons and steels to electric furnace melting, giving steels of enhanced quality, scrap metal acquires still more significance. Alongside with that, resource saving technologies introduced at industrial enterprises result in relatively reduced scrap production rates in developed countries with simultaneous growth of demand for unused metal. Consequently, Europe is experiencing an unsatisfied demand for metallurgic raw materials, such as scrap metal. The planned metallurgic industry expansion (increases in melting capacities at the already existing plants, construction of new enterprises equipped with electric furnaces), first of all, in the European part of the Russian Federation, aggravate the situation even more and could result in total termination of scrap metal supplies from the Russian Federation. Besides, supplies of this kind of raw materials in most countries are either substantially monopolized (in Belarus, for instance, these activities are represented by a single enterprise – Belvtormet) or under a stringent state control (licensing of activities, setting export quotas, export duties levied). As a result, consumers are rather dependant on a limited group of scrap suppliers and (or) bound by certain geographical limits of scrap-supplying regions.

By consolidating, manufacturers of metal products provide for a reduction of risks associated with market environments, however, for Byelorussian enterprises the said risks still present a certain hazard. Concentration of mining companies and takeover of scrap producing enterprises by metallurgic companies can result in an additional increase in prices for raw materials with rather limited alternative opportunities for steel raw material supplies. Lately, metallurgic enterprises are more and more actively engaging in modernization of the equipment installed at the enterprises of their scrap metal suppliers and in activities in connection with takeover of the most

efficient scrap producing companies.

So, it is possible to minimize the above risks by developing a scrap producing network of one's own. Branch risk management should be based on establishing long term and mutually beneficial relations with major suppliers and optimization of procurement and resource management processes.

The fact that metal production is partly intended for the country supplies, where prices are regulated by the state, accounts for respective risks, which, just like at foreign markets, are associated with possible negative effects due to price variations. And this could produce a certain effect on the enterprise's activities. However, with a view to gradual transition to the market controlled price setting observed in the republic, it is possible to consider this risk as negligible.

Country and regional risks

Production and business activities of RUE "BMZ" are largely dependant on cooperation with Russia. Such close interaction with a single independent region presents certain risks associated with differences in legislation and regulatory framework, which could affect sustainable development of the enterprise. The perspectives of a common customs space and further economic integration will make it possible in time to consider such risks as negligible.

Besides, geographical position of the Republic of Belarus will contribute to minimization of regional economic risks and possible effects on the enterprise's activities resulting from them. Priorities will include flexible supply geography, ensuring prompt response to the environment's challenges and protection against possible regional crises.



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Winter supplies of major raw materials can be affected by weather conditions. To minimize risks associated with interrupted raw materials supplies, it is essential to provide for availability of “winter buffer” reserves of such raw materials

Legal risks

Notwithstanding the state implemented policy aimed at reduction of tax burden assumed by economic entities of the Republic of Belarus, legal provisions on taxes and duties are constantly changing. Every year, an entirely new package of tax regulations comes into force and the previous regulations are amended. At that, the amendments are partly for the benefit of taxpayers and partly – to their disadvantage. Similar situation is observed in the field of tax administration. However, taken the state’s aspiration to ensure a sustainable growth of production rates and the stable political situation, a significant increase in the enterprise’s total tax burden in the near future is highly improbable.

Also, one could consider as negligible those risks which are associated with changes in the regulatory framework as related to customs control. But there are certain risks associated with customs regulations and duties in those countries of the enterprise’s exports.

Industrial safety, labour protection and ecological risks

We are aware that metallurgy is a potential hazard to the environment and people, as such production activities involve high temperature processes, invasive chemicals, volatile byproduct emissions and require special arrangements in connection with disposal of solid and liquid industrial waste. Due to the above, metallurgic enterprises have to provide for strict compliance with rather stringent regulations with regard to labour protection, industrial and fire

safety and environmental protection.

Ecological requirements include compulsory payments for air and land pollution and installation and modernization of special pollution control equipment. Should any critical concentrations set for industrial wastes be exceeded, the enterprise will have to pay fines. Possible reinforcement of environmental regulations and lowering of critical pollutant concentrations could result in increased amounts of obligatory payments and fines stipulated for violations of law.

FINANCIAL SUPPORT PROVIDED BY THE GOVERNMENT

RUE “BMZ” is listed among high tech organizations included in the Registry of High Tech Productions and Enterprises which profit received from selling high tech goods (works, services) of own production (except trading and purchasing activity) upon which an income tax is laid at the rate decreased by 50 per cent (Decree of the president of the Republic of Belarus No. 662 “Taxation of High Tech Organizations” dd. December 4, 2008. Positive performance of the enterprise in the second and the third quarter of the current year allowed RUE “BMZ” to receive state support in the form of exemption from income tax at the rate decreased by 50 per cent as regards the profit gained from selling high tech products produced by the plant in the amount of USD 5,6 million during 12 months of 2010. Free surplus was directed towards financing of technical revamping of the production which stimulates the plant’s investment activity.

Following the Resolution of the Council of Ministers of the Republic of Belarus No. 296 “Reduction of prices (rates) for gas, electrical and heat energy for certain legal persons” dd. March 1, 2010 and the Resolution of the Ministry of Industry of the Republic of Belarus No. 146 “Reduction of prices



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(rates) for gas, electrical and heat energy for certain enterprises of the Ministry of Industry in 2010” dd. March 5, 2010, electric power rate was reduced by 5% since February 15, 2010. The amount of the support under this Regulation in February – December 2010 amounted to USD 10,4 million. Free surplus was used for replenishment of the circulating assets.

In 2011 a legislative decree of state support is in force at RUE “BMZ”: Decree of the president of the Republic of Belarus No. 662 “Taxation of High Tech Organizations” dd. December 4, 2008.

PRESENCE ON THE MARKETS

Traditional main sales markets for RUE “BMZ” products are Europe and CIS. Changed macroeconomic situation in the world made it necessary to diversify product deliveries. As a result, distribution of deliveries covered such regions as Middle East, North Africa, South-East Asia, North and South America. From the viewpoint of demand and prices for the plant’s products, most attractive markets among Middle East and African markets are the markets of oil producing countries. It is a promising region for the enterprise regarding deliveries of pipe products due to absence of any limitations for such delivery as well as due to the current growth rate of oil production in these regions. For instance, hundreds of oil wells were reactivated in the USA; the number of reanimated oil fields is growing.

Similar situation exists in the world in general including Russia. It allowed the plant gradually to load the equipment of the pipe mill. By the beginning of 2010 the stock of orders for pipes had been formed for two months ahead. By February the estimated capacity had been reached, i.e. 250 thousand tons of pipes in terms of conditional tons.

Most important steel markets in 2010 were those of Europe, Middle East, Africa, and CIS. 750 839 tons of steel amounting to USD 505 341 thousand were

delivered to Europe, 562 038 t amounting to USD 278 782 thousand were delivered to Middle East and Africa, and 508 735 t amounting to USD 336 271 thousand were delivered to CIS. Growth of deliveries to Europe was evoked by the renewal of tire and rubber plants demand, as well as due to delivery of pipe products for European engineering industry. Recovery of the construction sector in CIS countries allowed the plant to increase deliveries of construction products (fiber, reinforcing bars, wire rod).

In 2010 new steel markets were developed: Albania, Switzerland, Mauritania, Hong Kong, Congo, and Venezuela. The plant managed to do this mainly due to availability of its own commodity distribution network. It is represented by our trading firms and joint ventures in Germany, Austria, USA, China, Lithuania, and Russia. Deliveries via our own CDN were performed to CIS, Europe, America, Asia, Middle East, and Africa. 1 187 thousand tons of steel to the amount of USD 799,3 million were sold via our CDN. To a considerable extent successful penetration of our goods to new sales markets was facilitated by BMZ image as an enterprise which sells high quality products.

Steel quality won a worldwide recognition. This is a great success of the employees of the enterprise. Steel products, namely reinforcing bars, are one of the best in the world. Tire cord is our special pride. This type of produce is known by all tire producing companies of the world such as Continental, Michelin, Pirelli, Goodyear, Dunlop, Nokian, etc. The plant established excellent relations with enterprises in Belarus and CIS countries. Rolled sections became permanent materials used by engineering and construction enterprises of Moscow, Smolensk, Bryansk and other regions of the Russian Federation. Tire plants of Yaroslavl, Nizhnekamsk, Omsk, Voronezh, Kirov, and the Ukraine are included in the list of BMZ regular customers. Since 1998 RUE “BMZ” has been one of the leading suppliers of hose wire on the European market.



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MEDIUM TERM TARGETS OF THE PLANT

In accordance with the investment program for 2011 and the business plan for the development of the plant for 2011 the total amount of capital investment (investments in the capital assets) in 2011 will make up USD 61,7 million,

including investments at the expense of:

- own sources USD 34,05 mln,
- innovation fund USD 1.00 mln;
- bank loans USD 26,70 mln.

Taking into consideration the investments planned, production output growth in comparable prices in 2011 will be at the level of 106,8 per cent. Rates of other main indices of social and economic development are planned to be as follows:

Export	136,9%,
Import	128,2%,
specific weight of the innovative products in the total amount of the products shipped	20,5%,
effectiveness of the product sold	7,2%,
effectiveness of sales	6,5%,
decrease of the level of material consumption of the products	- 1,5%,
power saving index	- 6,5%.

In 2011 growth rate of labour productivity in comparable prices will be 106,0%.







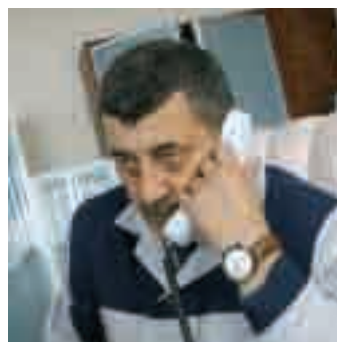
ECOLOGICAL ACTIVITY

ECOLOGICAL POLICY

The plant realizes that its production activities are associated with certain environmental hazards and takes its best efforts so as to mitigate negative influences on people's health. RUE "BMZ" takes certain steps to reduce environmental impacts and mitigate global climate change risks. These steps are a part of strategy intended to provide for a sustainable dynamics of the plant's development. The enterprise is engaged in a largesc ale equipment and process modernization, paying particular attention to the enhanced ecological requirements, which enables the plant to reduce pollutant air emissions and waste quantities generated.

Byelorussian Steel Works is a stateowned enterprise, which relies on one of the priority state policy strands in its activities – that of ecological safety. Implementation of the state policy is ensured by an efficient Environmental Management System (the EMS). The EMS is a part of the unified enterprise management system, which is responsible for working out a systematic approach to environmental protection within entire production activities of the plant and is integrated into quality management, labour safety and social responsibility processes. The EMS is a tool, enabling the enterprise to ensure regular monitoring and minimize ecological impacts associated with production activities in the region of its location.

Within the frames of the current Environmental Management System, the enterprise identified a number of ecological factors of environmental influence and evaluated them by their significance. To minimize environmental impacts connected with the production activities of RUE "BMZ", the enterprise annually introduces new environmental protection measures aimed at reducing development pressures on the environment.



«Only 2 or 3 companies in the world have an evaporating cooling system similar to that one which is planned to be installed at the plant.

The installation will allow the plant not only to solve the task of gas cleaning from dust and considerably to reduce CO emission, but to decrease consumption of natural gas as well ».

Aliaksandr Sotnikau, Chief engineer

Efficiency of the ecological management system adopted by RUE "BMZ" is ensured with the assistance and under guidance of the top management. Official managerial views on ecological and environmental issues are presented in the enterprise's Corporate Policy and other regulatory documentation of the corporate management system.

BMZ intends to increase the share of products complying with the quality management system standards, provide its production with ecological quality and safety data and appropriate marking.



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MAIN PRINCIPLES AND APPROACHES

Long-term strategic objectives determined by the plant for ecological and environmental activities include:

- **minimizing the plant's impact on the region's vital activities;**
- **minimizing the plant's impact on flora and fauna;**
- **efficient use of natural resources;**
- **efficient use of energy resources;**
- **air basin protection;**
- **water basin protection;**
- **industrial waste utilization;**
- **training;**
- **improvement of the personnel's ecological culture and development of ecological consciousness;**
- **development and implementation of resource-saving, low waste and environmentally safe technologies;**
- **monitoring of emissions, hazardous wastes and qualification testing of work places;**
- **compliance with ecological standards and requirements in design and production, construction, reconstruction and process facilities expansion;**
- **incident alertness.**

In its ecological activities, the plant relies on the following:

- compliance with the legislation and statutory norms of the Republic of Belarus;
- involvement of all business process segments and participants;
- EMS upgrading;
- minimizing impacts in connection with expanding production activities;
- complete and reliable disclosures of the plant's performance information;
- responsibility enhancement;
- providing for optimal expenditure/performance ratios;
- maintaining reasonable balance between the plant's interests and those of the community.

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The EMS system adopted by RUE “BMZ” was certified for compliance with requirements of ISO 14001:2004, STB ISO 140012 005 standards and covers activities, such as production of rolled sections and structural shapes, wire rod, seamless pipes, steel cord, wire and steel fiber, which is the evidence of the systematic approach implemented to reduce ecological risk probability, minimize ecological payments, represent RUE “BMZ” as an ecologically responsible enterprise and improve interaction with the interested parties on issues of ensuring compliance with ecological norms and requirements.

Except the currently effective approved medium-term ecological programmes, the plant provides for annual development and approval by respective supervision authorities of ecological control programmes and environmental protection plans, which, among other things, envisage regular ecological monitoring and control activities in accordance with the Instruction on Environmental Control of Production.

Use of natural resources and environmental protection at the enterprise are managed by administrative control actions and economic methods.

IMPLEMENTATION OF ECOLOGICAL STRATEGY

Minimizing the plant's impact on the region's vital activities

In its production activities, RUE “BMZ” accounts for its environmental impact and strives for minimization of its consequences as stipulated by international legal provisions on ecology and the environmental legislation of the Republic of Belarus. For the purposes of minimizing its impact on the region's population, the plant was located in the south-eastern part of the city with due account for wind rose diagram. The established sanitary zone has

the radius of 1000 m and its area together with the adjacent industrial site makes up 674.1 ha. At that, 55% of the areas between the enterprise's territorial borders and those of the sanitary zone are taken up by cultivated coniferous and hardwood forests and scrub vegetation. The nearest settlement (the village of Solonoye) is 1.75 km away from the enterprise's territorial borders. Residential houses and living quarters of Zhlobin are 33.5 km away from the plant. The industrial site is located on plain surface lands, neutral in terms of smoke contents and spread of smoke jets towards residential areas. Every year, the plant carries out certain actions to ensure air and water basin protection and reduction of landburied industrial wastes.

Minimizing the plant's impact on flora and fauna

In the structure of the lignose of the lands of the forest resources of the region conifers occupy around 70%, softwood – 27%, hardwood – 3 %. Dominating position belongs to the plantations of natural origin – 56,3 %. Main forestforming breed in the region is a pine tree (68,5% forestcovered lands). As for the age structure, mediumaged timberst and prevail (49,2%). Young growth make up 34,4 per cent.

Resources of grassland plantations are rather big. The region belongs to PoleskoBezinzsky region rich of meadows, and a part of which is represented by a low wavy plain formed by a system of flat terraces located above the flood plain of the Berezina river and the Dnieper river. Cenosis is formed by sharp sedge which is often combined with manna grass (9,8 %), more seldom with mire blobs (4,8 %). Sometimes it forms clear tangle of a monodominant type.

Mire vegetation can be met in low parts of the relief, on the lands with a constant excessive humidification. Miscellaneous herbs



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Map of Zhlobin region

mainly of the mesohydrophytic row (types: *Calliergongiganteum*, *Drepanocladusintermedius*, *Drepanocladusvernicosus*, *Aulacomniumpalustre*) predominate in the grass stand.

The following types of vegetation dominate in the radius of approximately 2km from the plant's site:

Silva of the territory concerned: lignose of both natural and cultural origin including forests of the lands belonging to the state forest resources, protection wood plantations along the railroad bed and motorroads.

Woodlands belong to the subzone of conifer lichen low bush forests. On the foreste overed territory located to the northe ast of the plant, such tree breeds as a Scotch pine (*Pinus sylvestris*), a common birch (*Betula verrucosa*) grow. The Scotch pines (*Pinus sylvestris*) and the black alders (*Alnus glutinosa*) grow in the northw est area and the Scotch pines (*Pinus sylvestris*) – in the southw est.

Segetal vegetation is developed on the agricultural lands, sowed hayfields to the southe ast and to the east of the plant, in Solonoe area, and to the southw est of the plant between the woodland and the Dobysna river.

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Residential vegetation is developed in human settlements, and in the areas with the apartment blocks and utility constructions.

Meadow vegetation of the terraces above the flood plain.

Ruderal vegetation near the area of ash and slag storage, concrete scrap storage, open pit, and other affected habitats formed in the result of the human activity. It is necessary to point out sagebrush (*Artemisiavulgaris*), white clover (*Trifoliumrepens*), and couch grass (*Elytrigiarepens*) among the ruderal types.

Fauna

Description of the fauna of the territory concerned is given based on literary data.

According to the literary data insects are represented by a typical faunistic composition.

Amphibia on the territory under study are met everywhere in plentiful and are represented by three types: a brown frog (*Ranatemporaria*), a green toad (*Bufoviridis*) and a common toad (*Bufobufo*).

Sand lizards (*Lacertaagilis*) predominate among the reptiles.

Species composition of the theriofauna is represented by a fourfold hedgehog (*Erinaceusconcolor*), a pigmy shrew (*Sorexminutus*), common shrew (*Sorexaraneus*), a root vole (*Microtusoeconomus*), a common vole (*Microtusarvalis*), and a campagnol (*Apodemusagrarius*).

Avifauna of the surroundings of the territory under study is characterized by a small variety of species diversity. Main biotypes used by birds

are open agricultural lands. Background types on agricultural lands are: a field lark (*Alauda arvensis*), a whinchat (*Saxicola rubetra*), a whitethroat (*Sylvia communis*), a yellowhammer (*Emberiza citrinella*). On swampy territories one can run across a common heron (*Ardea cinerea*). During spring migration few migrating types of birds cross the territory in transit. Autumn migration is less pronounced; birds do not form large clusters.

Variety of mammals on this territory is not large and is not characterized by habitation of rear and protected species. A brown hare (*Lepuseuropaeus*), a common fox (*Vulpesvulpes*), and a wild hog (*Susscrofa*) are met here.

Special protected natural territories of Zhlobin district are represented by a hydrological and landscape preserves of local significance (Table), and by natural monuments of local and republican significance.

There are no special protected natural territories within the sanitary zone of the plant. The existing ones are located approximately at the distance of 12 km and more from the RUE "BMZ" site.



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Name	Total area, location	Organization carrying operative administration	Distance from RUE "BMZ", km
Landscape reserve of republican significance «Smychok»	2635 ha: 2060 – Zhlobin district 575- Rechitsa district	Zhlobin and Rechitsa District Executive Committees within their authority	32
Landscape reserve of republican significance «Vydritsa»	17560 ha: 7793 - Zhlobin district 9767- Svetlogorsk district	Zhlobin and Svetlogorsk District Executive Committees within their authority	20
Hydrological reserve of local significance «Dubovka»	55 ha, northern part of Radusha, Zhlobin district and borders with Volshedubsky canal	Krasnoberezhsky agricultural enterprise	22
Hydrological reserve of local significance «Aleksandrovsky Mokh»	33 ha, located in the north-east part of Luvirnyansky forestry Zhlobin forestry enterprise along the motor road Gomel-Zhlobin, 0,5 kilo-meters from Aleksandrovka settlement	MFE «Zhlobin Forestry»	12
Hydrological reserve of local significance «Mokh»	31 ha, north-west part of Kosakovsky agricultural cooperative	Kosakovsky agricultural cooperative	17
Hydrological reserve of local significance «Roveki»	100 ha, north-west part of Dvorishchanskoe forestry of the MFE «Zhlobin Forestry»	MFE «Zhlobin Forestry»	29
Hydrological reserve of local significance «Kanavnoye»	223 ha, consists of two sectors and located in the north-west part of priberezhinskoe forestry of the MFE «Zhlobin Forestry» and AEB «Vperyod»	MFE «Zhlobin Forestry» and DUE «Yaznach»	22
Hydrological reserve of local significance «Orli»	97 ha, southern part of Streshin forestry of the MFE «Zhlobin Forestry»	MFE «Zhlobin Forestry»	34
Hydrological reserve of local significance «Rugorova Polyana»	54 ha, north-west part of Dvorishchanskoye forestry of the MFE «Zhlobin Forestry»	MFE «Zhlobin Forestry»	35

Reserves in Zhlobin district

ECOLOGICAL ACTIVITY

There are no hunting grounds in Zhlobin Forestry.

The plant's premises proper are a sort of a green park. At present, green spaces and lawns take up about 21% of the plant's sites used for sporadic buildings. For the most part, green spaces within the industrial site are represented by conifers and hardwood trees. Besides, the plant's premises include some flower

beds. Total green space area within the industrial site amounts to 51.5 ha.

Within the framework of the program aimed at preservation of natural resources of the country and upgrading the territory of the plant's activity specialists of the plant grew and planted a lot of plants and fulfilled a large scale amount of works to improve land during 2010:

Item	Work description	Unit	Quantity
1	Flower seedlings grown up and planted out to improve the territory: - annual	pc.	128 570
	- biennial and perennial	pc.	10 000
2	Tree seedlings planted out on the plant's territory and at the headquarters: - conifer seedlings	pc.	26
	- hardwood seedlings	pc.	47
3	Overhaul repair of lawns on the plant's territory	ha	1,0
4	New architectural forms installed for land improvement	pc.	44
5	Flower crops seeds prepared	kg	2,77
6	Mixed soil components prepared for growing flower crops seedlings	m ³	6



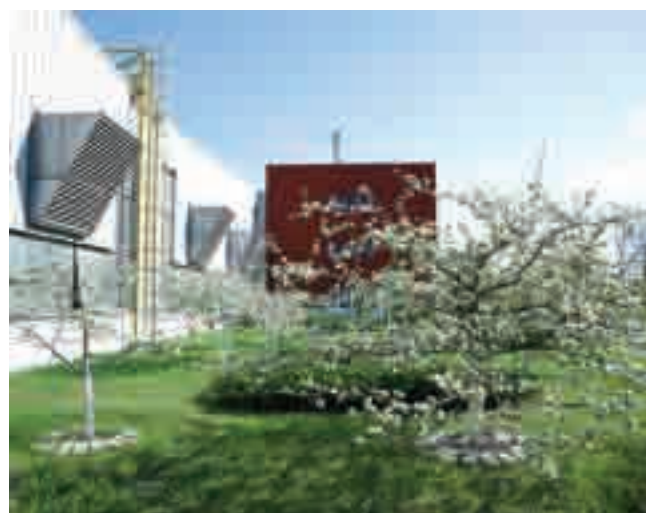


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Total amount spent for upgrading the territory in 2010 equals to USD 97,38 thousand. Program fulfillment progress was regularly reported in the corporate newspaper "Metallurg" and regional mass media.

To encourage and expand land improvement and amenity planting activities, to motivate the plant's employees, both morally and materially, to implement the Land Improvement Programme, to involve the personnel in activities connected with aesthetic improvement of the plant's appearance and that of the preschool establishments run by the plant, the enterprise arranged a land improvement competition among the plant's shops with biannually cast up s. The competition involves more than 70% of the employees.



ECOLOGICAL ACTIVITY

Efficient use of natural resources

Production of RUE “BMZ” is a complete metallurgic cycle with annual outputs amounting to over 2 mln tons of liquid steel.

Major raw materials used for steel production in 2008-2010 were as follows

Material	Unit.	Quantity		
		2008 г.	2009 г.	2010 г.
Metal charge	t	2 793 213,5	2 672 873,5	2 917 692
Ferroalloys	t	36 006,5	30 573,4	36 374
Electrodes	t	5 182,5	5 078,5	5 830
Slag forming, deoxidizing and purifying mixtures	t	130 843,8	133 769,4	161 391
Carbonizers	t	19 175,1	27 699	31 217
Heat insulating materials	t	2 941,2	2 489,9	2 204
Refractory materials	t	32 305,6	27 617,3	31 080

BMZ used raw materials which were obtained from recycled or reclaimed wastes. Share of recycled materials in the total amount of raw materials in 2009-2010 was as follows::

Material	Unit	Quantity	
		2009 г.	2010 г.
Ferrous scrap	%	90,1	95,9
Refractory scrap	%	0,2	0,2
Electrodes	%	0,004	<0,001
Lime stone and lime wastes	%	0,05	0,04





SOCIAL REPORT 2010

Efficient use of energy resources

RUE “BMZ” adopts managerial and investment decisions on the basis of multi-variant scenarios of development taking into consideration environmental priorities providing for power saving, efficient use of natural and power resources.

In accordance with the Programme of the corporate management system development, RUE “BMZ” introduced the section “Power consumption control system” (PCCS) developed in conformity with the requirements of the national (STB 17772 010) and European (EN 160001) standards in 2010. The base for the development of the system approach is arranged on a clear documenting and control of interrelated processes significantly influencing the effectiveness of power consumption, in particular:

- motivation of the personnel;
- precise determination of key roles of the staff in the management system;
- distribution of responsibility and authority starting with the top level;
- maintaining of a corresponding level and competence of the staff;
- provision of the staff awareness of the benefits including financial ones, which one can get if he/she improves effectiveness of power consumption;
- effective information exchange;
- maximum complete inventory of factors influencing power consumption;
- determination of areas of priority significant for power consumption management;
- planning of activity aimed at improvement of power consumption efficiency.

In accordance with the national strategy of energy saving and energy security, the plant developed an Energy Saving Action Plan, setting energy policy

priorities and approaches. The Plan comprises:

- actions providing for a comprehensive energy saving system;
- arrangements for employees’ training, retraining and advanced training on issues of energy saving and efficient use of resources;
- upgrading the system of equipment and production processes evaluation and analysis;
- implementing energy saving procedures;
- introduction of modern advanced technologies;
- efficient use of existing power facilities;
- introduction of new scientific achievements to provide for efficient energy use.

Traditional energy-saving measures include:

- installation of a sectional thermal power demand controller for central heat distribution stations and furnaces within buildings;
- application of frequency electric drives;
- use of waste thermal energy;
- application of an automatic power utilities control system, installation of energy saving lighting fixtures, and etc.

In 2010 the following activities became traditional in the area of power saving:

- initiative aimed at introduction of power saving products and methods, use of renewable power sources, reduction of needs in the result of implementation of initiatives;
- saving of power due to conservation and improvement of the consumption efficiency;
- use of secondary power resources;
- initiatives aimed at decreasing indirect consumption and saving, and others.

ECOLOGICAL ACTIVITY

Due to the introduction of an automatic system of technical recording (ASTR), real-time monitoring of fuel and power resources (FPR) is carried out with daily summing-up and corrective actions fulfillment. This form of control allows the plant to control power intensity effectively and carry out system specification of technical actions. Actually, an innovative intellectual system is created. It uses ACS of PP, SAP R/3 and the plant's computer network. A number of measures were taken to transform information technologies from a tool to an actual scientific and technical resource to decrease expenses and as a result to collect extra gains. In 2010 the plant managed to preserve positive dynamics of reducing of FER specific consumption by the main power-consuming productions.

Total amount of power resources saved in 2010 equaled to 263 589 GJ.

So as to increase involvement of the staff in the processes of power and resource saving, RUE "BMZ" developed and uses the following:

- Regulations of «RUE "BMZ" staff competition for best ideas aimed at increase of power effectiveness of the production;
- Regulations of «Competition for best structural division of the plant from the viewpoint of power saving»;
- active on-line «Power saving proposals» window in the Info-BMZ information system.

36 projects were implemented in 2010. The following projects can be attributed to the most important ones:

- installation of a water-cooled flue duct with the use of the waste-gas heat in the heating system;
- installation of variable frequency drives on the equipment of steel cord and wire producing shops;
- introduction of dynamic compensation at the network, substations and technical maintenance shop;
- installation of a slag level control system on EAF -3 of EMS-2;
- installation of a power-saving lighting equipment in the plant's divisions;
- saving of gas due to combustion air heating in boiler plants.

Due to the implementation of the projects power resources saved equaled to 75 705 GJ.

Use of secondary thermal resources in 2010 amounted to 20,5% in the balance of the boiler-furnace fuel. Saving of FPR not only reduces financial load of the enterprise, but decreases negative impact of the enterprise's activity on the natural environment.



The plant was awarded diplomas for winning the 6th and the 7th contest of power effective and powersaving resources and equipment of the Belarusian Industrial Forum for its activity in powersaving area in 2009-2010.

**SOCIAL REPORT 2010**

Source	Unit.	Quantity	
		2009 г.	2010 г.
Thermal power	Gcal	183 700	241 184
Natural gas	Thou.t	136 401	154 982
Diesel fuel	t	3 298,4	3 068,8
Leadfree gasoline	t	255,1	239,2

Direct use of power from the primary sources in 2009/2010

Source	Unit	Quantity	
		2009 г.	2010 г.
Electric power Zhlobin	MWt/h (GJ)	1 670 894 (6 015 219)	1 912 155 (6 883 759)

Intermediate energy quantities obtained
and consumed from nonrenewable power sources in 2009/2010

Power source	Unit.	Quantity	
		2009 г.	2010 г.
Electric power	MWt/h (GJ)	41 029 (147 704,4)	27 096 (97 545,6)
Natural gas	thou.m ³ (GJ)	5 036,842 (168 230,5)	4 949,344 (166 043,1)

Energy saved due to measures on consumption rates reduction
and efficiency enhancement taken in 2009/2010 years





SOCIAL REPORT 2010

AIR BASIN PROTECTION

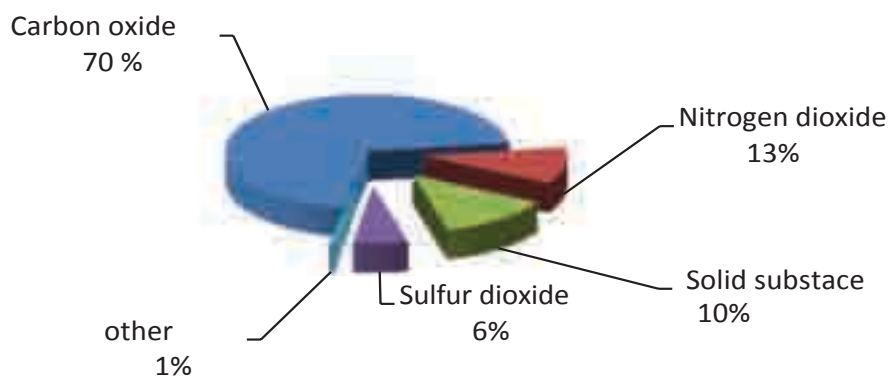
Sources of major negative environmental impacts at RUE "BMZ" are air emissions of pollutants. The enterprise numbers 506 of such sources with permitted gross emissions of 6592.064 tons/year. To minimize negative impacts, major emission sources with largest contributions are equipped with gas treatment plants, with their total number amounting to 113 units.

Vehicles owned by RUE "BMZ" include 125 units using various types of fuel, out of which 68 vehicles

run on diesel fuel, 55 – on gasoline and 2 – on liquefied gas.

Railroad transport includes 6 locomotives running on diesel fuel.

Railway transportation is only within the enterprise's premises; automotive vehicles are used for transportation within the borders of the enterprise's sanitary zone.



Percentage of pollutants in gross emissions for 2010

Substance	Actual emissions, [t/year]		Specific pollutant generation rates, [kg/t of melted steel]	
	2009	2010	2009	2010
Carbon oxide	3239,167	3901,726	1,37	1,4
Nitrogen dioxide	613,965	724,298	0,26	0,28
Sulfur dioxide	347,760	343,774	0,14	0,13
Solid substance	535,997	584,939	0,22	0,22
Total pollutants	4768,144	5589.168	2,02	2,1

Transport vehicles run on AI 92, AI 95, N 80 lead-free gasoline, liquefied gas and diesel fuel with 0.005 per cent sulfur content.

ECOLOGICAL ACTIVITY

Substance	Unit	2009	2010
Carbon monoxide	t	524,544	488,848
Nitrogen dioxide	t	121,822	113,388
Sulfur dioxide	t	66,478	61,854
Hydrocarbons	t	201,820	187,92
Soot	t	49,629	46,176
Benzpyrene	t	0,00108	0,001
Total	t	964,29408	898,187

Air emissions of pollutants from mobile sources in 2009/2010

When analyzing air emissions of pollutants, it should be noted that gross air emission rates of pollutants in 2010 grew by 14,7 % (821,024 g) as compared to the previous year 2009 due to the increase of the process equipment operating times and commissioning of new sources of emission: drying and heating stands for ladles at EMS-1; water boiler at the RSPS; a roll shop in the pipe mill; etching baths at the CPL.

Being a major greenhouse gases emitter, the plant is constantly monitoring their air emission rates. In pursuance of the Montreal Protocol on Substances that Deplete the Ozone Layer, the enterprise is reducing consumption rates of such

substances stage-by-stage in accordance with Appendix C of the above document. The planned reduction results are expected to be achieved by 2020. RUE "BMZ" provides for compliance with the state requirements on reduction of consumption rates of ozone-depleting substances (ODS). ODS quantities used within the enterprise are constantly decreasing.

The ozone-depleting substances at RUE "BMZ" are handled as established in the license for the activities associated with the use of natural resources and environmental impacts, and, precisely, in the part where rules for handling of ozone-depleting substances are set out.

ODS	Residuals in the beginning of the year, kg		Purchased, kg		cPurchased, kg		Reclaimed (recycled), kg		Quantities used, kg		Sold, kg		Residuals in the end of the year, kg	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
R-22	-	95,2	272,0	-	-	-	-	-	176,8	52,7	-	-	95,2	42,5
R1 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R4 01A (R225 3% R1531 3% R1243 4%)	67,6	55,0	-	-	-	-	-	-	12,6	-	-	-	55,0	55,0
R1 14B2	1117,1	709,1	-	-	-	-	-	-	408,0	23,0	-	-	709,1	686,1

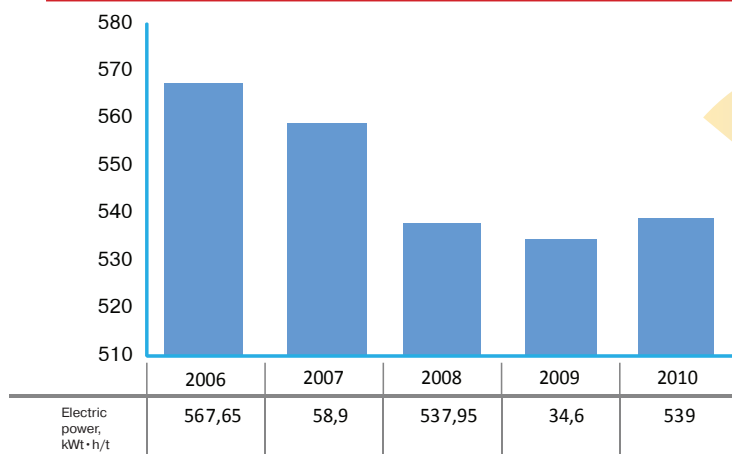
Data on ODS handling activities in 2009/2010



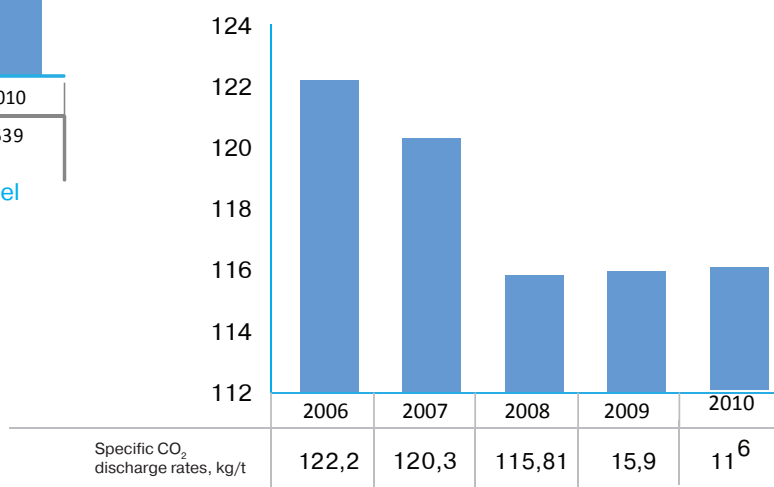
SOCIAL REPORT 2010

Year	Description of ODS reduction methods	Fulfillment; results, reason for non fulfillment
2009	Transfer of refrigeration equipment to alternative cold carriers	Consumption of R2 2 decreased by 76,7% , 62 kg replaced by ozones afe R407C
		R1 2 withdrawn from use, available in a filled state in some equipment, 21,3 kg replaced by ozones afe R1 34A; заменено 9,6 kg of R4 01A replaced by ozones afe R1 34A
2010	Transfer of refrigeration equipment to alternative cold carriers	Consumption of R2 2 reduced by 93.0% , 441,64 kg replaced by ozones afe R407C, R404A. R1 2 withdrawn from use, available in a filled state in some equipment, 10,4 kg replaced by ozones afe R134A; R4 01A - 11 kg replaced by ozones afe R134A

Data on introduction of measures aimed at reduction of ODS use in 2009-2010

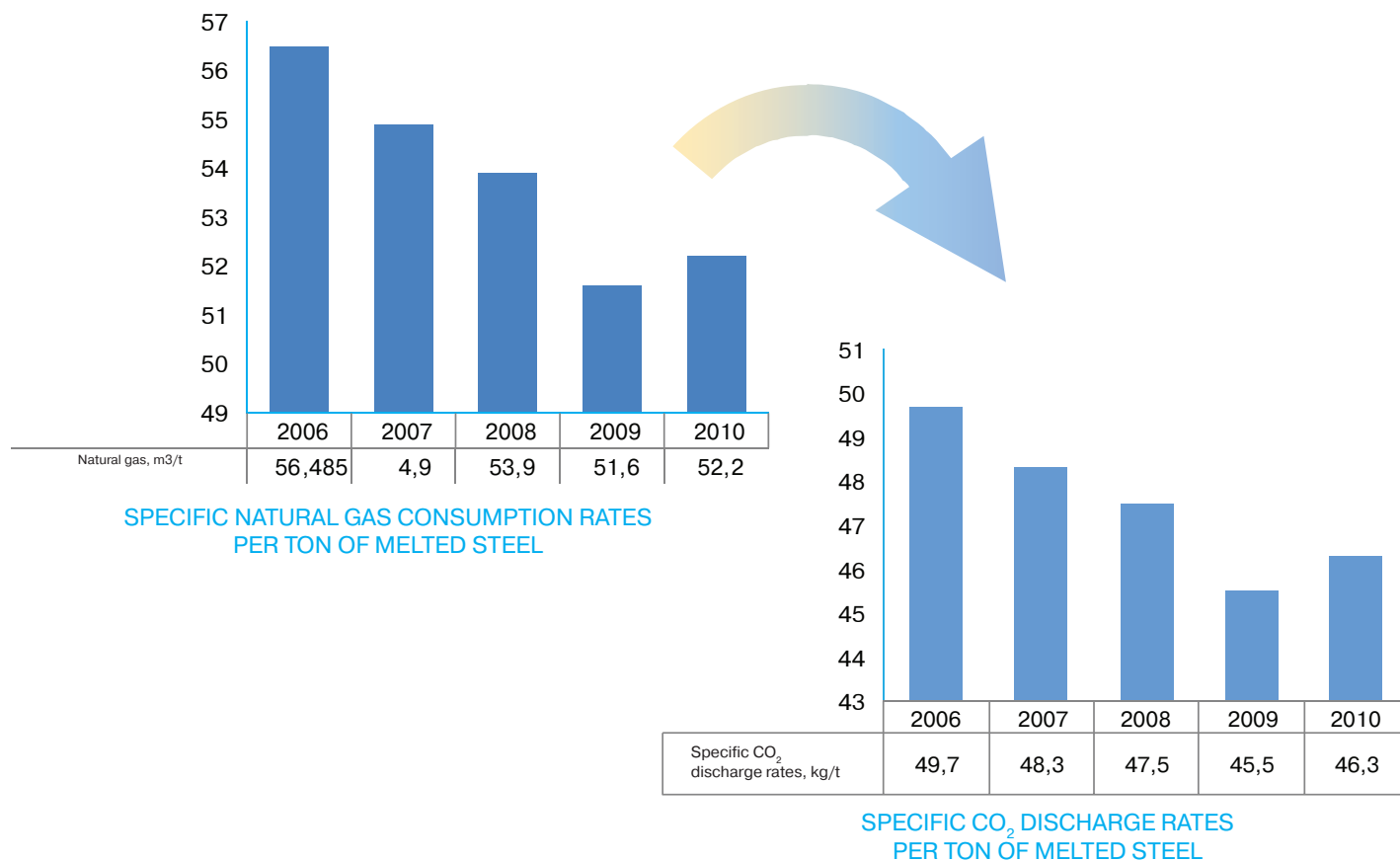


Specific energy consumption rates per ton of melted steel



Specific CO₂ discharge rates per ton of melted steel

ECOLOGICAL ACTIVITY



The Republic of Belarus, being a participating party under the United Nations Framework Convention on Climate Change and the Kyoto Protocol, provides for fulfillment of its obligations stipulated by the above international agreements. Actions implemented by the Byelorussian Steel Works to introduce energy-saving technologies and materials and enhance efficiency of the production processes result in reduced air emissions of greenhouse gases.

Pollutant emissions are expected to be reduced by implementing investment projects aimed at modernization and technical upgrade, introduction of modern highly efficient equipment and technologies.

Being guided by the existing environmental law and norms of the international jurisdiction including international agreements and contracts ratified by the Republic of Belarus, RUE "BMZ" carries out continuous monitoring of the condition of the environment in the area of its production activity the main aim of which is protection of health of the citizens of the territory of the plant's presence and its staff.



SOCIAL REPORT 2010

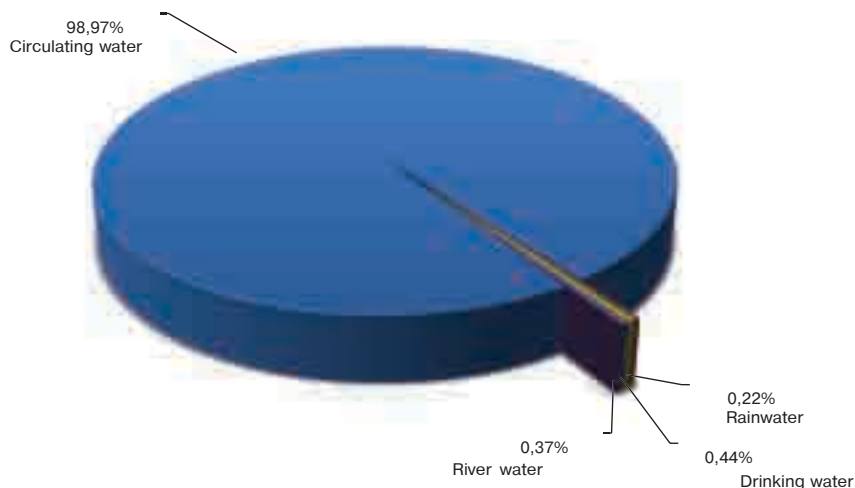
WATER BASIN PROTECTION

As an ecologically responsible entity, the plant provides for efficient use of energy and water resources for its own needs and strives to reduce their consumption as much as possible.

Water for process needs is drawn off from the river Dnieper, which is one of the main rivers of the Republic of Belarus. Its length from its source to mouth is 1182 kilometers. Annual runoff into the river Dnieper is 1 261 440 000 m³. Annual water amounts drawn off for RUE "BMZ" make up 0.12% of the river runoff.

The enterprise has introduced a circulating water system to supply major water-consuming process equipment. Water from surface sources (the Dnieper) is used to replace irretrievable losses in the equipment cooling systems. Water required for drinking and service purposes is obtained from artesian wells.

To reduce consumption of water drawn off from the Dnieper, the enterprise uses rainwater collected and treated at special areas.



Water consumption at the plant

Description	2009	2010
Process water, [thou. m ³ /year]	944, 793	1 207,398
Drinking water consumption, [thou. m ³ /year]	657,0	717,0
Circulating water, [thou. m ³ /year]	234 791,569	272 625,884
Rainwater use, [thou. m ³ /year]	535,119	607,003

ECOLOGICAL ACTIVITY

Measures taken by the enterprise in 2010 to provide for efficient use of water resources resulted as follows:

- increase of reclaimed water consumption – 37,834 thou. m³/year or 16%;
- increase of rainwater consumption– 71,884 thou. m³/year or 13%.

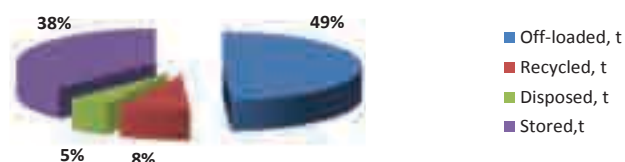
Process effluents generated by the plant are discharged into treatment facilities located at the plant's treatment divisions and returned into the production for further recycling.

The plant's utility fluids are drained off into the treatment facilities maintained by the town of Zhlobin. Pollutant contents (hard metals, oil products, salt content) in the discharged fluids were within the established limit concentrations.

There are no water bodies significantly affected by the production activities of RUE "BMZ."

UTILIZATION OF INDUSTRIAL WASTES

Current technologies of metal production are inevitably associated with generation of various wastes which belong to different hazard classes. This is a major aspect contributing to environmental pollution. The plant provides for strict compliance with all requirements associated with wastes utilization and disposal and seeks to limit pollutant discharges, ensure reuse of natural resources and wastes reclamation. Depending on the hazard class of wastes and their physical properties, the enterprise defined stringent requirements on each of the industrial wastes utilization stages (generation, collection, transportation, storage, handling and neutralization), minimizing possible environmental impacts. During 2010 there were registered no spillages of



Utilization of industrial wastes in 2010

Offloaded, t	Recycled, t	Disposed, t	Stored, t
436 747,5	73 149,6	44 492,9	337 165,0

chemicals, oils and fuels which could have an adverse effect on the environment and present a potential hazard to the soil, water, air, biodiversity and human health.

Production activities of RUE "BMZ" are associated with generation of the following wastes, corresponding to wastes groups as set out in Basel Convention:

- Y1 Medical wastes resulting from patients' care provided by hospitals, health centers and clinics;
- Y8 Waste mineral oils unsuitable for designated use;
- Y9 Waste oil (water) and hydrocarbon (water) based mixtures emulsions;
- Y16 Wastes associated with the production, recovery and application of photo chemicals and consumables used for film development;
- Y17 Wastes generated from metal and plastic surface machining;
- Y31 Lead, lead compounds;



SOCIAL REPORT 2010

- Y34 Acid solutions and solid acids;
- Y36 Asbestos (powder and fibre).

The listed wastes are utilized by the plant as stipulated by the environmental legislation of the Republic of Belarus. Wastes of these groups were neither exported nor imported.

Within the framework of its production activities, RUE “BMZ” offers and implements initiatives intended for mitigation of its environmental impacts and damage effects. Also, as the major raw material used for the plant’s production is metal scrap, the enterprise is capable to dispose of its production after it is no longer in active use.

TRAINING

To provide for an enhanced efficiency of its ecological activities the enterprise arranges training courses on issues of environmental protection at all administrative levels. Employees’ vocational training is continuous and is effectively integrated into the daily labour activities throughout their career. It is aimed at gradual broadening and enhancing of professional knowledge and competence in environmental and industrial sanitation issues. To ensure efficient environmental management in connection with the production activities, the plant identified, documented and familiarized its employees with their duties, responsibilities and powers.

Training, retraining and advanced training activities arranged for managers, technicians and operational personnel on issues of ecological safety and environmental protection are as established in the annual vocational training plans and programs.

To ensure compliance with the legal and other ecological requirements, the enterprise provided free access to the current legal reference system

“Consultant Plus: Belarus Network” and information search systems, such as “Stroidocument” and “Standard for each of its employee.”

For general data on the training activities see the “Social responsibility” section.

IMPROVEMENT OF ECOLOGICAL CULTURE OF THE PERSONNEL

BMZ uses its employees’ knowledge and experience in ecological safety and healthcare issues to provide for security and welfare of people living in the vicinity of the plant and in the whole region. The plant’s employees arrange lectures for youth and training activities on ecological requirements and aspects for subcontracted personnel, carrying out works on the enterprise’s premises.

To improve the communications system, expand opportunities of interaction among interested parties, ensure employees’ individual development and exchange of experience, RUE “BMZ” annually holds international scientific and “Metal” technical conference. Besides, participants from CIS countries the “Energy Industry and Ecology” section comprises specialists of the plant. During the conference, its participants present their reports on topics of current interest and exchange their experience with regard to implementation of strategic objectives and introduction of recent developments in the steadily expanding production areas and in the field of corporate social responsibility.

Information about ecological activities of RUE “BMZ” and those concerned with improvement of the environmental management system is regularly published in the corporate and regional mass media and the republican “Casting and Metallurgy” trade journal.

ECOLOGICAL ACTIVITY

To evaluate environmental impacts, the enterprise holds public consultations, inviting representatives of supervision authorities, general public and the plant's employees to participate in them.

The plant takes part in environmental actions and has initiated such actions itself several times.

To provide for a systemic approach to improvement of employees' ecological culture the plant worked out and implemented:

- Provisions on tear tags and prevention of violations with regard to environmental protection and occupational sanitary, which are introduced to enhance preventive work on precautionary, recommendatory and control functions for the purposes of environmental protection. Activities to prevent environmental law infringements are carried out with the use of notice tear tags;

- Provisions on encouraging environmental activities. This regulatory document was introduced to motivate the plant's employees to abide by the environmental requirements set out in the legislation of the Republic of Belarus, the plant's ecological standards and other regulations and was intended for enhancement of violators' responsibility and encouragement of the plant's employees, engineers and technicians to provide for compliance with regulatory requirements.

DEVELOPMENT AND IMPLEMENTATION OF RESOURCE-SAVING, LOW-WASTE AND ENVIRONMENTALLY SAFE TECHNOLOGIES

The plant takes actual steps so as to provide for environmental protection and by implementing environmentally safe technologies as well. To mitigate environmental impacts RUE "BMZ" annually introduces new environmental actions. Under the ecological program for 2010, the plant provided for the following:

- installation of an automatic control system of air emissions of pollutants from the heating furnaces of rolling mill 850.
- installation of a water cooled air duct on dust deducting unit of EAF2 at EMS1 .
- reconstruction of the rainwater station V = 16 000 m³.
- purchasing of equipment for ODS utilization and instruments for ODS leakage control, etc.





SOCIAL REPORT 2010

EXPENSES FOR ENVIRONMENTAL PROTECTION AND MONITORING ECOLOGICAL PAYMENTS

Annually, the plant assigns considerable funds to nature protection activities. The funds are used for repairs, reconstruction and modernization of the end of pipe facilities.

Current environmental expenses	Total, USD thou. (at own costs)		
	2008	2009	2010
Total	24878,3	15301.8	19780.8
including:			
- protection and efficient use of water resources	11874.6	4964.9	6750.4
- air basin protection, ozone layer and climate preservation	9302.1	7925.6	10504.6
- protection of the environment from pollution with industrial wastes	3595.9	2122.6	2255.5
- ecological certification, ecological rating, ecological audits, ecological insurance, ecological standardization	73.1	76.9	44.2

Current expenses

Item	Total, rouble mln	
	Availability as of the end of the reporting year	
	in terms of replacement costs	in terms of depreciated costs
Fixed assets intended for environmental protection, total, including:	54579,4	28700,3
- collection, transportation, sewage treatment, circulating and recycling water supply systems	24708,8	12644,4
- treatment, neutralization and disposal of air emitted pollutants	18147,4	9690,7
- collection, classification (sorting), allocation, disposal and (or) utilization of industrial wastes	11516,8	6978,4
- all kinds of monitoring, environmental analytical control, control of ozone depleting substances, air emitted pollutants, sewage discharges and land pollution	206,3	58,3

Expenses for overhaul repairs of fixed assets intended for environmental protection and their incurrence as of the end of the 2010 reporting year

ECOLOGICAL ACTIVITY

Item No.	Description	2009 payment, USD mln	2010 payment, USD mln
1.	Drinking and service water consumption	33,4	40,3
2.	Sewage discharges	0	0
4.	Air emissions from stationary and mobile sources	762,8	649,3
5.	Waste disposal	1563,6	1826,0
6.	Waste storage	935,7	1121,8
7.	Packing materials production and import	25,9	41,8
8.	Claims	9,2	12,0
TOTAL		3330,8	3691,1

Ecological payments in 20092 010

In its activities, RUE “BMZ” places special emphasis on the interaction with the interested parties – both with supervision authorities and communities, consumers, suppliers and contractors. Information exchange is as per diagram included in the section “Management, responsibilities and interaction with the interested parties.”

MEDIUM-TERM TARGETS OF THE PLANT

Besides production facilities expansion, the plant also plans to modernize its equipment to enhance ecological safety and mitigate negative environmental impacts. Investment projects to be implemented by RUE “BMZ” include not only new production facilities but also introduction of the world’s best practices in the field of ecological safety.

Within the framework of the investment program, the plant also identified a number of actions aimed at improvement of ecological situation and mitigation of negative environmental impacts associated with BMZ production activities.

Major actions aimed at mitigation of negative environmental impacts include:

- reconstruction of the dust and gas treatment plants for steel-making arc furnaces;
- introduction of the second stage of the automatic air emissions control
- increase of facilities for cleaning and recycling of rainwater and meltwater.
- construction of a line for metal scrap sorting.
- installation of additional facilities for steel-making slag processing.

For 2011 there are plans to achieve the next level of the plant’s targets of the social and economic development (in the ecological field):

- amount of production wastes stored in the environment

as compared with the level of 2010

to be reduced by 2%



SOCIAL ACTIVITY





SOCIAL REPORT 2010

As far as the social sphere is concerned, the strategic target of the works is the improvement of the corporate social responsibility system with the basic principles of: observing social equality and responsibility, nondiscrimination, ensuring safe working conditions, sustaining employees' health, creating positive social-psychological climate in the working team alongside with keeping reasonable balance of the works economical interests and social interests of the civil society including that of RUE "BMZ" employees.

The works deems social responsibility an integral part of the business conduct strategy and its corporate ethics based on the principles of decency and justice, honesty in dealing with all partners and competitors.

In its social activity RUE "BMZ" is guided by the legislation of the Republic of Belarus, parameters of stability and production development, economic expediency as well as its responsibility to the owner, investors, employees and business partners, local communities and other parties concerned.

Carrying out its social activity the works adheres to the following approaches:

- conformity with the legislation and legal norms of the Republic of Belarus;

- involving all the units and business processes participants;

- opening of full and precise information regarding the results of the social activity;

- enhancing responsibility related to the assumed obligations and their fulfillment;

- ensuring the optimum ratio of the social activity expenses and the labour results achieved;

- sustaining reasonable balance of the plant's interests and the community including the employees.

Preserving life, health and human rights the works considers of higher priority than economic results of productive activity.

Employees' loyalty and satisfaction is the crucial factor that influences the business stability. The personnel relations priorities are improving employees' social well-being, building up clear communication channels, enhancing the degree of personnel awareness and the most important thing – creating a strong corporate culture.

It is essential for the works employees to feel members of one family, realize their belonging to one of the largest enterprises of the republic. In 2006–2009 the works commenced implementing the element of the single integrated corporate culture. Two of them are the Corporate Policy and Code of Ethics. Their major values – respect and collaboration, efficiency and result, leadership and dynamic development, initiative and responsibility – are formulated on the basis of the concerned parties', primarily employees', opinions.





SOCIAL ACTIVITY

LABOR RELATIONS AND ADEQUATE LABOR

Personnel management policy

Adhering to the principles laid in the foundation of the UN Global Compact, RUE “BMZ” sees its employees as the prime value and builds up the relationships with them on the basis of social partnership, solidarity in purpose and respect of the mutual interests.

Long-term strategic targets of RUE “BMZ” corporate policy for personnel management stipulate the following:

- formation of the labor relations regulation system and development of social partnership based on the balance of interests of the works and its employees;
- improving employees motivation systems, ensuring the competitive level of the employees’ compensation package connected with the labor efficiency increase, collective and individual results of working activity;
- personnel development (selection, recruitment, evaluation, training, promotion) to supply the works subdivisions with the employees having the required professional and qualification characteristics;
- enhancement of the labor safety level, improving social and living conditions on the production site and offering supplementary health improvement opportunities for the employees and their family members;
- development of corporate culture, ensuring social stability and favorable moral and psychological climate in the working teams;
- - development of corporate social programs.

MAIN PRINCIPLES AND APPROACHES

Policy of RUE “BMZ” in the personnel management sphere is formed and realized on the system basis according to the labor legislation of the Republic of Belarus.

Alongside with development and continuous improvement the works links its success to the well-consolidated and active team of professionals. One of the main targets of RUE “BMZ” is creating a “prime choice company” based on honesty, dedication, creative approach, optimism and self-improvement of each employee. Building up RUE “BMZ” management system presupposes involving of the staff into decision-making process, business processes optimization, improvement of production and social activity of the company. Hence, each person feels own contribution into the common target achievement.

Working with a numerous number of employees in ever-changing production conditions, development of a competent and efficient personnel management system is very important.

The implemented RUE “BMZ” Personnel Management Policy based on the principle of partnership relations of an individual and organization aimed at forming integrated corporate surroundings, preserving work places, sustaining decent salary level, optimum redistribution of labor recourses contributing to enhancing the investment attractiveness and dynamic development of the enterprise. The plant’s employees are the main element of success in reaching our goals, that’s why we put particular emphasis on solving staff issues.

High efficiency of “Personnel Management” process was confirmed by the successful results of certification audits of the Management System to prove its conformity with the requirements of ISO 9001:2008, СТБ ISO 9001-2009, ISO 14001:2004,



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STB ISO 14001-2005, OHSAS 18001:2007, STB 18001-2009, ISO/TS 16949:2009, ISO/TS 29001 carried out auditors from Gosstandart RB, "Bureau Veritas Certification" (Great Britain), "CARES" (Great Britain), "TÜV International" (Czech Republic), API (American Petroleum Institute)

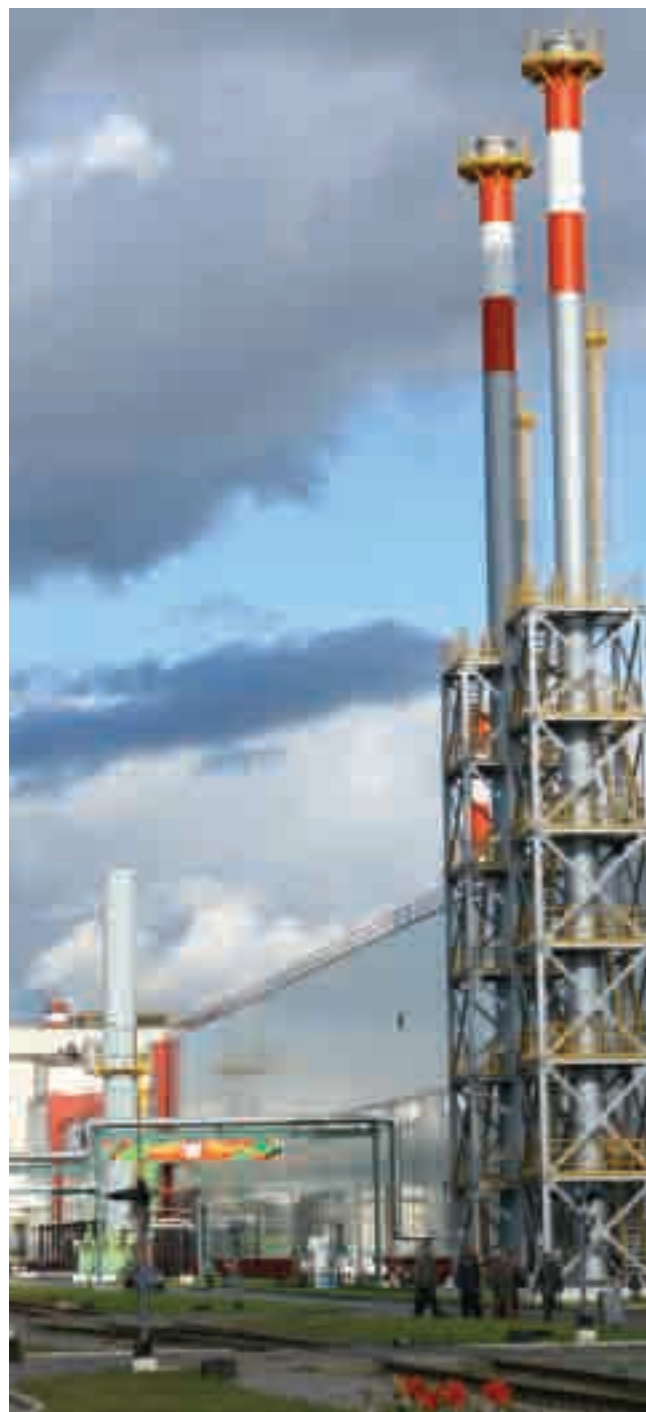
DESCRIPTION OF THE PERSONNEL

RUE "BMZ" is the largest employer in its productive activity region and is aware of its economic and social obligation to the society influencing it by creating high level of social security and favorable working conditions for its employees, realization of efficient social and ecological programs, projects and activities in the area of personnel management. 95% of the employees and 99,5% of the managers are from local population.

The segment of the works employees in the region economically active population makes about 30 percent.

RUE "BMZ" is responsible in its approach to solving employment issues, collaborates with state institutions, employees unions and other organizations in the sphere of regulating labor and related relations. Contributing to disclosure of professional and personal capabilities of its employees, RUE "BMZ" creates the conditions for their professional and career progress.

Total amount of personnel as of 31.12.2010 makes up 12463 people and grew by 331 people as compared to the corresponding period of the last year.



SOCIAL ACTIVITY

Year	2006	2007	2008	2009	2010
Number	12 891	12 409	12 445	12 132	12463

Growth of the number of employees was due to recruiting of new workers as number of orders for the plant's products delivery increased and as a result personnel structure suffered considerable changes towards increase of the number of the following categories of employees:

Category	2007	2008	2009	2010	Dev.
Total amount, people	12 409	12445	12132	12463	+331
Managers, people	1 153 (9,3%)	1127 (9,1%)	1126 (9,3%)	1159 (9,3%)	+33
Specialists, people	1 784 (14,4%)	1773 (14,2%)	1717 (14,2%)	1793 (14,4%)	+76
Executives, people	167 (1,3%)	167 (1,3%)	164 (1,4%)	167 (1,3%)	+3
Workers, people	9305 (75,0%)	9378 (75,4%)	9125 (75,2%)	9 344 (75,0%)	+219

Byelorussian Steel Works has a well balanced age composition of the employees. The main contingent is composed of workers aged 35–46 having the required knowledge and professional skills.



Managers 9,3%



Specialists & Executives 15,7%



Workers 75%

Category	2006	2007	2008	2009	2010
Average age of the employees, years	39,0	39,30	39,34	39,8	39,7

Gender composition of the workers hasn't considerably changed as compared with 2009. As of 31.12.2010 RUE "BMZ" employed:

- 68,3 % men;
- 31,7 % women.

Prevalence of male employees is due to the serious hazard level at the production sites, specific labor conditions in metallurgical industry.

The manpower turnover in 2010 was 2,4%.

Year	2006	2007	2008	2009	2010
Manpower turnover, %	1,49	1,87	1,92	1,63	2,4



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Category	2006		2007		2008		2009		2010	
	people	%	people	%	people	%	people	%	people	%
Higher education	2 796	21,7	2905	23,5	3016	24,2	3045	24,2	3132	25,1
Specialized secondary education	3 576	27,7	3284	26,4	3243	26,1	3156	26,1	3243	26,0
Secondary technical education	6 521	50,6	6220	50,1	6186	49,7	5931	49,7	6088	48,9
Candidates of Science	8		9		9		9		8	
Postgraduates	8		4		5		6		6	
Undergraduates	5		8		14		15		18	



The image of a strong and continuously working enterprise makes RUE "BMZ" attractive for potential workers and solves the issue of the prospective human resource provision. In 2010 the plant recruited 837 people from the residents of the region taking into consideration the level of competence so as to satisfy the need in personnel

The enterprise puts great emphasis on recruitment and adaptation of young specialists. Taking account of the production output growth rate the plant placed 111 young specialists in job in 2010

More than half of the works employees have higher and specialized secondary education.

In the reference year the amount of the employees with higher education increased by 87 persons as compared to 2009. The number of the employees with specialized secondary education increased by 87 persons. There is a tendency for lowering the share of the employees with secondary education.

Year	2006	2007	2008	2009	2010
Number of YS	121	107	188	85	111



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Organization of a methodical work with young specialists is one of the priority directions of the enterprise personnel policy. Availability of constantly developing the potential of the personnel represented by young specialists is the most important condition of the management succession, enhancement of management efficiency, ensuring stable social-economic development of the works. One of the most significant events within the System of work with young specialists is a scientific and technical conference. In 2010 the plant held double-stage conferences for the first time:

- the first stage (corporate) –for determining winners among the plant’s employees in 11 sessions;
- the second stage (international) – for winners of the first stage and employees of educational establishments, representatives of the organizations and enterprises of the Republic of Belarus and other countries. More than 120 young specialists became participants of the 10th international conference “Metal-2010” organized on the base of RUE “BMZ”.

The policy of RUE “BMZ” concerning personnel is aimed at discovering the individual potential of each employee and its development in coordination with the strategic goals. The existing evaluation system allows the plant to determine compliance of each employee with the position occupied and create conditions for carrying-out employment duties more successfully and efficiently. The founding principles in the area of the personnel efficiency management are objectivity and openness.

In order to improve the base required for the personnel evaluation since 2008 local regulations have been developed and are operating; they regulate the procedure of assessment and certification of the plant’s management and specialists. The assessment procedure is based on the constructive dialogue between a worker and a manager.

«The administrative personnel of the plant are very competent. It is a real pleasure to work with such a team! Everything is clearly and quickly solved. In my opinion, people working at the plant are its treasure. Everywhere in the plant, including its shops and the headquarters, we meet people who wish to work together for our mutual future».

D.L. Stechkevich, First deputy general director of JSC «Pskovtormet» (scrap supplier)

In 2010 2491 managers and specialists of the works were assessed according to the fulfillment of the set targets and, 451 employees were certified for compliance with the position occupied on the basis of the «360 degrees method»

In its practical activity BMZ recognizes inviolability of human rights and takes all the required measures to assure and protect them. Guided by the approaches of the UN Global Compact in the human rights sphere, RUE “BMZ” seeks to prevent possible conflicts of interests of the employees, managers and the plant itself. Principles of non-admission of conflicts of interests and their settlement are given in the plant’s Code of Ethics. Preventing conflicts of interests RUE “BMZ” seeks enhancement of the efficiency of its activity, creation of the atmosphere of trust and openness in the relationships with the persons concerned, enhancing business image and reputation of the works. The working tools for preventing possible conflicts are: direct telephone line with the works top management and representatives of the state authorities, “Signal” hotline and others, the work of which is performed on confidential basis. In order to ensure the feedback the works appointed responsible persons, who review the employees’ appeals concerning various issues including the safety and labor protection issues, environment and professional ethics. Transparency and openness of BMZ becomes one of the leading management principles that allows the plant to create



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confidential relations with all the parties concerned including its employees.

Within the framework of the personnel motivation program the sociological service of the plant carried out a study of the social and psychological climate among the employees which was participated by more than 10% of the staff (1289 people). Complex index of satisfaction of 2010 was 0,724 against 0,715 in 2009. This value characterizes positivity and steadiness of the social and psychological climate in the personnel team. The staff is satisfied with its work and with the plant in general. So as to maintain the high level of satisfaction of the staff, a corresponding program was worked out.

The works activity concerning the implementation of the principles of social responsibility in the work with human resources, creation of new working places, ensuring employment of the population of the region was distinguished with a gold medal of "Brand of the Year-2010" in the nomination "Active Social Position".



PROFESSIONAL AND CAREER DEVELOPMENT

Realization of the personnel policy based on the principles of equality, justice and award depending on personal skills and irrespective of origin, age, gender, race, nationality and religion of an employee is performed in conformity with the requirements of the active legislation of the Republic of Belarus, universally acknowledged norms and principles of the international law including the UN Global Compact and the Convention of the International Labor Organization.

RUE "BMZ" ensures equal possibilities for all employees to realize their potential in the process of their working activity, fair and unbiased assessment of the work results, selection of the personnel during recruitment and career promotion according to the professional skills and knowledge.

The works scale allows the employees to realize their professional ambitions, gain new experience and enhance their qualification degree. Realizing the approaches in social sphere, the works places special emphasis on the internal human resources potential during selection and appointment of managers and specialists.

In order to implement the long-term strategy of the enterprise's development, RUE "BMZ" formed a multi-level personnel reserve of the management. The reserve is meant for meeting the requirement in management employees having a range of basic administrative competence. In order to develop the competence necessary for a manager and create a real perspective for professional and career promotion of the workers, staged training of human resources was organized according to the existing System. The training programs stipulate education of the reserve from the level of a foreman to the top-manager level considering the specific character of the work fulfilled ("Young Manager School" and "Management School"). The programs and trainings for developing corporate

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and manager competence were aimed at the personnel reserve as a priority category of human resources. Specialists of the leading educational establishments of the Republic of Belarus are engaged in the training process under the concluded bilateral contracts. For the accounting period over 90% of management appointments from among the employees included into the works Personnel Register and certified after passing the training took place.

motivation factors. Besides, the rotation contributes to acquiring a more diverse practical experience required for being promoted to one or another management position.

In 2010 temporary appointments took place in order to increase the specialists' qualification, determination of their potential abilities for putting into the personnel reserve as well as for the purpose of promoting careers of the young workers having higher education:



The plant pays special attention to the selection of its own staff. No single possibility to improve employees qualification is missed, their development is stimulated in every possible way, professional and career development of the best employees is promoted».

*David Faktor, vice-president of Stemcor
UK Limited (UK)*

Fulfilling the personnel potential development programs and enhancing the efficiency of the structural subdivisions activity, RUE "BMZ" annually organizes rotation of specialists. The staff rotation is used as a method of decreasing labor monotony and routine, and enrichment the work activity content due to a greater variety of the functions and as one of the labor





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Factor	2007	2008	2009	2010
Number of the rotation program participants	4	34	27	56
Rotation results:				
promotion to a specialist position	1	17	10	20
appointment to a manager position		3	4	2
qualification enhancement	3	14	13	34

During the annual integrated study of the social-psychological climate in the teams of structural subdivisions held by the sociological service of the works the respondents give an average estimate regarding the promotion and career opportunities (the satisfaction index made up 0,64 against 0,59 in 2009).

TRAINING AND EDUCATION

The works sees its personnel as its major asset and takes the corresponding measures regarding its retaining and development creating conditions for professional growth and education. RUE "BMZ" gives all its employees the right for professional education on different stages of labor activity orientating at long-term relations with epy personnel and considers the education to be an investment into the human capital assets.

In present conditions of severe competition RUE "BMZ" aims at searching for current sales markets, technologies of the future, costsav ing reserves and other optimization possibilities.

The personnel quality became a determining factor of the works competitive ability. Ensuring personnel quality is one of the priority targets of the corporate Social Responsibility Policy. It is impossible without the developed internal training system. Guided by the labor and education legislation, the professional education system is controlled by the corporate Training Center.

By carrying out the efficient operation of the continuous professional education system the Training Center solves the following objectives in the personnel management system:

- providing the subdivisions of the plant with professional staff of the required qualification level;
- providing the personnel support of innovative processes;
- retaining and development of the professional potential and staff competitive ability;
- providing the subdivisions with the management staff reserve with a developed corporate and management competence;
- organizing training of the specialists, management staff and their reserve;
- creating the system of tutorship and transfer of knowledge;
- creating the personnel reserve of the required qualification with regard to nonprofessional occupations from among the region residents;
- organization of experience and knowledge exchange in the course of rendering of educational services to organizations and enterprises of our republic, neighbouring and far foreign countries.

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In order to solve the above tasks the Training Center is equipped with the newest training aids. Everything is arranged in such a way that the trainings are maximally efficient. Availability of the training aids and multimedia applications developed by the teachers and masters of the Training Center based on the technologies and equipment implemented at the enterprise facilitates learning the material. The education process applies both traditional forms and modern education technologies. The main form of the education process organization is dual that means a well-balanced combination of acquiring theoretical knowledge and practical skills. A particular attention is paid to the modular education technology that lays stress both on acquiring particular knowledge and developing the personnel's ability for self-education and self-improvement.

Education and development of the personnel is carried out in conformity with the current and perspective demands of the plant.

A differential approach to the education programs formation is applied depending on a worker's qualification level. Programs of continuous professional training stipulate studying the issues of special technologies, civil, political, economic, social and cultural human rights, requirements of environment protection systems, quality management, labor and industrial safety, energy saving issues.

Continuous education is ensured by rational combination of professional education in educational establishments, systematic self-education as well as studying in the Training Center and on working places. In 2010 6273 employees of the works, or 50,3% of the total personnel amount, took varied types of education, which is 4% less than in 2009

In recent years each employee took one type of education. Average number of education hours per one employee in 2010 made up 40,5 hours.

Category of the trained employees	Number of people trained, people				% of the total number trained				% of the total number of this category			
	2008	2009	2010	difference	2008	2009	2010	difference	2008	2009	2010	difference
Managers	1762	1139	1133	6	26,2	17,3	18	+0,7	156,3	101,2	97,8	3,4
Specialists	1354	1434	953	481	20,2	21,8	15,2	6,6	76,4	83,5	53	30,5
Office workers	24	5	24	+19	0,4	0,08	0,4	+0,32	14,4	3,0	14,8	15,2
Workers	3574	4015	4163	+148	53,2	60,9	66,4	+5,5	38,1	44	44,5	+0,5
Total	6714	6593	6273	320	100	100	100	0,08	53,9	54,3	50,3	4



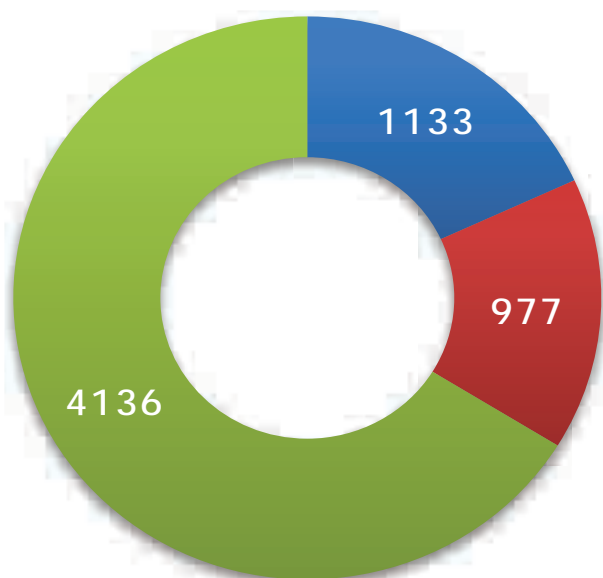
SOCIAL REPORT 2010

Year	2008	2009	2010
Average number of hours	43	38	40,5
Investments, \$	338,30	283,3	145

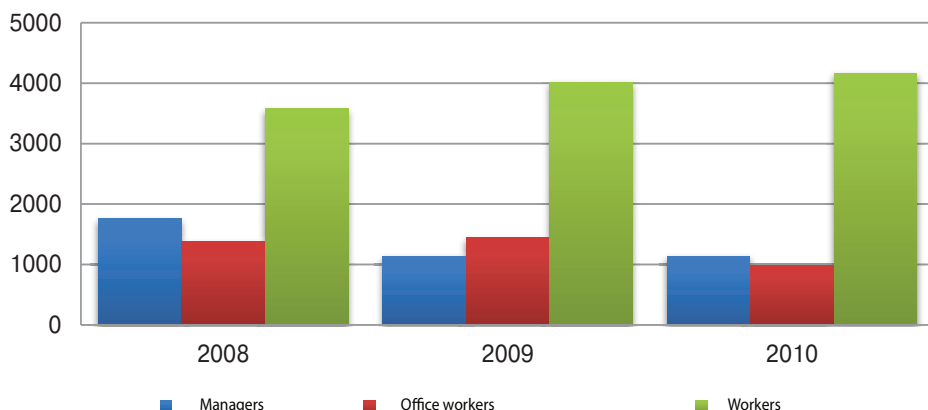
Despite lowering the investments in the professional education, achievement of the target values in 2010 became possible due to the reduction of the volume of constantensive education on external sites and fuller usage of the plant's internal potential for organizing inservice training

As far as the personnel education is concerned, RUE "BMZ" builds longterm relationships with a range of leading educational establishments that have good reputation for rendering educational services: educational establishment "Institute for Advanced Training and Continuing Education in the New Lines of Facilities, Technologies, and Economics Development of BNTU", state educational establishment "Institute for Advanced Training and Continuing Education of Management and Industry Specialists "Industry Staff", noncommercial educational establishment of supplementary professional education "North-West Educational Center", Educational Center of MS&AI, state educational establishment "Republican Higher School Institute".

RUE "BMZ" continues active development of international cooperation in the area of preparation and enhancement of qualification of its employees. In connection with its large investment program the enterprise expands training of the employees able to operate modern world-level equipment. Education



Education of the personnel in 2010



Number of people trained in 2008- 2010



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and training in educational centers and enterprises of Austria, Italy, Germany, China, USA, and other countries to adopt best practices was organized.

In 2010 international cooperation started a new round of development. RUE “BMZ” exchanged the accumulated experience and knowledge in the area of steel making processes employees training with specialists working at similar enterprises in neighbouring and far foreign countries.

Within the framework of the existing agreements training of 60 specialists from CCM (Strazsk, Slovakia) in rolling production methods was organized. In-depth training in seamless pipe production was organized for 12 specialists from Tenaris (Mexico).

The plant is open for a dialogue with the interested parties concerning issues of professionalism and scholarship improvement and employees competence development. Specialists of the plant shared their steel making experience with the participants of the Interplant School representing 11 metallurgical companies of Russia held at RUE “BMZ” under the aegis of Chermet corporation.

Alongside with solving the issues regarding the personnel qualification improvement, the collaboration with higher educational establishments is aimed at reaching long-term strategic objectives of the works. This cooperation is beneficial both for educational establishments and RUE “BMZ”. The works offers students the opportunity to undertake manufacturing practice at the enterprise. During the manufacturing practice the students are guided by experienced workers and specialists. Detailed acquaintance with production takes place on a working place. A student can feel being of the working team, try his skills and adopt the mentors’ experience, thus RUE “BMZ” openly demonstrates its potential employees the possibility of acquiring interesting work and personal realization.

Solving medium-term strategic goals in the sphere of preparation of highly professional personnel is connected with the State Educational Establishment “Zhlobin Metallurgical College”, which conducts its activity at the expense of RUE “BMZ” investments. For organizing the college activity in 2010 the works sent USD 309,5 of the consumption means. The college conducts preparation of technologists for basic production subdivisions from among the best representatives of the region young generation, who passed competitive selection according to the educational programs coordinated with the works.

At all times corporate social development and social investments remain sources of enhancing the works competitive abilities. Possessing modern educational base and highly qualified specialists, RUE “BMZ” makes its contribution to the development of community helping in training of qualified workers for the industrial enterprises of the town, the region, and the country.

Formation of the reputation of the most appealing employer is an essential condition for involvement in the works operation creative, active and technically competent personnel. By rendering assistance to the younger generation in receiving modern education and strengthening the material and technical foundation of the region educational establishments the works creates own promising personnel reserve. For these purposes the corresponding means were directed to preschool educational institutions, schools, creativity centers for the kids and the boarding school.

Special emphasis is placed on the work regarding pupils and students vocational guidance that is carried out on a regular basis with direct participation of RUE “BMZ” employees. Within this course a range of the following programs is implemented:



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- pupils participation in "Open Day" feast in basic educational establishments;

- excursions to the works' museum;

- organizing youth competitions, cultural events engaging school and specialized educational establishments students.

RUE "BMZ" ensure the right of the employees for education and deems intellectual potential and professionalism of its employees an essential factor required for own development.

According to the data available as of 31.12.2010, 64 employees took extramural courses in higher educational establishments on a contractual basis having a letter of referral from the works, and about four hundred workers were educated independently.

According to the results of an integrated study of the social and psychological climate in the subdivisions, satisfaction with the perspective of qualification enhancement, professional and educational level obtained was assessed as satisfactory (the satisfaction index made up 0.69 against 0.67 in 2009)



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MOTIVATION SYSTEM

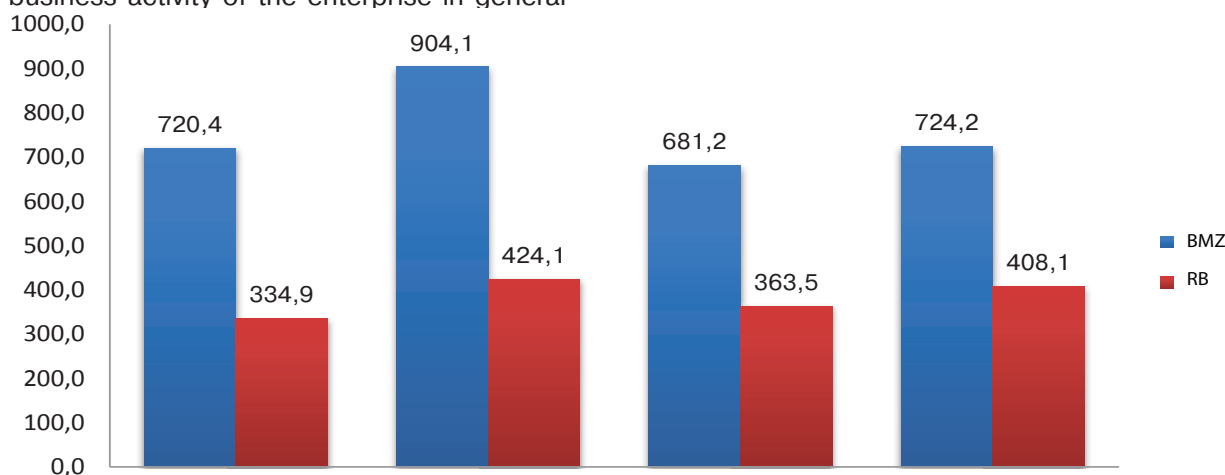
Material stimulation

RUE “BMZ” acknowledges the right of the employees to decent, economically sound award for their work results, strives for providing its employees with work and salary that raise their living standards. According to the requirements of the Belarusian labor legislation and principles of the UN Global Compact the plant stands for decent remuneration of labor, abolishment of forced and child labor.

The main objective of one of the strategic lines of the enterprise’s policy is constant increase of productiveness and quality of the personnel labor, efficient application of the existing norms and wage systems aimed at manufacturing high quality competitive products based on the rational use of each worker’s labor potential and enhancing personnel welfare gains.

One of the most precise indicators of the works social policy effectiveness is the salary level.

So as to achieve unity of interests of all categories of employees in providing high final results of the business activity of the enterprise in general



Average salary paid at RUE «BMZ» as compared with average salary of workers and office employees in the Republic of Belarus, USD

based on accounting and encouragement of the labour contribution of each division and individual employees, the plant developed a bonus system to stimulate their labour.

In the existing economic situation it is most timely to observe the lowest limit of labour payment for weakly protected groups of workers.

Salary is the major source of income of the workers and the main factor for ensuring a certain standard of well-being. RUE “BMZ” policy in the area of remuneration of the personnel including top management of the plant and its divisions foresees association of labour remuneration with joint and individual key efficiency indices. In order to achieve unity of interests of all categories of workers in insuring high final results of the works production and commercial operations in general based on accounting and encouragement of labour contribution of every division and a single worker, the enterprise developed the bonus scheme for labor stimulation.

In 2010 the annual average salary at the enterprise made up USD 724,2. Average salary of workers and office employees made up USD 408,1 in the Republic of Belarus in 2010 which is 1,8 times lower than the salary paid at RUE “BMZ”.



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Salary accounting is made according to the legislation existing in the Republic of Belarus. The enterprise realizes the following principle: the accrued salary of a worker, who fully completed the labor hours and working norms, cannot be lower than the established amount of the minimal salary in the Republic of Belarus that made up USD 134,3 in 2010

RUE "BMZ" improves the normative base in the area of labor relationship and informs every single employee of the labour remuneration conditions. According to the principles of the UN Global Compact the enterprise realizes the principle of equable award for equally valuable labor.

The enterprise ensures the job evaluation and gives qualification to the workers, specialists and clerks according to the existing uniform wage rate book of workers' jobs and professions as well as wage rate book for management, specialists and clerks. This approach allows the plant to avoid a biased and subjective attitude to workers in the process of their career promotion and contributes to inadmissibility of the workers discrimination of any kind.

The tariff part of the salary is determined based on the monthly tariff rates established by the unified workers wage tariff system of the Republic of Belarus and the collective agreement in conformity with the job evaluation in the organization according to the categories as follows:

as far as workers are concerned, it is determined by multiplying the first tariff rate by the tariff multiplier of the corresponding tariff rate established for a worker in compliance with the general provisions of the Uniform Wage Rates and Skills Handbook based on the tariff qualifying characteristics of the workers professions;

as far as clerks are concerned, it is calculated by multiplying the first tariff rate by the tariff multiplier of the corresponding tariff rate of the unified wage tariff system established for a worker with reference to its position;

as far as men and women are concerned, according to the work done or position held in conformity with the unified wage tariff system and collective agreement.

Average salary of the enterprise clerks is 7% higher than workers' salary. average salary of the management is 47,8 per cent higher than workers' salary. This correlation is explained by the complexity of the performed obligations stipulated by the job descriptions as well as the organization (separate structural subdivisions) activity efficiency, quality of the performed works (services), efficiency of the set targets and objectives fulfillment.

Management of the enterprise adheres to the socially oriented policy in its work and considers increase of the living standard of every person one of its main tasks».

A.V. Demidovets, Deputy chairman of Gomel regional Executive Committee

Stimulating payments to the top management are effected depending on the efficiency of the enterprise performance and fulfillment of the plant's social economic development factors.

Women have the same salaries and tariff rates as men, if they occupy equal positions (professions). Women are given and guaranteed the same rights as men and have additional benefits and guarantees aimed at their health and maternity protection.

Thus it is prohibited to use women' labor in:

heavy operations and operations with harmful and (or) hazardous labor conditions;

jobs related with lifting and manual handling of weights;

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some separate professions and positions (steelmaker, steelmaker's assistant, farrier, battery assembler, etc.)

Pregnant women are given easier jobs excluding the impact of harmful and (or) hazardous labor factors but their salary remains equal to the average amount of their previous salary.

A mother (farther) of two or more children aged under 16 (or having a disabled child aged under 18) are given one extra day of f in a week at her/his request which is paid for in the amount of the average daily payment.

A mother bringing up two or more children under sixteen is given an additional day of f a month at her request; this day is paid for in the amount of one basic payment.

A mother bringing up children under eighteen is given one extra day of f a month at her request; this day is not paid for.

Average salary of men at the enterprise is 50.1% higher than that of women. The difference between the average salary of women and the average salary of men is explained by the increased payment for the heavy service work, works with harmful and dangerous labor conditions, where women's labor is prohibited.

Planning of labour remuneration expenses is based on the salary level reached and the output per one employee. Alongside with the labor productivity growth, the average salary increase is planned accordingly

It is necessary to point out that with the labour productivity growth rate in USD equal to 136,8% in 2010, the salary growth rate was 106,3 per cent.

So as to eliminate the existing imbalance, the top management of the enterprise attempts to restrain drop of the welfare of its employees.

It is important that in these challenging times the enterprise worked for decreasing the labor coefficient of the manufactured products. In 2010 the implementation of this approach lead to the decrease of the labor coefficient of the operations fulfilled in basic and auxiliary shops by 141.98 thou. n/h. The economic efficiency made up over USD 345.9 thousand.

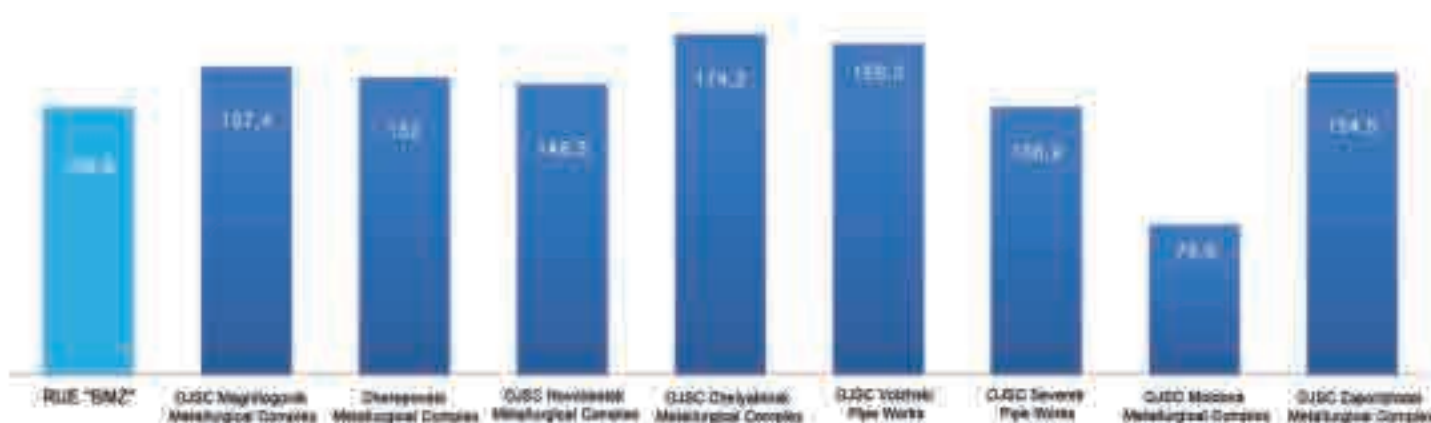
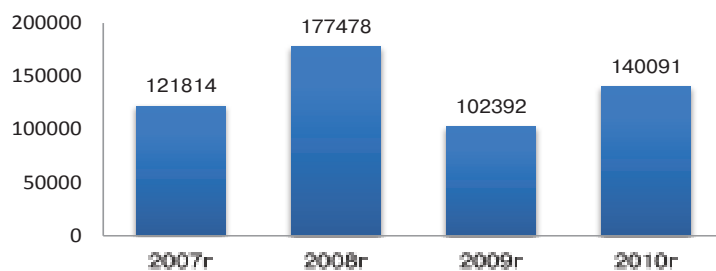
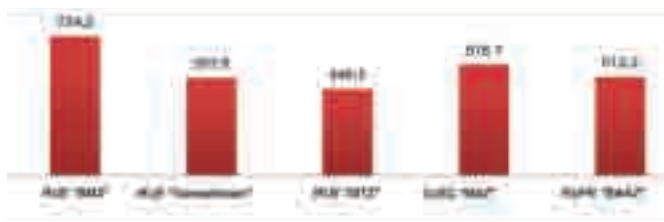
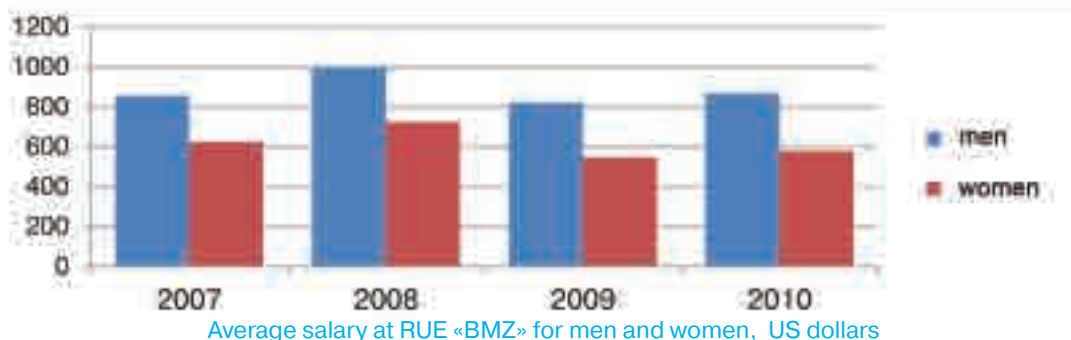
As far as the salary level is concerned, the plant takes a decent place among the grossout putm aking enterprises of the Ministry of Industry of the Republic of Belarus, which is shown in the diagram:

All technicale conomic development programs of the enterprise are worked out for one year and are reported to the personnel. Their results of their implementation are summarized monthly during a year and are reported to the employees during forums, meetings and by the plant's newspaper.





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Immaterial stimulation

A significant element of the enterprise corporate culture is the system of immaterial stimulation of the employees which comprises social psychological, staff and professional aspects.

31 types of the production competitions and contests are held in individual and collective forms. Byelorussian Steel Works puts a particular emphasis on stimulating and involvement of the personnel for saving material and energy resources, improvement of the labor productivity, increasing the responsibility for the quality of the manufactured products, raising the production efficiency as well as development of the creative incentives by holding production competitions ("Best in profession", "Best shop", "Best Canteen", "Best in profession among affiliated companies", "Professional Olympus", "Best innovator of the year", "Best young specialist", "Contest of plant teams and structural subdivisions of the works in conformity with the system "BE AWARE OF A HUMAN!", etc.).

One of the main constituents of the corporate culture and efficient way of enhancing the workers motivation is corporate awarding. For the purpose of moral stimulation, strengthening glorious labor traditions, increasing the role and strengthening of a Man of Labor the works conducts festive events dedicated to initiation into young metallurgist, celebration in honor of work dynasties, entering the names of best employees' names in the works Book of Fame or placing their photos in the Hall of Fame, honoring the winners of the productive competitions at the annual Labor Festival "Professional Olympus". All categories of the plant's employees who attained better results in their production activity, actively participate in the enterprise social life, gained authority and are respected by their working team members, are granted the honor to have their pictures posted in the Hall of Fame of RUE "BMZ". All structural subdivisions of the works have "Alleys of Glory", "Foremost Workers" stands with the pictures of the best workers.



«Social protection of Zhlobin steelmakers includes a well-composed system of forms and methods of social support».

Vladimir Florizyak, Deputy general director for the personnel

In 2010 году 326 employees of our enterprise were awarded.

It grew into a tradition to congratulate the employees with anniversaries, birth of a child, wedding, and to organize parties dedicated to recruitment for the armed forces or retirement.

Since 2008 the plant organizes celebration in honor of work dynasties of RUE "BMZ". Assignment of an honorable title of "Work Dynasty of RUE "BMZ" is based on the principles of succession, continuity of generations from older to younger one, and continuity of labour activity (at least three generations of the relatives of the first degree kinship should work at the plant at the same time).

In 2010 a new tradition was born at BMZ: presentation of a corporate calendar takes place at the Palace of Culture of Metallurgists in the form of a brilliant and colourful celebration. Pages of the 2011 calendar contain the best pictures drawn by the future metallurgists chosen according to the results of the



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regional contest and photos of the women working at the plant.

The possibility of professional education and increasing the workers qualification is of a particular importance for motivation of the staff. Professional training organized and carried out at the enterprise by the Training Center ensures execution of the three motivating functions:

- productione conomic (the competitive ability growth, enhancing the quality of duty performance and manufactured products);
- administrative (providing with qualified personnel, its formation, reproduction, adaptation and personnel development);
- sociale ultural (personality socialization, provision of occupation, social confidence, offering equal opportunities for professional and career growth).

The works puts particular emphasis on sustaining favorable socialp sychological climate in the working team, organization of professional celebrations, sport and cultural events for the employees, their family members and the population of the region (see section "Social package of benefits and guarantees for the staff"). The approaches in planning of the corporate events are determined based on the analysis of the results of annual integrated study of socialp sychological climate of the working teams.

Shortt erm targets in the field of social responsibility

- Achievement of the following level of the main target values related with the works social-economic development is scheduled for 2011:
- Training of the executive employees and specialists, pers. **929**
- Employees professional training, pers. **3399**

- General satisfaction of the personnel, not less, % **72**
- Salary growth rate, %, min. **117,3**
- Personnel turnover, %, max. **2,5**

LABOR PROTECTION

AND ENSURING OF INDUSTRIAL SAFETY

RUE "BMZ" sees a human life as the supreme value. The works does not accept any compromises between the health of its employees, safety and profit-making. Labor safety and health are the key priorities of the corporate labor protection management system. Realizing its mission the works ensures the employees' labor protection, takes measures for reduction of accidents risks and occupational diseases, strives for creation and sustaining of such labor conditions that do not harm health and human dignity of the employees.

Using dangerous industrial facilities in the production process, the enterprise management bears responsibility for conservation of the employees' life and health. The existing labor protection and industrial safety management system is built according to the requirements of Belarusian legislation and considering international practice.

Creation of a labor protection management system never has a zero starting point. RUE "BMZ" has already had a certain experience in labor protection management: it arranged the required activities, developed and used corresponding documentation. One of the directions in the labor protection management system improvement (LPMS) of RUE "BMZ" was its coordination with the requirements of OHSAS 18001 international standard and STB 18001 state standard.

A significant effort was made in order to coordinate the existing labor protection control system with the requirements of OHSAS 18001 and STB 18001.



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The enterprise developed guidelines, company standards, carried out a full scale identification of hazards and risks. In parallel with that, the enterprise subdivisions performed the work for coordinating the working documentation, and working places in accordance with the requirements of the rules and regulations for labor protection, which, in its turn, increased the level of personnel safety, competence and awareness. Training of the management and specialists in implementation and certification of the enterprise compliance with the OHSAS 18001 and STB 18001 requirements was organized. In the result of the training internal LPMS auditors were educated. and management awareness regarding the aspects of the implementation and advantages of observing OHSAS 18001 and STB 18001 requirements was enhanced.

In 2010 RUE “BMZ” successfully passed reaccreditation audits for compliance with the requirements of OHSAS 18001:2007 international standard “Professional safety and health management systems” and STB 180012 009 state standard “Labor protection management systems. Requirements”

Auditors of the certification agency “Bureau Veritas Certification” and the state educational establishment “Republican Higher School University” confirmed the compliance of the management system implemented at the enterprise with the international and state standard.

After implementation of the standards at the enterprise we accept contemporary, universally acknowledged international safety technologies. This allows RUE “BMZ” to speak the same language with its international partners and organize cooperation more effectively. At present, in many cases for signing collective contracts the enterprise needs to confirm the availability of the certified labor protection management system. It is evident considering western partners’ mentality. Availability of the certificate confirming the conformity with the international standards characterizes the enterprise as a reliable partner, increases its prestige, and the products competitive ability.

Implementation of this system allowed our works to:

decrease the costs due to a more efficient use of labor recourses; diminish the expenses related with traumatism and morbidity;

- increase legal safety, guarantees of correspondence to the changing legislative labor safety requirements;
- minimize the risk of judicial punishment;
- respect the interests of the parties – the employer and working team in the process of the enterprise productive activity;
- improve the enterprise image on product and labor markets as well as in the eyes of government authorities as a socially responsible organization;
- aim the management team at detecting and decreasing the basic risk types related with the negative impact of the production activity and the released products on the health of its employees, population and consumers;
- to simplify the system approach to problem-solving, achieve greater responsibility, more distinct responsibility distribution;
- enhance tof time and labor.

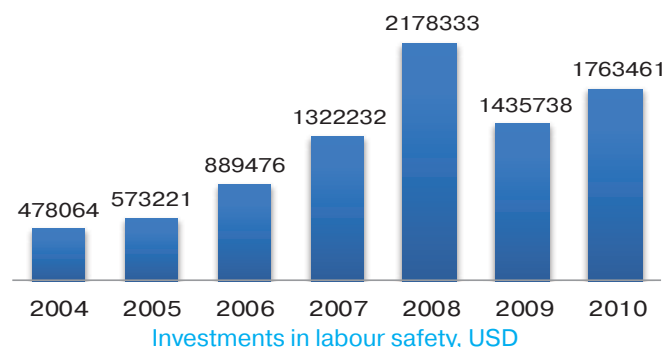
RUE “BMZ” constantly improves the labor protection and industrial safety system and coordinates it with the requirements of international standards. This allows considerable reduction of the production costs due to lowering the specialists incapacitation related with accidents, occupational illnesses, emergencies and fires.



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Item No.	Figures	2009	2010
1	Number of recorded accidents	8	7
2	Number of the injured including	8	7
	mortal	1	1
	severe	0	3
	group	0	0
3	Frequency coefficient, Fc	0,7	0,61
4	Seriousness coefficient, Sc	21,5	36,14
5	Lost days of working ability	172	253

In 2010 investments into the labor protection made up USD1 763,4 thousand. The occupational traumatism level depends on several factors; one of them is the volume of investments into labor protection. During recent years considerable means were invested into the labor protection measures that allowed decrease of the traumatism level from 13 in 2004 to 7 in 2010

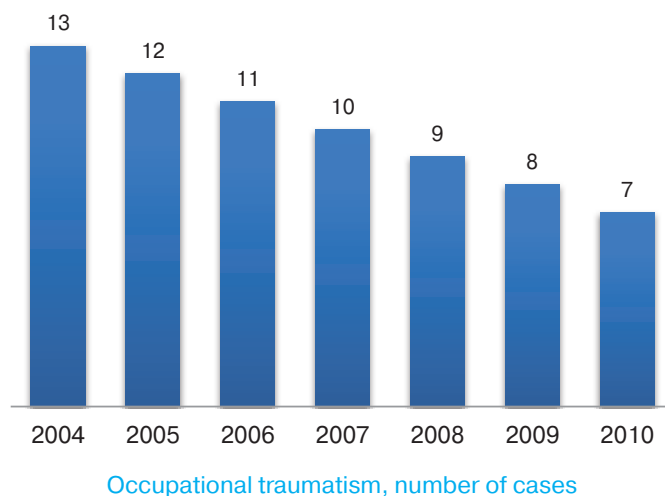


Improvement of work conditions

Under the Technical Revamping Program multiple operations for decommissioning of the outdated equipment and commissioning of modern one meeting all international labor safety requirements are being carried out.

These measures allowed considerable improvement of the employees' labor conditions and diminishment of the health impact of harmful and hazardous production factors.

Every year the enterprise develops "Plan of measures for ensuring labor safety and improving labor protection conditions". In 2010 90 measures for



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ensuring labor safety and improving labor protection conditions, stipulated by the plan, were scheduled. 71 of them were fulfilled, 2 were excluded, and 17 were put off due to different reasons. After the measures had been implemented, the workplace labor conditions were improved for 787 people (in 2009 – for 1353 people).

The enterprise aspires to continuous improvement of its labor protection factors due to increasing the production process safety, personnel motivation and employees' interest in observation of the labor protection requirements.

The employer's obligations related with ensuring safe and healthy labor conditions are documented in "Labor Protection" section of the Enterprise Collective Agreement. According to the items of the Collective Agreement the workers are fully and promptly provided with quality certified specialized clothing and footwear, personal protective and hygiene equipment, undergo periodical medical examination. Particular categories of the employees are provided with milk.

So as to improve social security of the plant's staff and to provide for comprehensive insurance protection, the plant entered into an agreement on insurance of the employer's responsibility for the induced to the health and life of the employees working according to the labour agreements and contracts at account of the employer with the joint-stock insurance company "Promtransinvest" on September 1, 2010. The insurance agreement was signed in favour of all employees of the plant.

Training and competence evaluation

The integral part of the labor protection and industrial safety system of the enterprise is teaching of safe operation of hazardous production facilities, occupational sanitation and labor hygiene. An employee's labor safety greatly depends on the thoroughness of his/her professional training. Sustaining the high standard of knowledge is insured by conducting an obligatory labor safety instruction, periodical knowledge check and personnel certification regarding safe operation.

In order to fulfill the educational training of the personnel that service and operates high risk facilities, the corporate Training Center was audited to check its conformity with the republican legislation and received the consent of the Department for Supervision of Safe Operation in Industrial and Atomic Power Engineering of the Emergency Situations Ministry of the Republic of Belarus for the right to train employees required by the works and other organizations.

Activity	2010r		
	Plan	Actual	% fulfilled
1. Enhancement of the administrative employees' and specialists qualification, total:			
– PAN RB	326	385	118
– Designated OHSAS courses	200	652	326
2. Professional training of the workers:			
– training of new employees	0	50	
– retraining	703	1033	147
– qualification enhancement	482	548	114
– Designated courses	2366	2532	107



SOCIAL REPORT 2010

SOCIAL CONTROL FOR OBSERVANCE OF HUMAN RIGHTS IN THE FIELD OF LABOR PROTECTION

All the concerned parties including the employees are actively involved in the process of managing the labor protection and industrial safety system. The works created a system of the twost age public control.

At the first stage daily control of observation of the legislation of the Republic of Belarus in the sphere of labor protection, ensuring the employees right to safe labor and health maintenance is fulfilled by the public service of health and safety executives. The service of public executives in the amount of 404 persons consists of the reputable employees selected by the working team members by way of open voting. The executives' activities and their authorities regarding the control of compliance with the labor protection legislation are regulated by Decree No.179 of the Ministry of Labor and Social Security of the Republic of Belarus "On the procedure of public control of the compliance with the labor protection legislation carried out by the persons authorized to control an organization employees' labor protection" dd. 28.11.2008 and the Articles of Association of the Belarusian Federation of Trade Unions. The executives proceed to individual work after taking a special training course at the private unitary enterprise "Educational Methodic Center of Gomel Regional Trade Unions".

At the second stage the control of compliance with the legislation and checking operating safety organization in conformity with local regulations is carried out by 36 public commissions including representatives of the structural subdivisions management. Their activity is specified by the Decree of Presidium of the Belarusian Trade Unions Federal Council No. 59 dd 24.04.2003.

In 2010 public labor safety formations carried-out 57192 inspections. 76029 none onformities

were detected and 148 notations were issued to the management.

During the annual integrated research of social-psychological climate in the structural subdivisions working teams the respondents give a high estimate to the employees' labor safety level (the satisfaction index made 0.79 vs 0.74 in 2009) and an average estimate to ons ite sanitaryh ygienic conditions (the satisfaction index made up 0,68 against 0,65 in 2009).

Achievement of the following level of the basic target values regarding the works sociale conomic development (in the sphere of labor protection and industrial safety) is scheduled for 2011:

– prevent the occupational traumatism growth to the level of 2010

– improvement of labor conditions and ensuring labor safety

for the plant's workers, pers. - 790

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SOCIAL PROGRAMS

Contributing to the social development of workers and local community Byelorussian Steel Works follows the principles of the responsible business practice formulated in the UN Global Compact and other international acts.

Nowadays the enterprise stability is determined by both economic efficiency factors and parameters of the corporate social policy effectiveness.

It is understood that long-term business stability depends on the social and economic stability in the region. Pursue of the policy of the corporate social responsibility as regards own employees and local communities is a strategic direction of the plant's activity.

The personnel are a major society resource for obtaining competitive advantages.

Considerable means are invested by the plant in the formation of interested and responsible staff, improvement of work conditions, and provision of social protection of the employees.

In 2010 RUE "BMZ" social programs were fulfilled on the basis of a union agreement and according to the social budget for the account of the plant's own funds and means granted by the social insurance fund of the Republic of Belarus. RUE "BMZ" fulfilled all its obligations concerning main directions of the social programs in 2010. Total of USD 10,9 million were used for financing of the social programs.

The priority directions of RUE "BMZ" social policy are:

- creation of favorable conditions for the workers and their families for solving all the welfare issues: treatment and medical service, saving



All our achievements became feasible due to the people working at the plant. They are our major value. It is not an exaggeration to say that one of the most professional teams work at BMZ. The employees love their plant and put their heart and soul in their work. That is why we are able to resolve the most ambitious tasks ».

Anatoly Savianok, General director

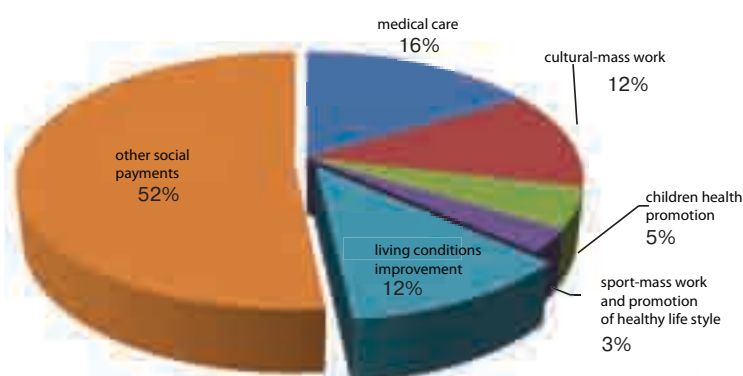
of reproductive health, health improvement and vacations, promotion of healthy lifestyle standards, improvement of living conditions and cultural service;

- rendering of social and voluntary support for pensioners, the disabled, children, the works employees having large families;
- offering of a sponsorship and beneficent aid for sport organizations and organizations representing other spheres of public life;
- offering of a wide scope of quality services for the inhabitants of the town and surrounding area by the social services.



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SOCIAL PACKAGE OF BENEFITS AND GUARANTEES FOR THE STAFF



RUE "BMZ" makes considerable investments into education and personnel qualification enhancement, labor conditions improvement, ensuring employees social security; it participates in solving socially significant issues in the region considering this activity a constituent part of its business and social investments into the inherent element of corporate responsibility. In order to stimulate labor productivity enhancement and personnel management cost optimization, in addition to salary the works uses a social package that made up over USD 540 per each employee in 2010.

The social package includes:

- medical care – \$1,1 mln
- living conditions improvement – \$0,8 mln
- cultural-mass work – \$0,8 mln
- children health promotion – \$0,35 mln
- sport-mass work and promotion of healthy life style – \$0,2 mln
- other social payments (supporting 9 preschool institutions, 8 works canteens, a recreation center, etc.) – \$3,5 mln

The works implements its social policy in the following priority directions:

- labor protection;
- rest and health promotion of the employees and their family members;
- physical culture and sport development;
- cultural life of the works employees;
- solving of the living conditions issues of the employees;
- support of large families;
- social support of unemployed pensioners, invalids and other categories of lower-income citizens;
- child care.

Health

Protection of the plant's employees is the most important constituent part of the social policy of RUE "BMZ".

The plant's medioprophylactic assistance rendered to the employees is organized in accordance with the state program of ambulatory assistance to the population and fulfills the tasks related with health protection, medical and sanitary support of the production process, disease prevention, and follow-up care, and ensures cooperation of the plant's divisions in solving issues of labour safety and protection of the employees health.

Formation of strategy and tactics in the area of health protection is stated in the comprehensive program «HEALTH2010» which coordinates the interaction of the administration, medical staff, industrial safety board, personnel of the community and consumer facilities, trade union in the area of disease and traumatism prevention, promotion of a healthy lifestyle.



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The major items of the works social policy and the “HEALTH 2 010» program are:

- enhancing the preventive medical aid level;
- orientating the medical aid system at increasing the ambulatory segment efficiency;
- coordinating the on-site work places with the technological and sanitary-hygienic norms;
- improvement of ecological events and environmental protection norms;
- creating living quality improvement conditions;
- development of the works personnel’s strong orientation at healthy lifestyle.

The plant develops and improves its own medical facilities aimed at bringing medical assistance close to the employees and rendering medical assistance to the citizens of the town and inhabitants of the region.

The plant used USD 1,11 mln for its medical centre financing in 2010.

The clinic of RUE “BMZ” is the largest among the town enterprises and includes a polyclinic for 250 visits per shift, plant aid posts, plant recreation centers and is the main medical care base.

Specialists qualified in 12 medical specialties receive patients. 78,8 % of the medical centre specialists are certified for the first and second qualification category. 70 per cent are certified for a category.

There are 7 therapeutic divisions in the shops, average number of the people served by each of them equals to 1780.

4 obstetricians and gynecologists receive women at the polyclinics. Women are serviced on the shop principle.

In 2010 the medical centre was visited by 193 515 people. 69,6 % of the total number of visits are due to illnesses. Free and voluntary vaccination against influenza is a positive feature in prevention of seasonal diseases.

The structure of the medical centre includes a clinical and biochemical laboratory, an X-ray room, ultrasonic and functional diagnostics rooms equipped with a stress test system for a detailed study of the state of the respiratory and cardiovascular system of a man, physiotherapy department, daily hospital, four dental rooms, and two drug stores. Availability of an up-to-date equipment and highly professional staff allow laboratory, functional and instrumental diagnostics examination. Doctors of narrow specialization render a wide range services.

Continuous attention is paid to disease prevention, their timely detection and medical treatment. Periodic medical examinations remain the basic mechanism of workers’ health control. Examinations give a possibility immediately to detect presence of harmful and dangerous production factors and take measures for their elimination thus allowing prevention of professional disease development and helping to prevent production traumatism. Workers who are influenced by dangerous and harmful factors on their work places are additionally thoroughly examined including instrumental laboratory studies and consultations given by narrow specialists considering industry peculiarities and profession of a worker. Within the framework of this project in 2010 over 3500 employees including 1100 women were thoroughly examined. Not a single professional disease was detected in 2010.

Production-related treatment procedures were given to over 340 people in 2010. Medical and physiotherapeutic procedures are carried out close



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Indices	Unit	2007	2008	2009	2010
Temporary disability (diseases and traumas)	cases	11 739	10 898	12745	12 345
	days	113 672	107 986	128 945	125 649

to production and are based on rehabilitation centres are located in the shops

So as to make treatment of patients at the medical and sanitary department simpler, provide operation of the medical rooms and services in the automatic mode, an electronic ambulatory chart of a patient was formed.

Due to countrywide distribution of chronic diseases, demand for more effective and convenient methods of treatment grows. This problem can be solved only subject to the principal emphasis being placed on prevention of diseases and popularization of healthy lifestyle.

Effectiveness of medical and sanitary programs

The means invested in the works employees health, medical service quality enhancement and implementation of modern treatment methods together with successful realization of the employees health promotion program in sanatoriums and vacation houses allows to sustain the positive dynamics of lowering the employees disease incidence.

In the result of prevention and early detection of diseases indices of the employees' health improved at RUE "BMZ" as well as quality of their life. Diseases with temporary disability made up 1023,03 days per 100 employees in 2010 which is 35,4 days less than in 2009.

In 2010 the plant continued medical examination to prevent and early detect diseases of the employees.

During 2010 1203 people were registered. Number of people observed increased by 5,6% as compared with 2009.

RUE "BMZ" take part in implementation of the national program of demographic safety aimed at improvement of the condition of pregnant women and those who gave birth to children, preparation for childbirth, and upbringing.

Specialists of the medical centre directly participate in a purposeful sanitary educational work related to prevention of tuberculosis, AIDS. Special attention is paid to prevention of HIV/AIDS.

Since November 1, 2009 Belarusian Red Cross Society (BRCS) started to implement an innovative project "Prevention of HIV in the area of labour" under the motto "We are for health @ work". The project is supported by International federation of Red Cross and Red Crescent Society, German society for technical cooperation (GTZ) and is implemented at RUE "BMZ". During 2010 a number of events were arranged under the program «Health @ work» at the plant including training of the employees, voluntary testing, installation of visual information boards, photo exhibitions, installations, and a performance, informing of the employees with the help of mass media.

For monitoring the quality of medical preventive aid and target programs we use the practice of interviews with the specialists of the medical centre and the recipients of the services. The management of the medical centre takes their recommendations into account.

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Rating of the medical centre work is higher than in 2009, but it is still at the average level (satisfaction index was 0,66 against 0,65 in 2009). Studies showed that number of employees informed about the "HEALTH" program existing at the plant grew; this is the evidence of a growing interest of the employees to their health and methods of its preservation as well as improvement of the employees' information about the work of the medical centre

Sanitation and rest time of the employees and their families

RUE "BMZ" strives for improvement of the conditions for health promotion and rest of its employees as well as all volunteers in Zhlobin and region. At present the works offers the high quality services that can satisfy any client. "Dneprovskiye Zori" recreation center is located on a picturesque bank of the Dnieper river, in a pine forest; it has houses for accommodation of 24 people and is meant for organizing sport and cultural events. In 2010 USD 3,1 thousand were received for the services of this recreation center.

Annually over 1 800 employees of the works and their family members spend holidays in the sanatoriums and vacation houses of the Republic of Belarus. Financing of health improvement programs and sanatorium resort therapy is fulfilled on the principles of a solidary participation at the expense of the works budget, state social insurance and employees' means. In 2010 over USD 0,34 million were used to compensate the voucher costs for the employees and their family members.

For organizing the vacations of the employees' children RUE "BMZ" compensates the major part of the expenses. In 2010 1 377 children spent their vacations in the children's health centers of the republic. Health improvement of more than 1500 children is scheduled for 2011.

Besides, in 2010 the works used the children's health improvement possibilities under the program of children's vouchers distribution by the social insurance fund. The health improving services of the republican sanatoriums were used by 189 children

Physical culture and sport development

Physical culture and sport is one of the constituent parts of healthy lifestyle, hence forming the demand in regular sport activities with workers is a priority direction of RUE "BMZ" social policy. This type of activity is specified by the corresponding provisions and clauses of the Collective agreement with direct participation and financial support by the RUE "BMZ" trade union committee.



I am impressed by the concern for people. Be it at the enterprise or in the sport complex one can feel concern for a man everywhere. Here they understand that it is the most important thing.

*Inguna Sudraba,
State inspector of the Latvian Republic*



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At present, the works offers its sport and recreation center for the employees and the town residents to do sports and conduct outdoor activities. The realization of the works social mandate regarding the development of the mass physical culture and sport and following healthy lifestyle are assigned to this complex having three gyms: for exercising, playing games and tennis.

The priority work directions of the sport and recreation center are:

- organizing sport and health-improvement as well as sportmass work at RUE "BMZ";
- strengthening the works employees' health, enhancing their working efficiency, stress resistance, healthy lifestyle promotion;
- satisfying the works employees' needs for systematic sport and physical culture activities, the works employees' health promotion, formation of physically developed and healthy citizens;
- engaging children and teenagers in regular sport activities.
- The works spent over \$ 0,11 thousand for maintenance of the sport and recreation center in 2010. The allocated funds are directed to:
- conducting sportmass activities: under the annual All-Belarusian Olympiad of RUE "BMZ" employees the competitions were held in 16 kinds of sport, 43 sport events were organized with participation of 36 teams;
- physical health-improving work among the employees and their family members: 8 amateur clubs and 9 sporting sections for varied kinds of sport were created and successfully function, where over 780 people were engaged in regular physical culture and sport activities;

- sportmass activities according to the schedule established for 2010 in collaboration with RUE "BMZ" Trade Union: over 630 workers and their family members took part in 12 traditional sport activities.

58 sport activities visited by over 43,4 thousand people including 24 thousand children were held in the sport and recreation center in 2010.

The level of conducting health-improving and sportmass work in RUE "BMZ" sport and recreation center allowed the center working team to win the honorable 1 place in the republican review competition held by Belarusian Trade Union of Industrial Workers in 2010.

The works employees support the honor of the enterprise at the competitions of various levels; some of them are acting participants of the Championship of the Republic of Belarus in major league in mini-football team "MFK Zhlobin" and are participants of Gomel regional teams.

Efficiency of healthy lifestyle policy implementation at the works is confirmed by sport achievements of the assembly teams consisting of RUE "BMZ" employees:

- 1st place in the regional trade sports contest;
- 2nd team place in the regional sports contest;
- 3rd place in republican sports contest of the Belarusian Union of industrial workers.

In order to organize the workers' leisure time and promote healthy lifestyle the works implemented the program of collective visits to the town sport and recreation center, Ice Palace, swimming pool and aquapark, sport complexes and facilities of the republic: Silichi, Raubichi, and others.

Engaging the works employees into sport activities contribute to both their health-improvement



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and forming specific corporate spirit of the enterprise that helps to solve the most challenging production issues. The sport and recreation center services are demanded by the region population.

Services of the sport and recreation centre are in demand of the population of the region. Proceeds from physical and sport services made up USD19,5 thousand in 2010.

RUE “BMZ” takes active participation in solving issues on the territories of the presence carrying out the financial support of “Metallurg” volleyball team, “MetallurgZhlobin” hockey club. The total amount of USD 4,8 million was transferred for this purpose in 2010. By financing these teams the plant supports the development of the sport of high achievements, sport popularization in particular among young people.

In 2010 the enterprise spent USD 2,4 million for financing of the erection of the sport centre and a rowing canal in Zhlobin which is being carried out by the plant since 2005.

Cultural life of the plant employees

One of the main tasks of RUE “BMZ” social policy is creation of conditions for promotion and distribution of modern culture, effective social practice for the development of the creative potential of its employees. During 20 years the key role in the organization of the cultural life of the region and the town has been played by the Palace of Culture of Metallurgists. By right the Palace of Culture is considered the centre of cultural and educational work directed towards satisfaction of cultural and intellectual needs of all categories of the population.

In 2010 the amount of USD 0,53 million was spent for cultural arrangements.

Various cultural events of educational, aesthetic, entertaining character for different audiences and

age groups take place at the Palace of Culture. A list of events is varied: different parties, discotheques, performances and shows, concerts dedicated to holiday and jubilees, contests, amateur arts festivals. 356 events visited by over 37,7 thousand people were held at the Palace of Culture in 2010..

The Palace of Culture does not only cheers people but develops talents, gives people the possibility to be occupied with their favourite hobby, make the leisure of steel makers and the inhabitants of the town spiritually rich, and interesting. Over 500 people are members of hobby groups and creative teams 400 of them are children. In 2010 a brass band was organized for children.

20 creative teams and amateur associations work at the Palace of Culture: 9 for grownups and 11 for children. 5 collectives were given the honorable title of «People's» and «Classic» in the Republic of Belarus.

A great emphasis of its activity is placed by the Palace of Culture on the professional level enhancement. Guest performances, participation in prestigious festivals and contests support professional skills growth. The following awards received in 2010 are the result of a laborious work of the creative team of the Palace of Culture:

–II prize – awarded to the classic dance group «Feierwerk» for the participation in the regional festival of choreographic art named after A. A. Rybalchenko;

–I prize of the V regional festival of children works «Russian portrait in Belarusian interior» awarded to Yana Konovalova, a soloist of song theatre «April»;

–3 prize of the V regional festival of children works «Russian portrait in Belarusian interior» awarded to the classic folk song group «Skomoroshina».

Formation of the reputation of the most attractive employer in the region is a precondition for attracting creatively active and educated people to the plant. The



SOCIAL REPORT 2010

enterprise invests funds to arrange events for aesthetic upbringing of children and younger generation at the Palace of Culture. Thematic discotheques, parties, festivals, performances, contests for people of different ages became regular: «Small Miss», «Come on, boys!», «Dance while young», «Miss Zhlobin» and many others.

One of the important activities of the Palace of Culture is the work directed towards prevention of the youth asocial behavior, struggle against drugs, promoting healthy lifestyle and AIDS prevention. Different forms of such work are used the main idea of which is: "Creativity is the alternative to drugs and alcohol".

Realizing social programs in the local community the team of the Palace of Culture closely cooperates with Zhlobin regional organization of "Belarusian Board of Officers" public association, "Belarusian Republican Youth Association", etc. RUE "BMZ" Veterans' Board, Women's Council and other public organizations of the work teams hold their activities under the roof of RUE "BMZ" Palace of Culture. These are joint events – concerts, meetings, gala nights and celebrations.

Such joint projects of the Belarusian Republican Youth Union and the Palace of Culture as "Miss Zhlobin", "BMZ Superman", "Lady Perfection", and "Business Lady" are very popular with the young workers of the plant. Supporting the state youth policy the Palace of Culture arranges such traditional projects as «Sport! Health! Beauty!», "Family gives start to everything!", youth festival «Dare while young!», etc.

The Palace of Culture promotes implementation of socially oriented projects on the regional and local level. Its activity is aimed at improving social climate and habitat. Creative teams of the Palace of Culture constantly participate in town and region festive events, annual republican festival fair "Dazhynki", gala concerts dedicated to the Victor Day, Independence

Day of the Republic of Belarus, Labour Day, Youth Day and professional feasts.

The Culture Center teams also participate in regional and republican events. The brass band of the Palace of Culture is the adornment of key festivals in the cultural life of the town. The high estimate of its creative activity was given by the chairman of Zhlobin regional executive committee L.N. Apanasiuk: "The brass band is a heritage of our town. The music of the band gives a specific, elevated mood to our life".

An important role in the work of the Palace of Culture is played by events arranged to strengthen the relations with the production, development of pride in their enterprise. An important direction of the activity of the Palace of Culture is organization of events strengthening the relations with the production, cultivate pride for the enterprise.

In the center of all the activities is the man of labor, demonstration of the importance of every single team member, establishing and support of the corporate spirit for the efficient activity of the entire enterprise. The work modes are: annual ceremonial presentation of professional premium "Professional Olympus", "Miss Zavodchanka", "Initiation into Metallurgists", "Youth Ball", cultural sport feasts, the events dedicated to the Metallurgist's Day, the works birthday, competition of the teams of Club for the Lightheaded and Quickwitted "The Entire Works and Every Plant will be Made Friends by the Humor, Joke, Laughter".

The activity of the Palace of Culture is organized in such a way that allows the majority of the workers to disclose their abilities and talents, enjoy the beauty and highly spiritual. It is proved by the annual amateur arts festival. This creative work unites people, raises their spirits, creates mood for successful and productive work.

Along with the events based on modern genres, the palace of Culture contributes to the development

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of national folk arts, spiritual revival and preservation of the best traditions of Belarusian national culture. Active work in this direction is carried out by Krynitsa choir, and creative collective "Skomoroshina. Events organized by these teams are very popular with the people of different ages.

The Metallurgist's Day is the main feast of RUE "BMZ" work team and the entire town. As far as importance, attendance, impressions brightness



impression are concerned, it is equal to festive events of the republican scale. Belarusian and Russian entertainment stars can be seen performing during the feast.

Work of the team of the Palace of Culture completely justifies its high mission. Being the centre of the cultural life of the plant, town and region, the Palace of Culture is an important constituent part of the corporate strategy of RUE "BMZ".



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Solving of employees' housing problems

An important part of the social policy of RUE "BMZ" is engaging and promoting young highly-professional production staff.

On the balance of RUE "BMZ" there are six dormitories for the workers' family members, where 680 families (or 2051 people) reside, and one dormitory with 340 beds provided for single employees. Living conditions in the dormitories are constantly improved due to scheduled capital repairs: modernization of engineering network and heat points which helped to decrease municipal expenses.

The plant spends considerable funds for the maintenance of the objects of the housing and communal area. In 2010 the works spent USD 0.8 million for these purposes.

In the existing situation discharge of assets by way of disposal of none ore objects is one of the directions of the plant's activity. Thus, according to the law the status of a 60- flat house was change from a dormitory to a house and the flats were taken over by the employees in accordance with the queue.

In 2010 a 108f lat house was commissioned for the employees of the plant and construction of a 36-flat house was started. 216 employees improved their living conditions in 2010; 60 people were registered as those who need their living conditions to be improved.

Support of large families

Implementation of the targetoriented social support of RUE "BMZ" employees is carried out by way of a flexible system of benefits and compensations. Based on the principles of the state policy declaring that children have the right to a special care and assistance, that a family should be provided with the required protection and encouragement as the main social unit and natural environment for growth and wellbeing of all its members, RUE "BMZ" arranges events to support of complete and incomplete families and those having four and more children under 18 so as to continue the development of the maternity and childhood support. The aim of the activities is increasing the status of families and improving their life quality. According to the provision regarding healthimprovement and sanatorium resort therapy at RUE "BMZ" the families are provided privileged and partially paid vouchers to sanatoriums and vacation

Description	2008	2009	2010
Payments for birth of a child /lump sum allowance	177 women/ 106,2	160 women/ 84,3	132 women/ 72,8
Payment for nursing a child under 3 / \$ thou.	562 women/ 472,9	546 women/ 411,1	509 women/ 490,6
Payments for purchasing school uniform. \$ thou.	14,8	10,9	11,9
Providing one dayof f, \$ thou.	24,2	22,6	20,3
The means for children's health improvement, \$ thou.	385,9	326,7	341,2
Payments for the families raising the disabled children under 18 / \$ thou.	100 children/ 4,7	100 children/ 3,6	97 children/ 5,1

Arrangements for the workers' families support



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houses. One of the events for the workers' families social support are annual payments for purchasing school uniforms and monthly provision of paid day-off for mothers of more than three children

Social support of unemployed pensioners, invalids and other categories of people not sufficiently provided for

Business initiatives have great impact on the processes of social development in the country and their results change the public ideas of the living quality norms. A pensioner, who receives a corporate pension in addition to the state one, is better protected when he/she gets old. Work with veterans, invalids and other categories of the needy is carried out at RUE "BMZ" based on "recipient-oriented" social support both in the form of financial payments and using a wide range of social facilities: the clinic, the Palace of Culture of Metallurgists, sport and recreation center of RUE "BMZ".

In 2010 the sum of this support made up over USD333,1 thousand.

There are five forms and directions of rendering social support which were used by over 1200 people.

An important line in the social support policy is a monthly material aid for unemployed pensioners. At present the amount of the monthly pension supplements varies from \$6,7 to \$84 depending on the record of service and awards. In 2010 these supplements made up \$296,2 thousand.

The financial aid is provided in connection with retirement. In 2010 the amount of this aid was over \$12,56 thousand. Besides, there is an annual financial aid dedicated to the International Day for the Elderly. Its amount made up \$19,54 thousand in 2010..

Material support is rendered to the employees having invalid children. In 2010 the amount of such aid was \$5,1 thousand.

A special place in the social program is occupied by providing the unemployed pensioners with treatment in the plant's clinic, the sport and recreation center services, the services rendered by the Palace of Culture at a reduced charge.

Concern for children

Being a socially oriented enterprise, RUE "BMZ" renders free preschool services satisfying a social order of the society and the state. It puts great emphasis on retaining and improving health of the younger generation of metallurgists, creating safe living environment and personal development of a child. The realization of this objectives is assigned to 9 preschool establishments under the auspices of the enterprise attended by 1 871 children (72% – children of the works employees, the others – of the region residents). In 2010 financial investment in the kindergartens amounted to \$1,84 million.

Modern material facilities of the preschool establishments allows provision of sanitary and hygienic conditions for the children providing a positive emotional state of children, satisfying need of every child in psychological comfort through a flexible system of the educational process. In kindergartens children have equal starting possibilities for the transition to the next, higher level of education.

For many years of the work of these establishments loving and tender care of each child, enthusiasm and conscientiousness, initiative and sincere interest of the employees in the wellbeing and health of every single child remain the unchanging values of their working teams

For efficiency of the educational process in the kindergartens, updated educational and health-saving methods and integrated classes and scenario-paying complexes are used and counselors and physiologists are involved. A significant attention is paid to protection of a child's rights. In addition to



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sport activities thematic matinees and ecological education is organized for the children. In the kindergartens there are colorful stands, creative playgrounds, pets' corners, sculptural compositions, ecologic rooms; birdfeeders are suspended in the playground areas. In a word, everything is arranged for the children to grow in unity with nature and try to adorn the earth, preserve its beauty. Ecological education presupposes both caring attitude to nature and being responsible for own health, conformity with certain moral standards and rules of conduct in a forest, in a meadow, small wood and garden. This attitude to the world to be protected is raised in the children from early age.

Since 2008 all kindergartens arrange creative sites for the children in summer time: playgrounds, creative, ecological, and ethnographic sites; 58 sections and studios work which are visited by over 650 children; in some kindergartens adaptation sites are arranged for the newcomers.

The legal education work is carried out among children and their parents.

The preschool institutions implemented a system of therapeutic and educational events for children's health improvement which is directed towards creating optimal ecological, sanitary-hygienic conditions in order to ensure creation of positive emotional condition of children, satisfaction of every child's need in psychological comfort via the flexible educational process system.

Professional achievements of the plant's preschool establishments are awarded in various contests:

- «Best Preschool Establishment» contest arranged by RUE «BMZ», «Professional Olympus»;
- «Olympia Land» arranged by the regional authorities to determine the best work for implementation of the Olympic education. The results will be summarized in July 2011.

One of the preschool establishments participates in the republican contest «Best Preschool Establishment».

One of the bright events in the life of preschool establishments is a gala concert organized at the Palace of Culture of metallurgists within the framework of the festival of children's creative work «How wonderful is the world». Children and adults have a nice opportunity to demonstrate their creative abilities and talents in the visual arts, dramatic art, and music. This event is highly appreciated by the Educational Board of Gomel Regional Executive Committee and general public. RUE «BMZ» trade union and administration rendered its assistance in arranging this event. They support preschool establishments in every possible way.

It is very urgent for the system of preschool education to improve professional competence of the preschool teachers. The system of preschool education unites over 480 employees including 226 teachers. Improvement of preschool education quality is provided for by organizing conditions for self-realization and improvement of professional level of the teaching staff, organization of work of methodical associations. Specialists summarize and share teaching experience at the republican and regional seminars. Teachers took part in the international scientific and practical conference «Management of preschool education quality: state, problems, outlooks». Work of K.V. Rzhaev, physical training teacher, «Swimming: diagnostics and realization of skills of the children of preschool age» was published in the republican scientific – methodical magazine «Paleska».

Efficiency of the educational process at preschool establishments is determined by the growth of the level of the all-round development of the personality of a child together with the decrease of the level of the children's morbidity rate. In 2010 the figure of total morbidity rate per 1000 children dropped by more than 13% as compared with 2009; number of days when children stayed at home due to disease decreased by over 11%. Health index reached 30% against 23% in 2009.

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Monitoring of public opinion concerning social programs effectiveness

The results of the integrated study of social-psychological climate in the structural subdivisions work teams held at the end of 2010 speak of the positive assessment of BMZ activity in social responsibility sphere. Over 12% of the employees, who took part in the study, expressed their opinion of the quality and level of the works canteens, social security and protection, medical services at the enterprise, leisures pending conditions, conditions for doing sport and conducting the works cultural activities (the satisfaction index according to the evaluation criteria made up 0,66 to 0,80 against 0,59 - 0,76 in 2009).

EMPLOYEES' RIGHTS

Carrying out its practical activity, RUE "BMZ" acknowledges the immunity of human rights and takes all the required measures for their provision and protection.

Being a socially responsible enterprise, the works respects the interests and rights of the workers based on the social partnership principles. These principles are laid in the social partnership paramount agreement – the Collective Agreement for 2008–2011 concerning all the employees and having the following objectives:

- development of contract relations between the enterprise and its employees being the social partnership parties;
- coordination of the works and employees interests during elaboration of common principles of regulating social labor relationships;
- providing the workers with working places and salaries in conformity with the signed labor

contracts, social and economic rights established by the existing legislation of the Republic of Belarus;

- following labor and technological discipline, labor protection requirements, industrial safety and production sanitary;
- strengthening social security of the enterprise workers;
- stabilization of the social economic situation in the working teams and subdivisions of the enterprise.

Guided by the UN Global Compact principles the works sees ensuring and protection of human rights as a priority as compared to the economic results of the production activity and guarantees their implementation.

RUE "BMZ" opposes all the forms of discrimination and builds its activity on the basis of generally recognized principles and norms of the international law, standards and conventions of the International Labor Organization, legislation of the Republic of Belarus. In 2010 the enterprise didn't register any cases of gender, national, religious and political discrimination as well as cases of using forced and child labor.

Having in its structure productions with enhanced danger level BMZ is responsible for ensuring the production facilities safety for the employees and the population. The works creates healthy and safe work conditions by replacing outdated equipment and technologies and complies with the labor protection legislation, international industrial safety and professional illnesses prevention standards as well as internal regulations. The issues of the employees' health and safety are set forth in the collective agreement.

The works recognizes that its production activity is connected with negative environmental impact and



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takes all possible measures for minimization of such impact on the population's life activity.

RUE "BMZ" guarantees the right of trade unions to carry out their activity without encumbrance and any restrictions as stipulated by the legislation. The right of the employees and trade unions to participate in contract regulation of labor relations is realized in the procedures of preparing and signing the Collective Agreement, in the employees' right to participate in creation and improvement of labor conditions and occupational environment

Legal regulation of labor relationships at RUE "BMZ" is performed in conformity with the Labor Code of the Republic of Belarus and the Collective Agreement of the enterprise:

- conclusion of collective agreements, working contracts is fulfilled taking into account the substantiations of production, organizational and economic reasons;

- an employee should be informed about changes in the labor conditions not later than one month prior to contract signing;

- an employee should be informed about the contract expiration, or the intent to prolong/terminate the contract for a new term not later than one month prior. The notification period was increased two times since 2009.

The works strives for prevention of labor disputes and contracts, and if there are any, it participates in open negotiations with the employees recognizing mutual responsibility of the social partnership parties. In order to ensure equal rights of the works employees, conformity with the legislation of the Republic of Belarus, and solving disputes, a labor disputes commission was established. It includes an equal number of representatives of the management

and work teams. The commission objective is competent consideration of individual disputes that arise between any employee and the management regarding the issues connected to labor relations. During the year the commission performed continuous work acting as an arbitrator. In 2010 13 applications of the works employees were considered. In the result of considering the applications by the commission 6 of them were rejected due to inconsistency of the submitted claims, with reference to another 6 the commission satisfied the employees demands and one application presented by a work team was withdrawn because the arisen issue was solved by the management.

For the purpose of following and ensuring human rights at the enterprise in conformity with the existing system of the employees' continuous training and personal development a great emphasis is placed on increasing the awareness level and legal literacy of all the employees. Over 90% of the employees, who undertook professional training in 2010 studied the fundamental principles of the legislation referring to economic, ecological or social responsibility.

Strict and rigorous observance of human rights and freedoms is the foundation of modern socially responsible business aimed both at profitable and stable development of the plant and the entire region. RUE "BMZ" intends to comply with the legislation requirements and international social responsibility principles in the future

SOCIAL PARTNERSHIP

In order to improve moral and physiological climate of the work team, solving the issues regarding the collaboration coordination of the management and organizations representing the interests of various categories of the employees, the works implemented «Be Aware of a Human!» system since April 2005.

In collaboration with the trade union organization

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I see a normal social partnership of the trade union organization and the employer, because all ideas and proposals of the trade union committee are fulfilled. Social benefits and guarantees are much wider in your Collective Agreement than at other enterprises ».

L.I. Khovansky, deputy chairman Belarusian trade union of industrial workers

and other social organizations the works creates the social partnership system that is a foundation for mutually beneficial cooperation.

Sustaining close relationships with the management, the Public Organizations Council conducts its activity at the enterprise. It acts in the interests of the employees forming an active public position of each work team member.

The Council includes the representatives of:

- Trade Union organization;
- primary organization of “Belarusian Republican Youth Union” public association;
- Veteran’s Union;
- primary public organization “Belarusian Women’s Union”;
- international soldiers’ organization;
- Young Specialists’ Union;
- Foremen Union;
- Physical Culture Team’s Union

In order to ensure the efficient realization of the employees’ rights and establishing confidential relations with all parties concerned, the Public Organizations Council keeps an active collaboration with the representatives of the regional social service centre; region and district law enforcement agencies; central regional; hospital and RUE “BMZ” clinic; legal services of the works, region and deputy of the House of Representatives of the National Assembly of the Republic of Belarus elected to the parliament from among the plant’s employees

RUE “BMZ” TRADE UNION ORGANIZATION

The works establishes mutually beneficial relationships and develops a collective agreement with the trade union organization based on the norms and principles of the Tariff Agreement concluded between Belarusian Professional Union of Industrial workers, Belarusian Professional Union of Metalworkers, the Ministry of Industry of the Republic of Belarus, Republican Association of Industrial Enterprises. The Agreement sets the principles of regulating trade and social-economic relationships as well as guarantees and privileges for the employees, mutual responsibilities and liabilities of the parties. The aim of the Agreement is joining together the efforts of the parties for attaining social-economic stability and competitive ability of the industry organizations, increasing the employees’ living standard, observance of their legal rights and interests and creating the system of the employees’ comprehensive social protection.

The plant recognizes that the objective of the trade union is not limited to protecting the employees’ rights and influencing labor relationships. It is also a certain indicator of the public mood. The trade union expresses the working teams’ reaction to the social and economic policy implemented by the enterprise and contributes to its timely adjustment. The dialogue of the management and representatives of the working teams is especially important to be established in the situation when the works, as a part of the world financial and economic system, experiences difficult times and seeks for the opportunities to enhance their efficiency.

In their practical activity the parties are guided by the principles of social partnership, such as legal equality of the parties, compliance with the legislation norms, considering real opportunities for performance of the assumed obligations, obligatory fulfillment of the arrangements and responsibility for the obligations assumed.



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RUE "BMZ" Trade Union Organization unites 12109 people or 97.17% of the trade union membership scope. In order to observe the rights and legal interests of the workers the employees represent RUE "BMZ" in the regional association and in the Republican Trade Union Committee being members of the Regional Trade Union Association Council, members of the Belarusian Trade Union Federal Council.

The social partnership document which allows strengthening of social security of the enterprise employees is the Collective Agreement. The Agreement regulates social benefits and lump-sum benefit payments, additional payments and financial awards, the size of which directly depends on the results of production financial activity of the entire enterprise work team. This document establishes supplementary, as compared to the active legislation, provisions regarding labor conditions and payment, social and residential provision of the workers, compensations and other privileges. The Collective Agreement stipulates various forms of financial payments, bonuses, awards following the results of the work during the year, for the service record, sums of the bonuses for high qualification, professional skill and others, sets guarantees and privileges for the families with children. Besides, a person is not left alone in a challenging life situation; this aid is also stipulated by the main document.

Despite economically challenging year 2010, the Trade Union organization has significantly increased financing of the charity programs and personnel expenses.

In order to comply with the Collective Agreement, in 2010 the Trade Union Committee financed the following:

- - allowances to parents for the birth of a child
 - \$13.43 thou.;
- - New Year's presents for children
 - \$93,01 thou.;
- - cultural events
 - \$200,13 thou.

«Today there are practically few collective agreements in our region which foresee such a vast spectrum of social guarantees. There are 2858 collective agreements in Gomel region, but there is not a single one similar to yours».

*P.S. Shilov,
Deputy Chairman of Gomel Regional Trade Union
Association*

- - sport events
 - \$88,31 thou.
- - presents for the employees' anniversaries
 - \$18,80 thou.
- - retirement presents
 - \$12,09 thou.
- - supporting veterans
 - \$18,05 thou.
- - material support (4477 people)
 - \$192,74 thou..





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In 2010 sport staff of RUE “BMZ” became the winner of the republican contest for the best organization of sport activity among primary trade union organizations of Belarusian Trade Union of Industrial Workers.

A continuously operating body of social partnership is the Collective Agreement Commission that controls fulfillment of the obligations assumed. It consists of representatives of the management and the Trade Union Committee. The constant dialogue results in reaching the agreements regarding salary issues, optimization of the management structure, ensuring healthy and safe labor conditions, implementing privileges for the employees that have a determined social targeting. Mainly all sections of the Collective Agreement were fulfilled in 2010.

Charity and sponsorship is one of the activities of the works. Being an active member of the charitable campaign “Trade unions – to children” it granted \$10,75 thousand in 2010 to:

- Zhlobin boarding-school;
- sponsored schools;
- “Zhlobin Regional Social Service Centre”;
- regional festival for handicapped children “Do Good”;
- disabled people union;
- other organizations.

For organization of cultural mass events for the employees, visiting theatres, concerts, trips to other towns of the Republic of Belarus the Trade Union spent \$200,13 thousand.

One of the priority directions of the Trade Union activity is creating conditions for fullf ledged physical and moral development of the works employees and younger generation. RUE “BMZ” The Trade Union Committee is a founder of a sport school for children and young people and the children's club “Fakel”; which sections are attended by over 150 children In 2009 65 pupils of the sport school for children and young people became winners and awardees of championships and competitions of the Republic of

Belarus, international and regional competitions. The Trade Union Committee spent \$20,15 thousand for financing the work of the sport school. According to the results of the regional competition among sport schools for children our school took the III place.

In compliance with the program of working with younger generation, for sustaining and improvement of relationships between the family, school and local community, strengthening the family, protection of maternity and childhood under the auspices of the Trade Union Committee a commission for family and school assistance has been working since 2005.

Under the auspices of RUE “BMZ” Trade Union Committee the trade union library operates with the fund of 41 640 books. The library is a unique one because the plant's employees, their children, and citizens of Zhlobin can always find the required literature, or their request for a certain book can be accepted, and they may get a professional advice. USD 22,50 thousand from the trade union budget were spent for purchasing new literature and decoration of the library and for subscription of 1200 veterans to periodicals. In the preceding year the 39 826 people visited the library and 140 829 books were given out.

Every year the role and influence of the trade union grows. This is evidenced by a positive assessment of its activity in 2010 made by the plant's employees during a comprehensive study of the social and psychological climate in the subdivision teams. Index of satisfaction with the activity of the trade union organization is growing from year to year and in 2010 it made up 0,59 (in 2009 - 0,58).

PRIMARY ORGANIZATION BRYU

Realization of the state youth policy by the works is built on the principle of mutual cooperation with the primary organization of “Belarusian Republican Youth Union” Young Specialists’ Union, Trade Union Committee and other public organizations acting at the enterprise. The works corporate program “Youth”



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is carried out by conducting an open constructive dialogue with the parties concerned and continuous improvement of the methods of informing, feedback and cooperation.

In conformity with the state strategy in youth policy the program implemented at RUE "BMZ" sets the priorities and cooperation directions for the parties concerned with regard to creating favorable conditions for the development and realization of the youth's potential in various spheres of the activity via:

- information support of the state in youth policy;
- civil formation, spiritual and ecological education of the youth;
- support of research and technology creativity;
- youth cooperation and creative potential development;
- healthy lifestyle and tourism development;
- improvement of the youth social security protection.
- Traditional meetings of young specialists to exchange work experience with the with the youth and representatives of:
 - state agencies;
 - regional, town veterans' unions of Gomel region;
 - young employees of RUE "PA "Belaruskali";
 - primary organizations of Belarusian Republican Youth Union, establishments, organizations and enterprises of the region;
 - youth of the industrial enterprises of the Republic of Belarus and CIS countries as part of scientific and technical conferences.

«BMZ primary organization of BRYU is the biggest one. It is also the largest in our country. Its work is organized in such a way that every young man has the possibility to work at the production and have a good rest, as well as take part in social activity. The system arranged at the plant gives good results. The success achieved by the plant allows the youth organization to hold its banner high up».

*A.E. Belyakov,
First secretary of Gomel Regional
BRYU Committee*

Informing and engaging young employees of the plant in realization of the state youth policy of the Republic of Belarus is carried out using all available means of mass media: corporate, republican, regional newspapers and other sources of information.

Having the priority right regarding the realization of the "Youth" program, the works primary organization of Belarusian Republican Youth Union prepares the photo reports, posters, information materials reflecting the issues of realizing state youth policy.

At present the organization has 1368 members that make 47% of the youth aged under 31 who work at the plant.

	Number of the members						
	2004	2005	2006	2007	2008	2009	2010
Primary organization of the Belarusian Republican Youth Union	439	561	1132	1308	1336	1313	1368



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The most significant activities conducted by RUE “BMZ” youth organization in 2010 were charitable campaigns:

- “BMZ Youth – to Veterans”. The veterans received congratulations and presents, they are assisted in improving of living conditions.
- «All children are ours». Clothes were collected for the pupils of the boarding school of Zhlobin.
- «Meet New Year with a Kind Heart!». Tickets for a comic show “Pupil, study were bought by Zhlobin primary organization of the public association of assistance for disabled children and young disabled people».
- «We – to children» – aid to the social – pedagogical centre of assistance for families and children in purchasing stationeries, detergents, equipment for the children’s room at the district hospital.
- «Pure Nature». Cleaning of the territory adjoining the Virsky artificial pond.

At the 4th republican sport rally of the trade union organizations RUE “BMZ” team won the first team place.

According to the results of 2010 the BRYU primary organization of RUE “BMZ” received commendation of Gomel regional BRYU organization for many years of cooperation and support of the social association Belarusian Republican Youth Union and was awarded an official letter of commendation of Zhlobin district BRYU for active participation in the implementation of projects and programs of Zhlobin BRYU organization

VETERANS’ UNION

The organization unites 1241 ex-employees and present time pensioners, who made their contribution into establishment and development of the Belarusian metallurgy industry.

All the organization activity was directed towards enhancing the status of the elderly, social recognition of their destinies and life experience, participation in social life, overcoming their isolation, changing the idea of ageing, understanding the story of their life owing to the dialogue of generations. The Veterans’ Union cooperates with the youth organizations of the plant during various events: admission to membership in BRYU, initiation into metallurgist, giving out diplomas and premiums to the best young specialists participating in scientific and technical conferences.

It has become a tradition to render material support to veterans, visiting them at home, conducting the gala nights of honoring the heroes of anniversary, organization of exhibitions of gardening season gifts “Golden Sunflower” and work of the amateur clubs: “Needlewoman”, “Music Saloon”, “Chess and Draughts”, “Veteran Choir”, “Sport Club”.

The organization members don’t stand aside of mass events, such as workside Olympics in various kind of sport; amateur talent groups competition “Song and Work Go Side by Side”; campaigns for providing material support to lower income families, handicapped children, visiting evening parties, concerts, hockey matches of the favorite team in the Ice Palace.

WOMEN’S UNION

In 2004 on the basis of the free union the works women established a primary organization “Belarusian Women’s Union” public association. The organization unites 1216 women which makes up 30,9% of the total number of RUE “BMZ” employees. The association acts considering their will and interests, cooperates



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with other public organizations standing on the platform of democratic reforms in the Republic and contributing to strengthening social justice and protection of the population, defending women's interests and rights, increasing a woman's role in social, economic, public and cultural life.

The Union priority activities are:

- "Woman and production",
- "Woman and family",
- "Healthy lifestyle",
- "Organizational and informational work".

The organization has a significant work experience and many good and useful activities. They are: proposals to the Collective Agreement, solving problems together with the town authorities, meetings with interesting people.

Members of the Women's Union participate in inspecting the production culture and labor conditions; activities for maternity and childhood protection, children health improvement and strengthening of the family, take part in charity campaigns.

The Women' Union works in closely cooperates with the Regional Social Service Centre. The women of the works receive qualified legal and psychological assistance; there are a trust telephone line and Young Family Club; teacher editions, booklets and brochures regarding the issues of child upbringing and women's issues are developed and given out to the works women. In collaboration with the Center campaigns "Do Good" for collecting soft toys, "Mothers of the town – to village children" for collecting clothes and school supplies were held. Collaboration with regional organization "Red Cross" resulted in compilation of social passports for low-income families and offering

humanitarian aid in the form of clothes, foodstuffs, syringes and bandaging material. The Women' Union tell the stories about the women with active life stand, who unsparingly devote a lot of time to social life, on the pages of newspaper "Metallurgist" and TV channel "Nuance". The Union continuously encourages the works women's initiative in the social life sphere, make regular proposals regarding the issues of health, labor security and conditions, promoting health of women and their children, production and welfare culture; takes care of the family strengthening, protection of maternity and childhood, low-income families or families with many children, raising handicapped children. In its activity the Women' Union applies modern technologies. Regular sociological studies on diverse subjects are held. The site of the Women' Union was created in the work-wise computer network "INFO BMZ".

UNION OF SOLDIERS-INTERNATIONALISTS

130 soldiers-internationalists work in BMZ structural subdivisions. Issues of their labor, welfare, health improvement are reviewed at Union meetings involving the participation of the management and Trade Union Committee representatives. The union works in close collaboration with international organizations giving assistance in patriotic education. The works soldiers-internationalists annually take active participation in regional festival of Afghan Songs and the activities devoted to the Memory Day of Soldiers-Internationalists

UNION OF YOUNG SPECIALISTS

Over 300 young specialists work at the enterprise. The union considers all the issues related with young employees: their adaptation at the production, professional growth, research and technology activity, labor-saving work. The important part of the work is

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enhancing business and creative activity of the youth, organizing scientific and technical conferences, young employees' participation in such forums held at other enterprises, exchange of experience. In 2010 the young employees of the enterprise took part in the scientific and technical conferences of metallurgical industry of Russia and the Ukraine. Young employees demonstrated their developments which were awarded at these events.

One of the ways of realization of the long-term strategy of the staff potential development is selection and direction of young specialists to establishments to get post-graduate education so as to train its own high-grade scientific staff able to successfully implement the promising program of technical revamping of the enterprise.

UNION OF FOREMEN

The Union organizes its work in close contact with the personnel services and solves urgent issues of 556 foremen of the works. The Union holds public discussion and development of recommendations regarding the enhancement of the foremen role; participation in the activities for organizing professional, ideological and economic training of firemen; considers the issues of labor and moral education of the workers, strengthening labor and performance discipline, promoting the young workers reserve

Implementing the program of the development of human resources and training of the manager reserve the union of foremen participated in the organization and conducting of the seminar "Efficient Foreman", probation work of the young specialists who graduated in 2010, conferring the title of «1st and 2nd - class foremen» – 82 people, summary and popularization of the best experience of the foremen – nominees and winners of the professional Olympus contest.

Supporting the principles of social responsibility and developing charity initiatives of the plant foremen of the plant took an active part in the campaign "Doo Good – 2010" dedicated the day of disabled people.



«The International scientific and technical conference of young specialists acquired the reputation of an innovative site for interested thinking people able to suggest a concrete idea aimed improvement of the steel-making production, solution of technical and organizational tasks, manufacturing of competitive products with lower expenses ».

A.N. Savianok, General director of RUE "BMZ"



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UNION OF PHYSICAL TRAINING AND SPORTS

The Union solves the issues of planning, organization and conduct of sport-mass work in the enterprise work team. The Union confirms the schedule of conducting sports contests, tournaments, competitions and sportive health-improvement programs; considers the issues of their material and financial provision



MONITORING OF PUBLIC OPINION OF THE SOCIAL PARTNERS

Assessment of the work of the public organizations acting at the enterprise, their influence on the working team life was given by the employees during the annual study of the social and psychological climate (the satisfaction index according to the criteria made up 0,61 against 0.59 in 2009).





RESPONSIBILITY FOR THE GOODS PRODUCED

«BMZ takes care of the quality of the goods produced. This is especially impressive because quality is the priority for Michelin. During 8 years of cooperation the Belarusian plant became one of the key raw material suppliers for us ».

*Laslo Istvan,
Purchasing director, Michelin*

RUE “BMZ” presumes that an efficient business of steel and steel structures production should be formed on the basis of continuous enhancement of quality management, thereat providing for production with the quality meeting customers’ requirements and expectations. Supporting and implementing the principles of social responsibility for the goods produced, Byelorussian Steel Works became an active member of the Central and West Europe Quality Leaders Club since 2008. The club unites winners, laureates, and finalists of the international quality tournament.

In order to meet the requirements of its customers both on the domestic and international markets, the plant processes various grades of steel and produces the following material: concast billet, sections and structural shapes, pipes, steel cord, wire and steel fiber. The feedstock for the production is secondary raw materials is steel scrap.

The plant’s production is in demand with the consumers, and competitive; and over 80% of the plant’s production is exported to all continents of the world.

GENERAL PROVISIONS

The products manufacturing and packaging are safe for human health and environment.

The plant’s Director General and its deputies ensure that the liability aspects, as regards the production, are as follows:

- ensuring of security and health of customers when in contract with the products;
- relevant production labeling and marking;
- marketing communication with customers and suppliers;
- privacy of the customer employees;
- compliance with the established requirements.

During production and sales, the plant’s management implicitly follows principle 1 of the EN Global Compact. In compliance with principle 8 of the UN Global Compact the plant’s management undertakes initiatives and holds activities aiming at reduction of the production I impact on the environment which is covered in the section “Environmental Protection”.

The plant’s management’s standpoints as per liability aspects are outlined in:

- Corporate Policy;
- documentation of the Corporate Management System listed in this section;
- Code of Ethics.



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PRODUCT LIFE CYCLE

Structurally, RUE "BMZ" is composed of three basic production lines (steelmaking, production of rolled material and steel cord and wire manufacturing), infrastructure shops and subdivisions of the enterprise's activity management. The steelmaking production includes a scrap yard and two electric melt shops. Acceptance, storage, classification and processing of scrap are performed in the scrap yard. The scrap yard is equipped with overhead cranes and racks used for loading material into charging baskets which are delivered to the melt shops by scrap trucks. The steelmaking production is represented by three powerful electric arc furnaces with the capacity of 100 tons each. The steelmaking process is intensified by the application of gas and oxygen technologies. Deoxidization and alloying of steel is performed in a ladle. Finishing of steel chemical composition is performed in special ladle furnaces and vacuum degassers. Steel is cast by three continuous casting machines; two of them being six strand units producing billet crosssection 125x125 mm and one – a four strand machine with 250x300 and 300x400 mm billet crosssections. The high tech rolling production is represented by a modernized small section rolling mill 320, wire rod mill 150, duo reverse rolling mill 850 with a set of equipment for production of rolled sections, structural shapes, wire rod for various applications, and reinforcing steel against standards of Germany, Holland, Great Britain, Finland, Sweden, Norway, Austria, Poland and Russia. Certification of the above products was performed by the national agencies of the stated countries. Slitting process when a product is divided into several strands was mastered which, actually, represents a new and promising direction in rolling production methods.

June 2007 witnessed commissioning of a pipe mill the equipment for which was supplied by SMS Meer, a German company. The designed capacity of the pipe mill equals to 252 thou. tons per year; the finished pipe size range varies from 21.3 to 168.3 mm. The amount of \$270 mln. was spent for this

project implementation. First piercing of a hotrolled seamless pipe took place on June 29, 2007, and at the end of 2008 the mill approached its designed capacity.

Hardware production is composed of three steel wire shops, powder metallurgy and die shop, and a container and package shop.



Today BMZ reached such a level of quality that allows it to compete with world steel producers of high price range. We are quite optimistic regarding the expansion of sales prospects».

*Vyacheslav Kushnaryov,
Director of BEL-KAP-STEEL LLC (USA)*

Steel cord production is a most complicated science intensive process which presupposes production of brass coated steel wire diameter 0.15 mm out of cast billet size 250x300 mm, capable of sustaining high mechanical loads. The plant is the main supplier of such world recognized tire manufactures as Continental, Michelin, Goodyear, etc.

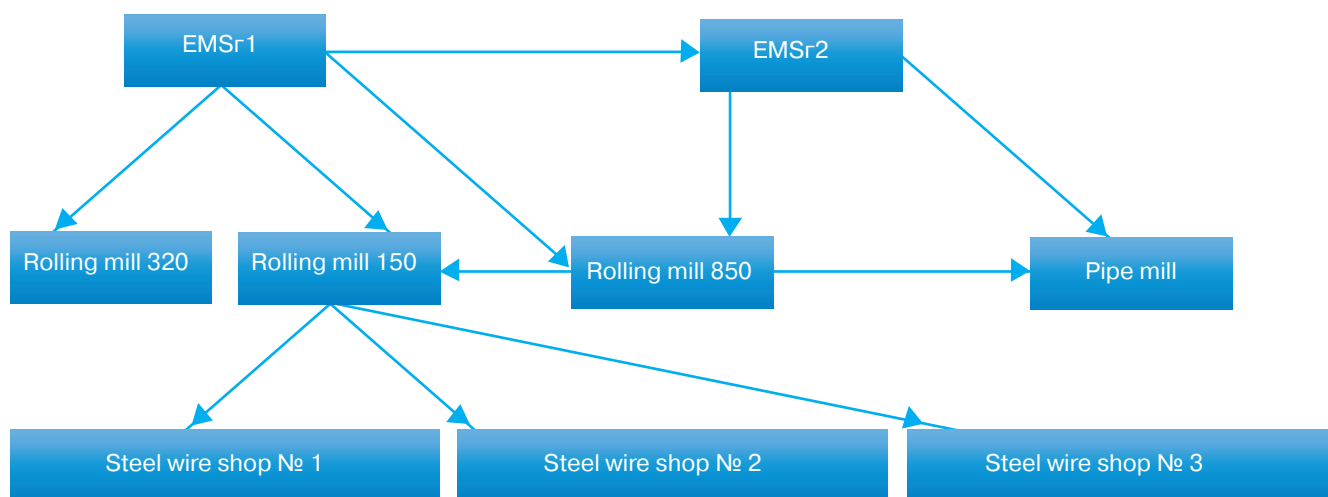
Another important hardware product enjoying keen demand is the wire for high pressure hoses (hose wire). With respect to automation and equipment level, wire production is one of the highly

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developed in the world. The plant's specialists are successfully developing and implementing new steel cord constructions taking into consideration global development tendencies and tire requirements of the automotive market. More than 60% of the produced steel cord is dispatched into 18 farabroad countries. The export share of the hose wire delivered to the farabroad countries has always remained high and today it makes up about 90%. In order to satisfy the requirements of the consumer companies, RUE "BMZ" specialists have developed a wide range of hose wire types beyond the project scope, including highrtensile and ultra highrtensile types. The range

of wire production output is not limited by the abovementioned assortment. The plant produces bead wire, welding copperrcoated and nonrcopperr coated wire, dierroled coldrdeformed reinforcing wire for concrete reinforcement, spring, spoke, nail, general purpose wire and steel fiber (anchor, wavy, microrfiber).

The plant's infrastructure is represented by repair shops for power, electrical and mechanical equipment, production provision with fluids and electric power, railway and transport shops, and such other auxiliary departments



Scheme of the main technological cycles of RUE "BMZ"



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CUSTOMERS' HEALTH AND SAFETY

Main customers of RUE "BMZ" are machiner building and motorcar construction enterprises, hardware, tire, pipe and reinforced concrete structure plants of the neighboring and faraway countries and those of the RB.

RUE "BMZ" is aiming at production of quality goods and services, advantageous and safe for the consumers' health. The best quality assessment of the plant production is its high competitive ability and continuously increasing sales turnover.

In order to provide the inner market security, safety of the citizens and environmental protection, the Republic of Belarus, Russia, EC countries and some other states do not allow to import products which are not certified for the compliance with the requirements of their national standards

Production certification in compliance with the requirements of national and international standards was commenced at RUE "BMZ" in 1991, and has been successfully performed thereafter. Quality and security of the RUE "BMZ" products complying with the requirements of the national standards of its customers is certified by conformity certificates issued in Russia, Belarus, USA and most of the EU countries. Following the results of 2010, RUE "BMZ" holds 47 compliance certificates for various types of products. Quality and security of the RUE "BMZ" products and their compliance with normative documents is systematically checked in the course of supervisory audits with the frequency established by the certification rules of every certain country (1, 2, 3 times a year).

Confidence in the stable quality of wire production is ensured by the quality system existing at the enterprise and certified for the compliance with standard ISO/TS 16949:2009.

Quality management system of wire production is approved by the representatives of wire consuming companies: Michelin (France), Continental (Germany), Goodyear (Luxembourg), Eaton (USA, Germany), Manuli (Italy), Parker (Italy), Diesse (Italy), Alfagomma (Italy), Knapheide (Germany) and others, which perform the counterparty audits.

The Central Plant Laboratory is accredited for the compliance with ISO/MEK 17025 requirements.

In 2009 Republican Unitary Enterprise «Byelorussian Steel Works» together with Belmet Handelgesellschaft m.b.h. (Linz, Austria), its representative in EC countries, and in accordance with REACH regulation No. EC 1907/2006 arranged the procedure of preliminary registration of the chemicals contained in its products delivered to EC in the amount exceeding 1 ton per year.

Concast billet was preliminary registered as the product which chemical composition is considerably changed during further processing. All the remaining products of our enterprise refer to products not subjected to chemical composition changing and not emitting any substances during further normal use, and thus not requiring registration (SVHC). All "BMZ" products do not contain substances of increased hazard (SVHC)

The main goal of the REACH system is to provide high level of human health and environment protection, including promotion of alternative methods of substance hazard assessment, and free turnover of substances within the domestic market of the European Union, thereat enhancing the competitive ability of chemical industry of the Member States and facilitating innovative technologies introduction.

In order to inform product consumers on safe application during further processing, safety data

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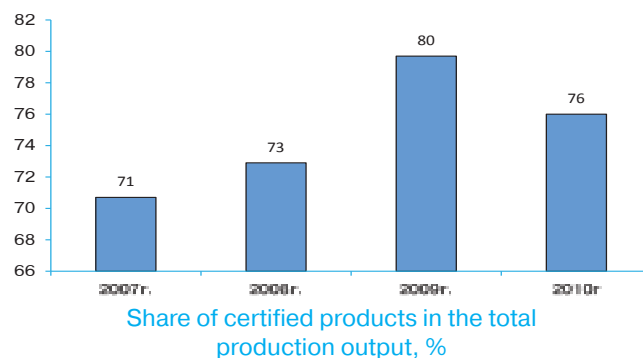
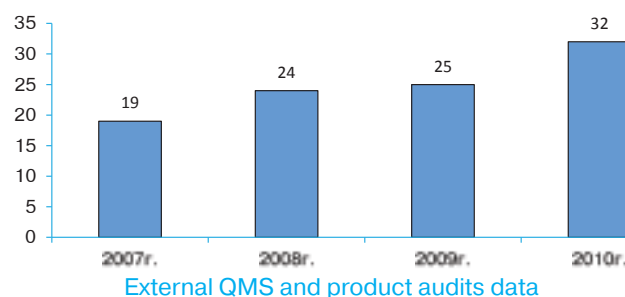


«Organization of hardware production and effectiveness of the quality management system are highly estimated».

*Pavel Naroda,
Representative of TÜV International s.r.o. TÜV Rheinland
Group*

sheet for serial production are executed in compliance with GOST 30333 and such other technical regulatory legal acts as established by the organization's standard STP 840rKSMr7.5.1.2 "Management facilities of production process. Special processes. Special characteristics of the production and special parameters of the process". In compliance with the customer requirements, the production inspection with respect to radioactive safety is performed at the plant with the subsequent delivery of the relevant certificates to customers.

Packing, storing, handling operations and delivery of products is performed by the personnel in compliance with the requirements of the enterprise's standard STP 840rKSMr7.5.5 "Production and maintenance. Ensuring the production compliance. Procedure of the finished product dispatching". Materials ecologically sound and harmless for human health and environment are used for packaging.



PRODUCT MARKING WITH APPROPRIATE INFORMATION

All products supplied to the customers are marked and accompanied by a quality certificate. The product marking is performed in compliance with the plant regulations on the marking requirements, and includes information on the manufacturing country, trade mark of the plant, supply contract number, consignment number, country of destination, weight and other quality information.

Packing and shipment are in accordance with the requirements of the existing process documentation with consideration of the requests and requirements of the customers stipulated in the contract.

In August 2006 a permit to use the "CE" mark on structural steel rolled section under the requirements of directive 89/106/CE and BS EN 10025r2004 was for the first time received from CARES. In February



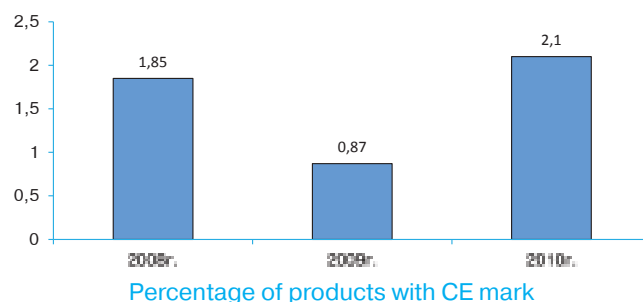
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2008 TÜV NORD Systems (Germany) issued a new compliance certificate for the right to attach the “CE” marking to:

- hotrolled seamless hollow profiles of structural steel grades with strength groups ranging from S235 to S355 in compliance with the requirements of annexes A and B of DIN EN 10210r1:2006 and Directive 89/106/EEC of the EC Council for construction production amended by Directive 93/68/EEC of the European Council;
- hotrolled steel bars from structural steel with the strength groups ranging from S235 and S355 in compliance with the requirements of the European standard DIN EN 10025r2:2005 and Directive 89/106/EEC of the European Council for construction production amended by Directive 93/68/EEC European Council.

In 2010 TÜV NORD Systems (Germany) issued certificates for the right to apply CE mark on:

- seamless pipes S 195T series H and M, as well as L, L1 and L2 type at Ø 21,3mm to 165,1mm of unalloyed steel for welding and threading in accordance with the requirements of DIN EN 10255:2004+A1:2007 and Directive 89/106/EC of the EC Council for building products amended according to Directive 93/68/EC of the EC Council;
- steel fiber with end anchors for reinforcement of group I concrete in accordance with the requirements of DIN EN 14889r1 and plant’s specifications 1001r0/CCr2010 to 1014r0/CCr2010 and Directive 89/106/EC of the EC Council for building products amended according to Directive 93/68/EC of the EC Council;
- steel microfiber for reinforcement of group I concrete in accordance with the requirements of DIN EN 14889r1 and plant’s specifications 1015r0/CCr2010 to 1018r0/CCr2010 and Directive



89/106/EC of the EC Council for building products amended according to Directive 93/68/EC of the EC Council;

- steel wavy fiber for reinforcement of group I concrete in accordance with the requirements of DIN EN 14889r1 and plant’s specifications 993r0/CCr2010 to 1000r0/CCr2010 and Directive 89/106/EC of the EC Council for building products amended according to Directive 93/68/EC of the EC Council.



«Quality is our basic advantage. Quality activity, improvement of the management systems help RUE “BMZ” be and remain a continuously developing and renewing organization considering all changes, tendencies and risks of the environment».

*E.A. Peratsiahina,
Quality director*



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Percentage of the goods with the CE mark in the production output in 2010 was 2,1 per cent .

During the accounting period two remarks were received from the customers regarding labels fixed to spools with bronzerplated bead wire and errors steel construction indicated on spool labels of several lots. So as not to have similar remarks in future, additional control of label fixing is arranged. The above remarks were discussed with the responsible personnel.

MARKETING COMMUNICATIONS

Marketing strategy for the years of 2010r2015 is aimed at maximum export buildup in all directions and product groups while preserving traditional distribution markets and assimilating new ones, adhering to the maximum possible aggressive foreign trade policy, using established trade and economic relations, widening presence on traditional markets with absolutely new product types.

Approaches to marketing strategy implementation:

1. Improvement of export infrastructure and diversification of export geographic structure;
2. New productions development;
3. Participation in exhibitions;
4. Cooperation with international marketing networks, advanced training of experts in foreign economic activity of RUE "BMZ";
5. Pricing policy diversification

MUTUALLY BENEFICIAL COOPERATION WITH CONSUMERS OF THE PLANT'S PRODUCTS

Our consumers are the most interested parties for us because such cooperation is profitable for the plant. RUE "BMZ" is guided by needs and expectations of its customers, strives for the fullest satisfaction of the partners' requirements in its activity.

In order to study and specify customer requirements, the plant constantly arranges meetings with its customers, studies domestic and foreign developments in the field of production quality improvement and work quality optimization, performs analysis of market development tendencies.

Organization of periodic meetings and discussion of problems with its partners allow the enterprise to find efficient solutions of the existing and potential problems, realize possible product development and optimization directions.

Work with customers is organized in compliance with the Code of Business Ethics and enterprise standard STP 840rSMKr7.2 "Processes associated with customers. Procedure of the plant's product sales"

Every year following the annual work results, the plant undertakes an assessment of its customers' satisfaction with the help of feedback. Customer satisfaction assessment is a part of RUE "BMZ" business and is aimed at basic problems detection concerning cooperation with customers, determination of priority directions of its activity and production optimization of further development.

It is carried out in accordance with goal oriented order No.2 «Measures of improvement of quality and competitiveness of the marketable products» and methods of processing the assessment results UM 840rSMKr04r2005 developed on the basis of TK



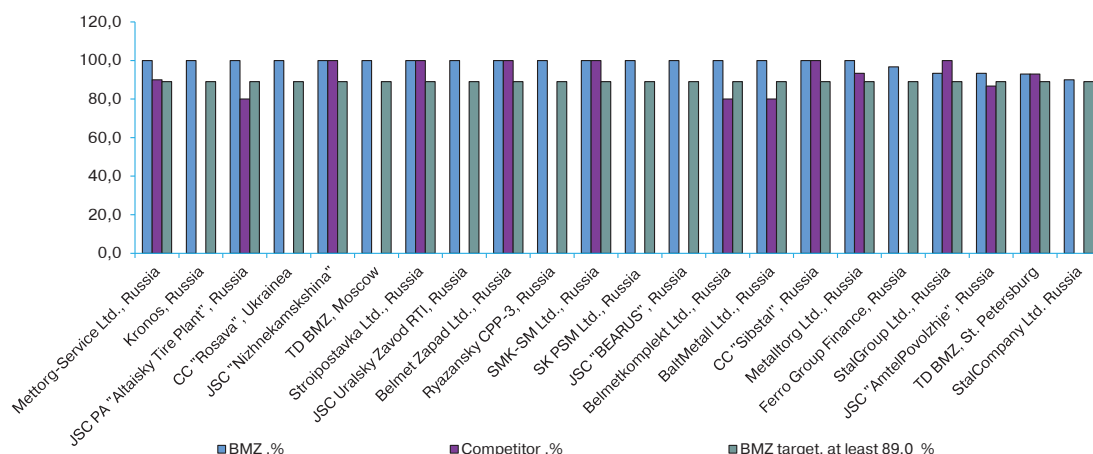
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RB 4.2rPr07r2002. So as to get high reliability of the results, the assessment is performed with consideration of the level of our customer satisfaction with similar goods produced by our competitors on the market concerned.

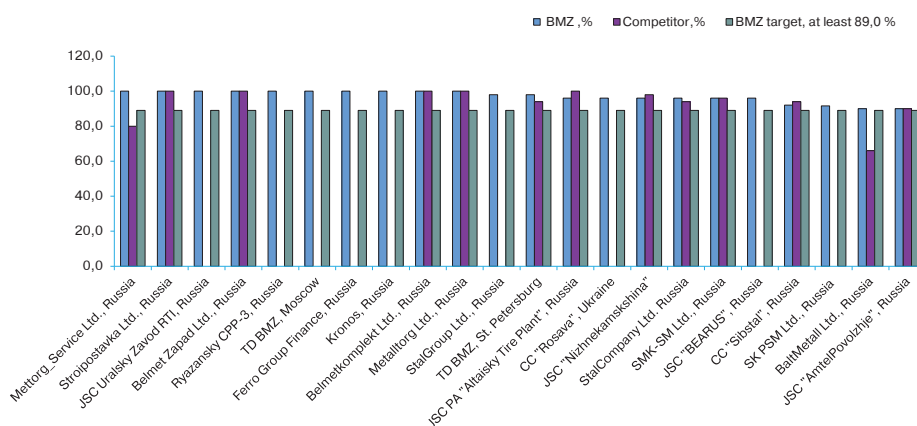
The diagram shows that 100% of CIS customers assessed the hardware product technical documentation as «excellent» and pointed out that at present the documentation meets the requirements of the customers.

«Our company is known as one of the most exacting customers. All Michelin suppliers are best producers in their branches of industry and this statement is applicable to BMZ».

*Laslo Istvan,
Procurement manager, Michelin*

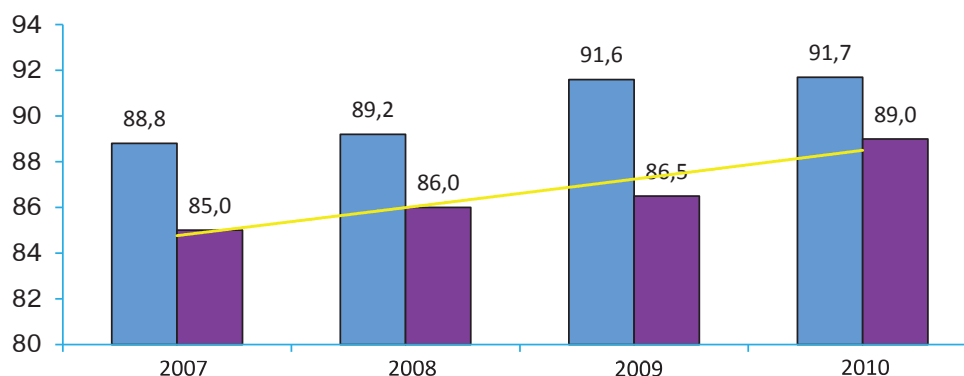


Assessment of customer satisfaction with product accompanying technical documents (completeness, content and execution quality) for 2010, %

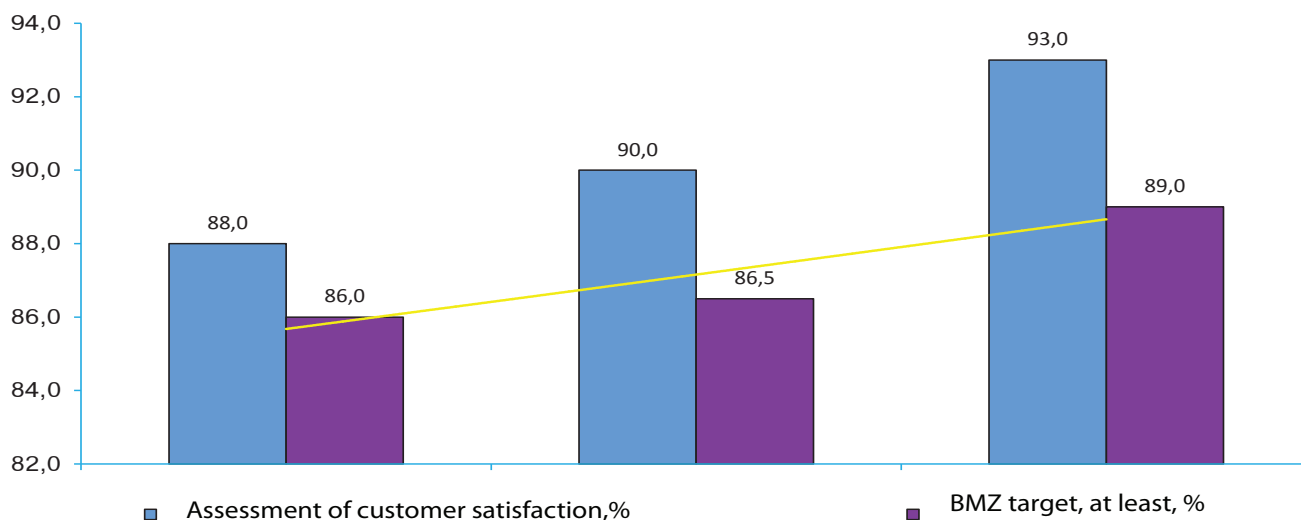


Assessment of customer satisfaction with hardware products quality (functionality, technical characteristics, reliability, packing, marking) delivered to CIS market, %

RESPONSIBILITY FOR THE GOODS PRODUCED



Assessment of customer satisfaction with the metallurgical products delivered to the market of far foreign countries, %



Assessment of customer satisfaction with the pipe products delivered to the market of far foreign countries, %

Effectiveness of the corrective actions developed based on the results of 2009 assessment is proven by the growth of the evaluation of the customer satisfaction with hardware product (91,7%) delivered by the plant to the far foreign country market in 2010.

Stable work of the staff aimed at production output increase, quality improvement, product range extension, and new pipe market development is adequately appraised by our customers. Since the time

our plant came into this market a positive tendency is observed in assessment of the customer satisfaction with our products.

Cooperating with its customers in accordance with the principles of the UN Global Compact the plant does not collect any information about private life and personal data of the customer staff. There haven't been any claims related to privacy infringement since the plant erection.



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MUTUALLY BENEFICIAL COOPERATION WITH THE SUPPLIERS

Another equally important party concerned is our suppliers providing the plant with stock and raw materials for our production.

The procurement procedure is regulated by the following acts of law: «Procedure of selecting a supplier (contractor, executor) to perform state purchases in the RB» approved by Decree No. 618 of the President of the RB dd. 17.11.2008; by the Decision of CM of the RB No. 1987 «Some issues of the state purchases» dd. 20.12.2008, by General Director's order No. 85 «Formation of a commission for purchases arrangement» dd. 30.01.2009.

RUE "BMZ" establishes honest and unbiased relations with suppliers based on reasonable pricing, recognizing license and trade rights. Cooperation with suppliers is organized in compliance with the Code of Ethics and enterprise standard STP 840rKSMr 7.4 "Procurement. Procedure of cooperation with suppliers", and Supplier Manual.

Selection of suppliers is performed based on:

- Study of market and supplier questioning.
- Rating on the commodity and services market.

Quality of the acquired resources (services) with consideration of data on consumer's quality management system functioning and its efficiency in the form of:

- results of mass regular supplies without reclamations or claims;
- compliance certificates for the management system and products of the supplier;
- supplier obligations to respect the rights and freedoms of the citizens in compliance with the principles of the UN Global Compact;



«Our cooperation with BMZ counts more than 5 years. During this period strong partnership relations were formed between our companies».

*Aleksei Vladimirovich Saratov,
commercial director of Petromaks (St. Petersburg)
(scrap supplier)*

- supplier consent to follow the Consumer Quality Manual of RUE "BMZ".

The activity of customers is assessed according to the following criteria:

- meeting volume and terms of product delivery (logistics);
- compliance of the delivered product with the established requirements and calculation of the delivered goods quality index (IQL) considering the existence of the supplier quality system, share of supplies with deviations in the total number of deliveries and consideration of deviation significance coefficient (loyalty);
- degree of the consumer loyalty to the plant and corrective actions execution.

Supplier quality assessment is reviewed at the plant quality meetings.

The plant's experts conduct supplier audits with the aim to develop partnership relations, improve the supplied products quality by means of optimization

RESPONSIBILITY FOR THE GOODS PRODUCED

Supplier assessment	Delivery quality index, %	Logistics, %	Loyalty to the plant %	Actual data, %	
				2009	2010
Excellent	IQL=95,1r100	100	100	28,5	37,20
Reliable	IQL=75,1r95	100	100	64,09	50,24
Acceptable	IQL=30,1r75,0	85r100	80r100	4,26	4,45
Unsatisfactory	IQL ≤ 30*	<85	<80	3,14*	8,11*

*the procurement from the given supplier should be stopped

Criterion	2008	2009	2010
Percentage of certified suppliers (supplier assessment bulletin data), %	44,5	58,2	44,2

The results of the supplier assessment

of the acceptable suppliers' management system according to the Supplier Assessment Bulletin for the previous period.

Following the cooperation results and assessments, a "List of Approved Suppliers" is drawn up and agents performing deliveries are specified.

The results of the supplier assessment are given in the table below.

Construction of an effective model of supplier cooperation and interaction allows the plant to implement plans and strategies, and achieve the targets set forth.

So as to perfume its activity successfully, special attention is paid to feedback. Being an essential component of the plant's policy, arrangement of feedback strengthens mutual trust, joins and unites the parties concerned from the point of view of unified public aims, values, and interests.

RUE "BMZ" implements the principles of openness, involvement and balancing of interests and being guided by them it organized the first in its history international conference of suppliers which evoked a warm response of the suppliers. Representatives of

Belarusian, Russian, German, Italian, Chinese, British, Polish, Latvian and Finnish enterprises took part in the conference. General Director of BMZ welcomed the participants. He pointed out that such conferences are not only a way to solve current issues, but a nice possibility to establish and strengthen personal contacts, get acquainted with our enterprise, and use this event for constant exchange of opinions so as to develop and establish longterm relations. Establishment of open and transparent relations with clear joint aims is an essential condition for successful and mutually advantageous cooperation between our companies. Being a highly technological company RUE "BMZ" is guided by generally accepted business principles based on observation of ethic, legal, and social norms in its activity. That is why we have the right to expect similar business approach from our supplier».

Within the framework of the conference RUE "BMZ" managers made reports on directions of further interaction with the parties concerned and RUE "BMZ" development.

Best suppliers of 2010 were awarded diplomas and special prizes



COOPERATION OF THE PARTIES



At present the enterprise pays much attention to the social sphere. Citizens who are not members of the plant's staff also feel it. They are active participants of the events organized by Byelorussian Steel Works, and are grateful to the plant ».

*V.V. Khodorenko,
Deputy Chairman
of Zhlobin District Executive Committee*

The plant cooperates with an extensive number of the parties concerned, which goes beyond the frameworks of its production activity. RUE “BMZ” sets forth a unified approach to the social activity management, including a great majority of various instruments; thereat, the principle of targeted and individual approach is always preserved with respect to every group of the parties concerned. Successful business is impossible without favorable socio-economic environment both internal and external. Investing into the development of the region of our presence now, we are currently creating potential for economical, social, material and spiritual growth of thousands of people. It also means that we form a stable and free society confident in tomorrow.

Being a socially responsible enterprise, RUE “BMZ” cooperates with the parties concerned adhering to the following approaches:

- observance of the legislation and legal norms of the Republic of Belarus as well as principles of the UN Global Compact;
- involvement of all elements and participants of cooperation;
- disclosure of a complete and reliable information on the results in the field of economic, ecological and social activity;
- promotion of responsibility for the assumed obligations and their execution;
- observance of universal norms and values;
- formation of favorable internal and external environment;
- maintaining of reasonable balance of interests of the plant and society.

RUE “BMZ” is a part of the society and it supports civil initiatives in the field of economic, social and cultural development of the region of presence, preserving cultural heritage, national originality, environmental protection, healthcare and welfare of the population and employees.

COOPERATION WITH THE CIVIL SOCIETY

Byelorussian Steel Works is a township-forming enterprise defining not only the appearance but also the character of Zhlobin. Throughout its history the plant was involved into construction creating industrial and social infrastructure of the town. The first facility built by “BMZ” was the boiler house “Severnaya” commissioned in 1983.



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Due to "BMZ", Zhlobin takes advantage of 5 educational schools, 9 nursery schools, 7 stores, a restaurant, a hotel, children's department for 120 people and surgical building for 240 patients of the regional hospital. For a convenient highroad service, a viaduct over the rail track was build connecting two parts of the town.

There was time when we had no stable reception of the republicans and regional TV programs. This problem was solved with the help of a relay station installed by the plant. Liberators' Square became a real adornment of the town. A new building of school No.1 was built by the plant as well as sport centre with a skating rink and an aquarpark.

The town streets were renewed, convenient transport communication of the developing "metallurgic capital" is assured by 3 viaducts. Today Zhlobin is a rapidly developing town with modern districts, various sport and cultural facilities.

The plant's management realizes that social and economic stability in the region of its presence affects the longterm stability of business. That is why it is strategically expedient to abide by the corporate responsibility policy both with respect to the employees and with respect to the local communities. Investigating the peculiarities of the social and economic development of the region of its presence, the plant defines the priority directions and forms of social activity. Besides fulfilling tax obligations, RUE "BMZ" initiates cooperation with regional partners and supports programs and projects aimed at social infrastructure development.

Helping the region, the plant thereby establishes effective relations with the local authorities and community opening opportunities to develop its business over the certain territory, to implement new projects and engage qualified personnel.

RUE "BMZ" is searching for optimal correlation of its social obligations and actual potential, maintaining balance between the needs of the region and business concerns. What for its practical activity, the plant creates relationship with the civil society with due consideration of the results of the comprehensive research "Plant and its employees as viewed by the townspeople". Annual multidimensional research is carried out with the purpose to study the opinion of the townspeople within the region of the plant's presence as concerns the degree of BMZ influence on the vital activity of the region.

Steady development of the region of presence is an important component of the plant development strategy aimed at solving of priority tasks within the field:

- assistance to the steady development of the territory of presence;
- maintaining stable social and economic environment in the local communities;
- development of partnership relations with the regional authorities and local administration;
- creation of comfortable living conditions for the plant employees and population of the region;
- establishment and maintaining the image of conscientious and attractive employer.

COOPERATION OF THE PARTIES

Charity and sponsorship

BMZ policy in the field of charity and sponsorship is aimed at facilitation of the formation of the socially accepted image of the efficiently operating and socially responsible enterprise, to affect the public recognition of the social importance of metallurgy, to consolidate its standing and enhance the loyalty to RUE "BMZ" on the part of all interactive groups and the civil society.

Charity and sponsorship performed by the plant not only facilitate the formation of its image but

actually helps those in need to raise their level of living and solve major problems.

RUE "BMZ" actively participates in the process of resolving of the socially important tasks on the regional and nationwide level. The priority directions of the corporate charity and sponsorship activity are defined as follows: ecology, support of education, sports and social objects on the territory of the plant's presence. The distribution of funds allocated by the plant for this purpose is given in the table.

Category	2009	2010
Sponsorship, total (\$ thou.), including:	8 894,1	9 485,9
Financial aid to the development of physical culture and sports in the RB, total:	4 822,8	7 168
Financing of a sport center construction in Zhlobin	269,5	2 350,5
Aid to the "Hockey Club CJSC" "MetallurgrZhlobin	4 163,2	3 978,0
Aid to the SE "Gomel Volleyball Club, Ltd"	363,11	839,5
Aid to outside organizations, total:	4 071,2	2 317,9
construction of the National Park "Prypiatsky	3 761,1	1 936,2
Organizations of Zhlobin and Zhlobin district, in particular:		
r complete repairs of the rural Cultural Centre in the village of Paporotnoye	310,1	
r Zhlobin Central Regional Hospital	53,7	
r Zhlobin Center of Hygiene and Epidemiology	7,2	
r repair of highways in Zhlobin	19,7	
r district PC «Belarusian Union of Veterans of Afghanistan War»	35,8	4,7
r DAUAE «Paporotnoye»		377,0
Organizations of other towns within the region of presence	423,6	0

Distribution of Finance, directed the plant



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A new direction is developed at RUE "BMZ": personal participation of the personnel in charity activity. The main result of this work is mastering of the mechanism of operative assistance to people. In 2010 plant's workers actively participated in the following charity actions: «All children are ours», «Do good», «We to children», etc. Results of personal participation of the employees in charity activity are given in the table below.

Realization of the scheduled activities had a favorable impact on the plant cooperation with the main groups

of stakeholders: authorities, civil society, ecology community employees. It helped to strengthen BMZ reputation as a socially responsible enterprise and achieve the highest social and economic efficiency from the money spent on charity and sponsorship purposes.

According to the results of the professional contest "Brand of the Year – 2010", RUE "BMZ" was awarded a golden medal "Active Social Position" in the nomination "Socially Responsible Brand".

Name of the action	Amount collected (в \$ США)	
	2009	2010
Belarusian peace fund	206,3	3 533,8
Red Cross Society	1 229,5	1 519,1
ОСВОД		409,7
Republican public cultural action «Belarus is us!»		1 007,4
«We to children» (for the children of Zhlobin comprehensive boarding school)	35,5	671,6
«Do good» (dedicated to disabled people day)	2 113	396,9
«All children are ours» (funds for purchasing school accessories collected together with the social service centre)	105,6	
«Help our mom» (collection of funds for surgery)	4 033,2	
«Help Lena Sinilo» (fundraising for medical treatment)	532,8	
For the construction of the Church of Martyr John the Warrior in Zhlobin	1 683,1	
For the reconstruction of the building of the local history museum in Zhlobin		1 800,0
Total	9 939	9 338,5

The results of the personal involvement of staff in charity

COOPERATION OF THE PARTIES

COOPERATION WITH MASS MEDIA

The plant closely cooperates with the regional mass media informing the public of the results of its production activity, major actions and events providing relevant and truthful information including the corporate website. Interviews with the plant's management are published in newspapers and magazines of the Republic of Belarus. The most important events of the enterprise's activity are all the time covered by television. RUE "BMZ" is striving for informational openness and transparency of its activity realizing the exceptional importance of the interaction with mass media.

In B 2010 the enterprise's activity was covered in 79 publications of printed editions (in 2009 r in 66) and in 44 video reports (in 2009–18). Information of the plant was given in the following newspapers and magazines: «Sovetskaya Belarussia», «Respublika», «7 dnei», «Zvyazda», «Narodnaya Gazeta», «Gomelskaya Pravda», «Znamya Yunosti», «Novy Dzen», «Ekonomicheskaya Gazeta» and magazines: «Naviny Tydnya», «MetallrCourier», «Casting and metallurgy»; as well as on the channels of state television and radio companies: «Belarusian Television», «Public National Television», «Capital Television», «LAD», «MIR», «Gomel Radio».

Two times a month information about the plant performance is published on the republican web sites.

3 press conferences were held with representatives of mass media dedicated to:

- Outlook of RUE "BMZ" fiber application;
- RUE "BMZ" solution of environmental issues;
- Modern Belarus: a detached view within the V Belarusian International Media Forum in Gomel region.

- RUE "BMZ" strives for informational openness and transparency of its activity as it understands the importance of interaction and exchange of experience with all parties concerned. In 2010 the following arrangements were organized and took place on the basis of RUE "BMZ":
- lecture "Main directions of formation of healthy lifestyle in labour collectives" delivered by V.V. Kirilenko, professor, doctor of sociological sciences, prorector of Gomel State University named after P.O. Sukhoi;
- lecture "Urbanization and health" delivered by E.N. Chertko, Deputy Head Doctor of the medical and sanitary division of the plant;
- lecturerseminar «Belarus in geopolitical area and activity of the political parties and public organizations in the Republic of Belarus» delivered by V.F. Gigin, editor in chief of the magazine "Belaruskaya Dumka";
- International scientific and practical seminar «Outlook of RUE "BMZ" reinforcing steel fiber application" participated by representatives of scientific and business community of our country and near and far foreign countries;
- training seminar "Study of leading experience of RUE "BMZ" in organization of ideological work and work with personnel» organized for the representatives of Mozyrsol JSC;
- assize board of the Ministry of Industry of the Republic of Belarus;
- ceremonial visit of a delegation of Continental (Germany) dedicated to the 15th anniversary of the cooperation agreement;
- scientific and practical seminar «STB 1777r2009 – the basis for power saving»;



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- assize session of the Standing Committee on residential housing, trade, and privatization of the Chamber of Representatives of the National Assembly of the Republic of Belarus;
- International school of studying the leading experience of steel making. Belarusian steel makers and representatives of the largest Russian steel enterprises participated in the work of this school.

In accordance with the principles of the UN Global Compact RUE "BMZ" ensures free access to the information, develops external communication, and acknowledges its readiness for open dialogue with the parties concerned. So as to exchange experience in preparation of RUE "BMZ" social report in accordance with the international standard of the Global Reporting Initiative, arrangement and provision of efficient functioning of the social responsibility system in the structure of the plant's corporate management system, representatives of the enterprise took part and made a presentation at the regional forum of the representatives of the business community of Gomel region «Corporate social responsibility as a factor of competitiveness and a tool of a steady social development» and at the IV General Meeting of the members of the Local network of the UN Global Compact in Belarus.

COOPERATION WITH GOVERNMENTAL BODIES

RUE "BMZ" builds up cooperation with all the parties concerned on the basis of the following basic principles: respect and consideration of interests, opinions and preferences, openness and transparency, trust and sincerity, implicit abidance by the legislation, international and Belarusian standards, responsible fulfillment of the assumed obligations, respect of the history, culture, traditions, way of living and heritage of the people residing within the business territory.

Ensuring compliance of the activity and strategy



«In a difficult period the plant's employees managed to unite and keep its production. People work and get adequate salary. The enterprise makes profit and sells all its products. It means a lot for the region».

*L.N. Apanasyuk,
Chairman of Zhlobin District
Executive Committee*

of the plant development with the general social and economic direction and interests of the country and region of the business activity is a highly important task facing the plant employees. Constructive interaction with the governmental bodies helps RUE "BMZ" to find solution of this rather complicated task.

Decisions on burning issues of the social and economic development of the region, work with the youth, holding joint events, and optimization of medical care for the population are taken by the plant's management and local authorities in the course of monthly business meetings.

Prospects of Gomel region development, progress of the socially important programs, extension of the plant's export policy, plans for designing and construction of sheet production are regularly discussed by the Director General with the region governor A.S. Yakobson and deputy Primer Minister of the RB V.I. Semashko during their frequent visits to the plant.

The plant's management believes that participation of its representatives in the work of elected authorities would be important for the

COOPERATION OF THE PARTIES

formation of parity relationships with the governmental bodies and formation of the state policy. The loyalty of the region population to the plant and its employees is proved by the outcomes of the election campaigns resulted in 12 plant employees being elected to local, regional and republican regulatory bodies:

- Zhlobin Regional Deputy Council – 109 persons;
- Gomel Regional Deputy Council – 1 person;
- House of Representatives – 1 person.

Alongside with that, RUE “BMZ” did not provide donations in favour of any political parties or individual politicians.

«In spite of the crisis and difficult conditions RUE BMZ” management finds a possibility to finance research and practical works related with the development of one of the most important directions the area of construction. Due to the funds assigned (we have been cooperating with BMZ for two years), technical specification of 17 types of fiber were developed ».

*Nikolai Pavlovich Bleshchik,
Honoured Science Worker of RB*

COOPERATION WITH SCIENCE

Innovative development of industry is a guarantee of economic security of Belarus. The plant follows the route of innovative development courageously implementing new projects. By the decision of the State Committee on science and technologies of the Republic of Belarus adopted in 2008 BMZ was included into the register of high-tech enterprises of our country.

Byelorussian Steel Works established strong relations with the National Academy of Sciences of the Republic of Belarus. The enterprise cooperates with the institutes of powder metallurgy, hot-rolled metals, metal technology, and polymer system mechanics. Scientists do a lot for BMZ developing special technologies. The economic effect of such cooperation results in billions of roubles.

Specialists of the Institute of Energetics of the National Academy of Science of Belarus are finalizing their study of the enterprise from the point of view of power consumption. The result of this work will be formed as a perspective program of the power consumption efficiency improvement till 2013.

The plant's cooperation with science has a multifaceted character. The preparation of advanced specialists in engineering is performed together with the leading higher education establishments of the country. The affiliate of the department “Machines and Technologies of Foundry Production” was opened together with Belarusian National Technical University. With the purpose of further development of the interaction with educational establishments in the field of development and realization of personnel training programs on the basis of RUE “BMZ” in 2010 or 2011, it is planned to establish an affiliate of Gomel State Technical University named after P.O. Sukhoi.





ANNEX

ANALYSIS OF TARGET INDICES ACHIEVEMENT FOR 2010

Indices	2009	2010	
		planned	actual
1. PRODUCTION AND ECONOMIC INDICES			
1.1 Commodity growth rate in comparable prices min., %	89,6	110	114,0
1.2 Level of profitability of products sols and services rendered, min., %	3,7	5,0	6,6
1.3 Export, min., %	51,4	132,8	131,5
1.4 Import, max., %	61,8	117	138,3
1.5 Percentage of new products in the amount of industrial output, min., %	28,9	28,0	32,3
11.6 Power saving index, %	r3,4	r8,0	r8,0
2. QUALITY INDICES			
2.1 Level of rejects die to production shops, %	Fulfilled by all production shops		
2.2 Level of nonrconforming products			
2.3 Level of expenses due to defects per \$1000 of the commodity output, max. %	1,63	3,7	1,92
2.4 Portion of certified products in the total output, min. %	79,7	73,0	76,0
2.5 Assessment of satisfaction of external customers, min. %	93,3	89,0	93,0
2.6 Amount of claimed products as compared with 2009	18 (10,455t)	To be decreased by 10 %	Not fulfilled



SOCIAL REPORT 2010

Indices	2009	2010	
		planned	actual
3. ENVIRONMENTAL INDICES			
3.1 Percentage of production wastes allocation in the environment per one ton of steel made as compared with the level of 2009.	Decreased by 15,8%	To be decreased by 2 %	Not fulfilled (1,8 % growth)
3.2 Amount of recycled water supply as compared with the level of 2009	r	To be increased by 3 %	16% growth
4. LABOUR PROTECTION AND INDUSTRIAL SAFETY INDICES			
4.1 Level of production traumatism with serious outcome as compared with 2009.	8	Growth is not allowed	fulfilled
4.2 Improvement of conditions and provision of labour safety for the workers of the shops, persons.	1352	780	787
5. SOCIAL RESPONSIBILITY INDICES			
5.1 Training of managers and specialists, persons.	2578	1487	2110
5.2 Professional training of workers, persons.	4015	3551	4163
5.3 General satisfaction of the personnel, min., %	72	72	72,4
5.4 Salary growth rate, max., %	98,2	107,6	113,5
5.5 Employee turnover, max., %	1,63	2,5	2,4

ANNEX

LIST OF ABBREVIATIONS

API	American Petroleum Institute – nonrgovernment US organization carrying research works in oil and gas sector.
GRI	Global Reporting Initiative – independent nonrcommercial organization which mission is development and distribution of unified principles of accounting in the area of stable development in the world first of all with the help of Stable Development Accounting Manual. The organization was formed in 1988 and has its headquarters in Amsterdam and is managed by international experts of different organizations worldwide.
EFQM	European Foundation of Quality Management
ISO	International Organization for Standardization
OHSAS	Professional health and labour safety management systems
SA 8000	Social Responsibility 8000 standard
BMZ	Byelorussian Steel Works
BNTU	Belarusian National technical University
BRYU	Belarusian Republican Youth Union
GNP	Gross Domestic Product
GOST	State Industry Standard
SEE	State Educational Establishment
PCM	“Metallurg” Palace of Culture
ДСП	Electricarc furnace
CYSS	Children and youth sports school
EU	European Union
UWRB	Unified WagerRate Book
ZMF	Zhlobin Meat Factory
HB	Housing Board
InforBMZ	BMZ Information system
kg	kilogram
CMS	Corporate management system
PC	Purpose cources
MAZ	Minsk automotive plant
MSAI	Moscow Steel and Alloy Institute
CCM	Continuous casting machine
min	million
bin	billion
mm	millimeter
	Medical dpt.
MTZ	Minsk Tractor Plant
IFAS	International Finance Accounting System
NAS	National academy of science
NP	National park



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IID	Information and ideological department
UNO	United Nations Organization
OSD	Labour protection dpt.
ISD	Industrial safety dpt.
ODS	Ozonerdepleting substances
QMD	Quality management department
	Dust removal unit
MPL	Maximum permissible level
PA	Production Association
RB	Republic of Belarus
M&S	Managers and specialists
RUE "BMZ"	Republican Unitary Enterprise "Byelorussian Steel Works"
RF	Russian Federation
CM	Council of Ministers
MM	Mass media
CYS	Union of young specialists
CIS	Commonwealth of Independent States
RSS	Rolling section shop
STE	Plant's standard
STB	Belarusian standard
SWS	Steel wire shop
EMS	Environment management system
LSMS	Labour protection system
USA	United States of America
TR	Typical regulations
TS	Technical specifications
t.e.t.	Ton of standard fuel
thou.	thousand
FER	Fuel and energy resources
DEP& OC	Department for Environmental Protection and Occupational Sanitation
PTHCH	Physical training and healthcare centre
CEU	Central and Eastern Europe
RSPS	Refractory scrap processing shop
EFS	Electric furnace shop

ANNEX

TABLE OF STANDARD GRI REPORTING COMPONENTS (G3)

GRI item	Description	Reference in the report, page
1. Strategy and analysis		
1.1	Declaration by the Director General and the Chairman of the Board of Directors	2r3, 18, 26
1.2	Description of key impacts, risks and opportunities	2, 3, 6r9, 18r19, 25r27, 64, 66, 67r69, 71, 72, 74, 91r92, 94, 101, 108, 115, 119, 120r132, 154r157, 158r159, 160
2. Entity's details		
2.1	Entity's name	34
2.2	Major brands, types of products and(or) services	2r3, 12, 34
2.3	Entity's functional structure, including major divisions, operational companies, subsidiaries and joint ventures	35, 143
2.4	Entity's head office location	4, 34
2.5	Countries (regions) of entity's activities, which have most significance in terms of sustainable development issues covered within the report	34, 39
2.6	Pattern of ownership and form of incorporation	34
2.7	Markets entered by the entity (including geographical breakdown, service sectors, consumer and beneficiary categories)	3, 36, 37, 70
2.8	Entity's scope: <ul style="list-style-type: none"> number of employees; net sales (for private sector entities) or net proceeds (for stater owned entities); total capitalization with breakdown by borrowed and own funds (for private sector entities); quantitative details of production or services provided; total assets cost 	3, 23, 29, 35, 39, 66, 99r103
2.9	Major changes in entity's activities and(or) its property structure which occurred within the reporting period, including: <ul style="list-style-type: none"> establishing, closing and expansion of enterprises; changes in share capital structure and other actions implemented to form, maintain or alter share capital (for private sector entities) 	2, 36, 37
2.10	Awards for the reporting period	38, 43, 44r45, 82, 103, 111, 125, 126, 139, 157



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GRI item	Description	Reference in the report, page
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3. Report parameters

2. GENERAL REPORTING DATA

3.1	Reporting period (i.e. financial/calendar year) for reported data	2, 4
3.2	Publication date for the last of previous reports (if any)	4
3.3	Reporting cycle (annual, biannual, and etc.)	4
3.4	Contact details for issues in connection with the report and its contents	4, 59

REPORTING SCOPES AND LIMITS

3.5	Reporting content identification procedure, including decisions on reporting relevance and priorities as well as specification of interested parties to be considered as potential report users	4, 51r52, 58r60, 133r141
3.6	Reporting limits (countries/ regions, divisions/ facilities/ joint ventures/ subsidiaries)	4
3.7	Specify any scope restrictions or reporting limits	4, 52
3.8	Grounds for inclusion of data on joint ventures, subsidiaries partially owned by the entity, production facilities lease, partial transfer of functions to outside contractors and other circumstances of substantial influence on consistency with previous reports and/or reports by other entities	4
3.9	Measurement and calculation methods, including proposals and methods used to obtain indices and other data incorporated in the report	4
3.10	Details of nature and meaning of any amendments to information contained in previous reports together with grounds for any such amendments (i.e., mergers/acquisitions, changes in reporting periods, nature of business, evaluation methods)	4
3.11	Significant changes as compared to previous reporting periods with regard to scope, limits and measurement methods applied within the report	4

TABLE OF GRI CONTENTS

3.12	A table indicating arrangement of standard reporting components	4, 166r176
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GRI item	Description	Reference in the report, page
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VALIDATION

3.13	Policy and practical approaches applied for independent validation of the report (if validation record is not enclosed to the report)	
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4. Management, responsibilities and interaction with interested parties

MANAGEMENT

4.1	Entity's management structure, including principal committees forming senior management bodies, which are responsible for specific tasks, for example, strategy development and general supervision over the entity's activities	35, 48r51, 52
4.2	Specify whether the chairman of the top management body is simultaneously the company's executive manager (in case the answer is "yes", define the manager's functions within the entity's management structure and reasons for circumstances as above)	52
4.3	For entities with unitary boards of directors specify numbers of independent members in senior management bodies and/or member not included into the company's executive management	52
4.4	Mechanisms which could be used by shareholders or entity's employees to direct activities of senior management bodies or to give any recommendations to those	51r57, 74, 91, 92, 119, 132, 134, 135, 136, 140
4.5	Dependence of payments (including termination benefits) to members of senior management bodies, top managers and executive managers on the entity's performance (including social and ecological effectiveness)	49, 52, 110, 111
4.6	Active senior management body processes intended for prevention of conflicts of interests	48r51, 52, 58r60, 74, 97, 102r103, 133, 136, 142
4.7	Qualifying and competencerdefining procedures for members of senior management body essential to determine the entity's strategy on economic, ecological and social issues	49, 52, 102, 142
4.8	Message, declaration of values, corporate governance codes and principles elaborated inside the entity, which are of significance in terms of its economic, ecological and social effectiveness as well as their implementation stages	3, 6, 7, 8, 13, 14, 18r19, 26, 49, 51r52, 56, 60, 64, 72, 73, 74, 78, 81, 82, 92, 97, 98r99, 102, 103, 110, 112, 114, 115, 116, 120, 122, 145, 151
4.9	Procedures used by the senior management body to supervise evaluation and management of economic, ecological and social effectiveness by the entity, including activities concerned with identification and management of risks and opportunities and adherence to or providing compliance with international standards, corporate governance codes and principles	4, 6, 7, 8, 13, 14, 19r 20, 32, 38, 48r51, 51r52, 59r60, 65, 67, 72, 74, 78, 81, 97, 98r99, 102, 103, 104r105, 109, 112, 116, 132, 137, 142, 143, 145



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GRI item	Description	Reference in the report, page
4.10	Procedures for evaluation of its own effectiveness by the senior management body, in particular, with regard to entity's economic, ecological and social performance	6, 7, 8, 10r11, 12r14, 19r20, 23, 32, 38, 49, 51r52, 57, 58r60, 63, 65, 66, 67, 72, 74, 78, 81, 98, 102, 109, 112, 116, 141, 142, 145, 148r150, 151r152
PARTICIPATION IN EXTERNAL INITIATIVES		
4.11	Explanations as to whether the entity applies the precautionary principle and if yes, then how	2, 6, 7, 10r11, 12r14, 18, 25r27, 28r29, 32, 35, 52, 58, 59r60, 67r69, 72, 74, 78, 111, 112, 115, 148r150, 152, 154r160
4.12	Voluntary economic, ecological and social charters, sets of principles and other initiatives elaborated by third parties and joined and supported by the entity	10r11, 12r14, 18, 52, 78, 86, 90, 134, 148r150, 152, 154r160
4.13	Membership in associations (e.g., industry-specific) and/or national and international organizations for interest protection	10r11, 12r14, 16r18, 52, 58, 134r136, 137, 148r150, 152, 154r160
4.14	List of interested parties interacting with the entity	6r9, 10r11, 12r14, 18, 52, 58, 107r108, 133r134, 148r150, 152, 154r160
4.15	Grounds for identification and selection of interested parties for further interaction	6r9, 10r11, 12r14, 16r18, 52, 58, 70, 78, 99, 108, 133r134, 148r150, 152, 154r160
4.16	Approaches to interaction with interested parties, including interaction frequency by forms and interested parties	2, 6r9, 10r11, 12r14, 16r18, 28r29, 52, 54, 58, 63, 64, 78, 108, 133r141, 148r150, 152, 154r160
4.17	Key issues and interests raised and revealed in the course of interaction with interested parties and the way the entity accounted for these issues and interests	2, 6r9, 10r11, 12r14, 18, 28r29, 54, 58, 59r60, 78, 107r108, 133r141, 148r150, 152, 154r160

Indices of economic effectiveness

ECONOMIC EFFECTIVENESS		
EC1	Produced and distributed economic value, including profits, operating expenses, payments to employees, donations and other community designated investments, undistributed profits, payments to capital suppliers and states (basic)	9, 65, 66, 108, 110, 112, 114, 120, 129, 135, 136, 138, 154r157
EC2	Financial aspects and other risks and opportunities for entity's activities in connection with climate change (basic)	6, 7, 19, 24, 67r69, 82, 88
EC3	Securing entity's obligations concerned with pension schemes (basic)	122, 130, 135, 138

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GRI item	Description	Reference in the report, page
EC4	Financial support provided by public authorities (basic)	69
MARKET PRESENCE		
EC5	Reference wages to established minimum wages ratio in major regions of entity's activities (basic)	110r111, 112r113
EC6	Practical approaches to purchasing from local suppliers and share of such purchases in major regions of entity's activities (basic)	151
EC7	Procedures for employment of local population and number of senior managers employed from locals in major regions of entity's activities (basic)	29, 98, 99, 101, 103r105, 108
NONDIRECT ECONOMIC IMPACTS		
EC8	Development and impacts of investments into infrastructure and services provided by the entity for the society's benefits in the form of commercial, natural or charitable participation (basic)	18, 25r27, 66, 82, 108, 117, 121r132, 136, 138, 143, 154r157, 160
EC9	Details of nonrdirect economic impacts, including impact areas(additional)	18, 25r27, 66, 82, 108, 117, 121r132, 136, 138, 143, 154r157, 160
Indices of ecological effectiveness		
MATERIALS		
EN1	Used materials, with mass or volumes indicated (basic)	34, 80
EN2	Share of materials which are recycled or reclaimed wastes (basic)	80
ENERGY		
EN3	Direct energy use with indication of primary sources (basic)	81, 83, 88
EN4	Nonrdirect energy use with indication of primary sources (basic)	81, 83, 88
EN5	Energy saved by implementation of energysaving actions and measures on enhancement of energy efficiency (additional)	81, 83, 88
EN6	Initiatives on provision of energyefficient products and services or products and services produced with use of renewable energy and resulting reduction of energy consumption	26, 81, 83, 88, 92
EN7	Initiatives on reduction of nonrdirect energy consumption and results achieved (additional)	26, 81, 83, 88, 92
WATER		
EN8	Total water takeroff with breakdown by sources (basic)	89r90
EN9	Water sources significantly influenced by the entity's water takeroff (additional)	89r90



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GRI item	Description	Reference in the report, page
EN10	Share and total volume of recycled and recirculated water (additional)	2, 89r90
BIODIVERSITY		
EN11	Location and acreage of lands owned, rented or managed by the entity, which pertain to natural areas of protection and areas with biodiversity of appreciated value beyond or adjacent to those (basic)	74r79, 80
EN12	Details of significant impacts on biodiversity at natural areas of protection and areas with biodiversity of appreciated value beyond those, resulting from activities, production and services (basic)	74, 76, 80
EN13	Preserved or restored wildlife habitat areas (additional)	74, 76, 80, 92, 138
EN14	Strategies, implemented actions and future prospects with regard to biodiversity impacts management	74, 76, 80, 92
EN15	Number of species included into the Red List of the International Union for Conservation of Nature Resources and the national list of species under protection whose habitat areas are located within areas of entity's impacts, with breakdown by hazards to species existence (additional)	74, 76, 80
EMISSIONS, DISCHARGES AND WASTES		
EN16	Total direct and nonrdirect greenhouse gases emissions with their masses (basic)	85r88
EN17	Miscellaneous significant nonrdirect greenhouse gases emissions with their masses (basic)	85r88
EN18	Initiatives intended for reduction of greenhouse gases emissions and results achieved (additional)	2, 26, 85r88, 92
EN19	Ozonerdepleting substances emissions with their masses (basic)	85r88
EN20	Air emissions of NOx, SOx and other pollutants of significance with types and masses (basic)	85r88
N21	Total discharges with indicated waste water quality and the receiving facility(basic)	89r90
EN22	Total waste with breakdown by types and utilization methods (basic)	90r91
EN23	Total quantities and volumes of major spillages (basic)	90
EN24	Masses of transported, imported, exported or treated waste referred to as "hazardous" as per Annexes I, II, III and VIII to Basel Convention (additional)	90

ANNEX

GRI item	Description	Reference in the report, page
EN25	Ownership, size, protection status and biodiversity value of water bodies and associated habitat areas which are significantly influenced by entity's discharges and land runoff from facilities within its premises	89r90
PRODUCTION AND SERVICES		
EN26	Initiatives intended for mitigation (reduction) of environmental impacts associated with products and services and results achieved (basic)	26, 86, 90, 92, 146
EN27	Share of sold production and its packing materials returned for recycling by producer with breakdown by categories (basic)	90
COMPLIANCE		
EN28	Monetary value of major fines and total nonfinancial sanctions imposed for incompliance with ecological legislation and regulatory requirements (basic)	94
TRANSPORT		
EN29	Major environmental impacts associated with shipments of products and other goods and materials used in entity's activities as well as with personnel transportation (additional)	85r88
GENERAL		
EN30.	Total environmental expenses and investments with breakdown by types (additional)	92, 93r94

Effectiveness indices for approaches to labour management and establishing of good working environments

EMPLOYMENT		
LA1	Total labour forces with breakdown by employment types, employment contracts and regions (basic)	99
LA2	Total employees and labour fluctuations with breakdown by age groups, sexes and regions (basic)	100
LA3	Payments and bonuses provided for fulltime employees, which are not available to parttime or temporary employees (additional)	110, 135
EMPLOYEESrADMINISTRATION RELATIONS		
LA4	Share of employees covered by trade union contracts (basic)	132r133, 134r136
LA5	Minimum notice period (periods) with regard to major changes in entity's activities and information as to whether the above was established in the trade union contract (basic)	132, 133



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GRI item	Description	Reference in the report, page
HEALTH AND OCCUPATIONAL SAFETY		
LA6	Total share of personnel in official joint healthcare and safety committees involving administration and entity's employees, who participate in monitoring activities and work out recommendations on healthcare and occupational safety programs (basic)	117r118, 119, 139
LA7	Occupational traumatism, occupational diseases, lost days and absence from work ratios, and total work associated lethal cases with breakdown by regions (basic)	117
LA8	Current educational, training, consulting, prevention and risk monitoring programs and programs intended for support of employees, their families and community representatives with regard to serious illnesses (basic)	55, 106, 118, 119, 122, 127, 130, 139
LA9	Representation of healthcare and safety issues in official agreements with trade unions (additional)	122, 132r133, 134r136
TRAINING AND EDUCATION		
LA10	Average annual training hours per employee with breakdown by employee categories (basic)	105, 107
LA11	Skills development and educational programs intended for employment motivation of employees and their retirement support	91, 99, 102, 103r105, 118
LA12	Share of employees regularly involved in evaluations of effectiveness and career progress	102
DIVERSITY AND EQUAL OPPORTUNITIES		
LA13	Management bodies makeup and entity's personnel with breakdown by sexes and age groups, indication of minority groups and other diversity indices (basic)	100, 111, 112
LA14	Men's to women's wages ratio with breakdown by employee categories (additional)	111, 112

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GRI item	Description	Reference in the report, page
Effectiveness indices: human rights		
INVESTMENT AND PROCUREMENT PRACTICES		
HR1	Share of major investment agreements involving provisions on human rights protection or evaluated with regard to human rights (basic)	93
HR2	Share of major suppliers and contractors evaluated with regard to human rights (basic)	145r148, 150
HR3	Forms of personnel training on policies and procedures concerned with human rights protection aspects essential in terms of entity's activities as well as quantities of employees involved in those (additional)	106, 118, 130, 133
NONDISCRIMINATION		
HR4	Total discrimination events and actions in connection therewith (basic)	111, 132r133
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5	Activities in terms of which rights to freedom of association and collective bargaining can be subject to substantial risks and actions taken to ensure those rights (basic).	120, 132r133, 134
CHILD LABOUR		
HR6	Деятельность, в рамках которой имеется значительный риск случаев использования детского труда, и действия, предпринятые для участия в искоренении детского труда (основной)	132r133
FORCED AND COMPULSORY LABOUR		
HR7	Activities in terms of which there is a substantial risk of possible child labour use and actions taken to eliminate child labour (basic)	132r133
SECURITY APPROACHES		
HR8	Activities in terms of which there is a substantial risk of forced and compulsory labour and actions taken to eliminate forced and compulsory labour (basic)	132r133



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GRI item	Description	Reference in the report, page
RIGHTS OF NATIVE POPULATION AND MINORITY PEOPLES		
HR9	Share of security service employees who completed training courses on policies and procedures in connection with human rights associated with current activities (additional)	111, 132r133
	Effectiveness indices with regard to interaction with interested parties	
COMMUNITY		
SO1	Programs and practical approaches to evaluation of impacts on local communities associated with entity's activities and impact management, covering initial, implementation and final stages (basic)	59, 73, 78, 81r83, 90, 91, 92, 136, 138, 155
CORRUPT PRACTICES		
SO2	Share and total number of business units evaluated with regard to risks associated with corrupt practices	59r60
SO3	Share of employees who completed training courses on the entity's anticorruption policies and procedures (basic)	59r60, 106
SO4	Actions taken to prevent corrupt practices (basic)	59r60, 102
STATE SUPPORT		
SO5	Attitude towards the state policy and participation in its formulation and lobbying (basic)	59r60, 148r150, 152
SO6	Total donations (in physical and money terms) to parties, policies and their associated organizations with breakdown by countries (additional)	160
HINDERING COMPETITION		
SO7	Practical approaches to prevention of monopolistic practices and respective achievements (additional)	59r60, 148r150, 152
COMPLIANCE		
SO8	Compliance with legislation and regulatory requirements (basic)	60, 64, 65, 66, 69, 74, 78, 90, 91r92, 105, 115, 119, 132, 133, 136, 145, 154

ANNEX

GRI item	Description	Reference in the report, page
Effectiveness indices: responsibility for production		
CONSUMERS' HEALTH AND SAFETY		
PR1	Product life cycle stages at which product associated health and safety impacts are evaluated to identify improvement opportunities and share of major products and services subject to such procedures (basic)	115r117, 142r145
PR2	Compliance with regulations and voluntary adopted codes concerned with health and safety impacts by products and services (additional)	115r117, 142r152
MARKING OF PRODUCTS AND SERVICES		
PR3	Types of information on properties of products and services as required by procedures and share of major products and services covered by these information requirements (basic)	142r152
PR4	Regulations and voluntary codes concerned with informing about properties of products and services and their marking (additional)	142r152
PR5	Practices relating to consumer satisfaction, including results of evaluation studies on consumer satisfaction (additional)	142r152
MARKETING COMMUNICATIONS		
PR6	Programs intended to provide for compliance with legislation, standards and voluntary codes in the field of marketing communications, including advertising, product promotion and sponsorship (additional)	37, 66, 126, 142r152
PR7	Compliance with regulatory requirements and voluntary codes concerned with marketing communications, including advertising, product promotion and sponsorship (additional)	37, 108, 126, 142r152, 154, 155, 158r159, 160
CONSUMER'S PRIVACY		
PR8	Total justified claims concerned with violations of consumers' right to privacy and loss of consumer data (additional)	142r152
COMPLIANCE		
PR9	Monetary value of major fines imposed for incompliance with legislation and regulatory requirements concerned with provision and use of products and services	142r152

Table of compliance with GRI components and indices was prepared based on Guide on Reporting in the Field of Sustainable Development by the Global Reporting Initiative (edition 3).



SOCIAL REPORT 2010

Dear readers!



You have just familiarized yourselves with the Social Report of RUE "BMZ."
Your opinion of this document is very important to us, and in subsequent Reports we will do our best to take into account your remarks and proposals.

Please, fill in the form and send it by fax: + 3752 3345 5 42 6; + 3752 3342 4 26 1;
+ 3752 3343 16 35 or by mail marked "Social report 2010" to the following address:
37 Promyshlennaya St., 247210, Zhlobin, Gomel region

You can also send this form by e-mail to the following address: (secre.dp@bmz.gomel.by)

1. To which group of stakeholders do you belong?

- ☐ Public authorities
☐ Community representative
☐ Investor
☐ Partner
☐ Client
☐ Employee
☐ Other group of stakeholders

2. How do you rank the Social Report in terms of its completeness?

High ☐ Adequate ☐ Low ☐

3. How do you rank the Social Report in terms of reliability and objectivity of the data represented in it?

High ☐ Adequate ☐ Low ☐

4. How do you rank the Social Report in terms of convenience of search of the required information?

High ☐ Adequate ☐ Low ☐

5. How do you rank the design of the Social Report?

High ☐ Adequate ☐ Low ☐

6. Has the Social Report provided for a comprehensive picture of the activities carried out by RUE "BMZ" in the field of sustainable development from your point of view?

Yes, completely ☐ Yes, partially ☐ No, not completely ☐ No, not at all ☐

7. Please, give your evaluation as to what extent the following sections of the Social Report drawn up by RUE "BMZ" were interesting to you, up to date and complete (rate from 1 (low) to 5 (very high))

- | | | | |
|---|--------------------------|------------------------|--------------------------|
| BMZ and global economy's instability | <input type="checkbox"/> | Plant description | <input type="checkbox"/> |
| Belarusian metallurgy | <input type="checkbox"/> | Economic activity | <input type="checkbox"/> |
| Details of key impacts, risks | <input type="checkbox"/> | Ecological activity | <input type="checkbox"/> |
| Management, obligations and interaction with interested parties | <input type="checkbox"/> | | |
| Social activity | <input type="checkbox"/> | | |
| Responsibility for produced goods | <input type="checkbox"/> | Interaction of parties | <input type="checkbox"/> |

8. Has the Social Report changed your attitude to the activities of RUE "BMZ"?

Yes, my attitude has substantially improved ☐ No, my attitude has not changed ☐
Yes, my attitude towards RUE "BMZ" has changed for the worse ☐

9. What information presented in the Social Report is most interesting for you?

10. What activities of RUE "BMZ", in your opinion, require improvement in terms of social responsibility enhancement?

11. What information would you like to see in social reports of RUE "BMZ" in the future?

Thank you for your cooperation!
RUE "BMZ"

This image shows a full page of blank, lined paper. It features approximately 20 evenly spaced horizontal blue lines across its entire width. The background is a solid off-white color, typical of standard notebook paper. There are no margins, text, or other markings present.



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