



2008

Corporate social report



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SYMBOLS OF THE REPUBLICAN UNITARY ENTERPRISE “BYELORUSSIAN STEEL WORKS”

Trade mark of «BMZ» is the brand of the enterprise.

Designed in 1984 by Natalia Viktorovna Tarasova, a designing engineer of BMZ design department.

Holder: Byelorussian Steel Works.

Registration: first registered in April, 1985 in the State Registry of the USSR trade marks.



RUE «BMZ» flag was designed by Tatiana Zarifovna Malinovskaya, a designing technician of the technical board in 1993.

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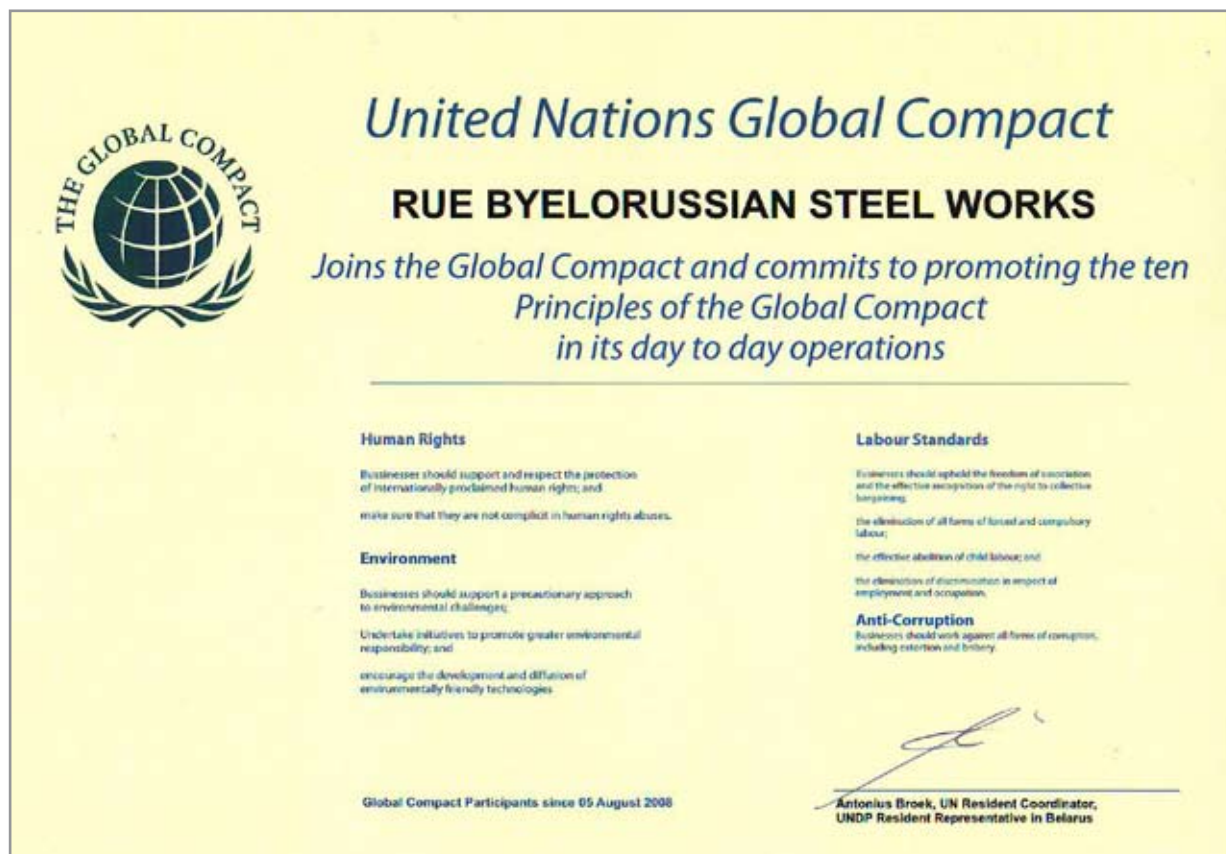
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Strategy and analysis



1. Strategy and analysis

September 11, 2008 a certificate of joining the UN Global Compact by the Republican Unitary Enterprise “Byelorussian Steel Works” was handed over in Minsk (“UN Global Compact in Belarus” initiative).



The Global Compact consists of four sections and ten principles:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: They should make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Business should uphold all forms of forced and compulsory labour.

Principle 5: Business should uphold the effective abolition of child labour.

Principle 6: Business should uphold the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Business should support a precautionary approach to environmental challenges.

Principle 8: Business should undertake initiatives to promote greater environmental responsibility.

Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies.

Anticorruption

Principle 10: Business should work against all forms of corruption, including extortion and bribery.

RUE "BMZ" acting general director's appeal



This is the first social report executed in accordance with the international GRI standard and dedicated to the 25th anniversary of our enterprise. Top management of the plant has always been aware of its social responsibility to the plant's staff and social associations of the workers as well as to the local society, the state, the customers, the suppliers and regional organizations and paid much attention to constant development of the plant aimed at «satisfaction of the needs of the present generation without any detriment to future generations». In 2008 the plant joined the UN Global Compact. Fulfillment of the ten principles of this document by the plant is shown within this report.

RUE "BMZ" plays a very important social role in Gomel region and in the Republic of Belarus because it ensures timely replenishment of the state and regional budget. It's a town-forming enterprise of the town of Zhlobin every second inhabitant of which is in one or

another way related with the plant's activity. Welfare of the plant's personnel grows, wages and salaries go up, living conditions improve from year to year. Much is done to satisfy cultural interests of the workers of the plant. The Palace of Culture of metallurgists was built for the plant's workers, a sport centre is successfully functioning to support the workers' healthy way of living. The plant invested considerable amounts in the erection of the sport complex including an ice palace and an aqua-park. We plan to expand this complex and build some other objects.

So as to fulfil its social functions, the plant should operate successfully and have excellent management. A corporate management system has been created for that. This system is based on the national law and international standards. So as not to restrain the future generations of the Earth in the limited natural resources we do our utmost to make good use of the raw and auxiliary materials, power resources and steadily reduce production costs. The initial raw material for product manufacturing is steel scrap. It's noteworthy, that the plant has the most advanced waste disposal systems which efficiently decrease the environmental impact of the plant's activity. Considerable amounts are invested in revamping and modernization of the equipment, other innovation projects.

The plant's managers understand their responsibility for the future and build their relations with younger generation on the basis of partnership and mutual respect of each other interests. The management intends to continue its social function further on and contribute to permanent development of the society.

Acting general Director of RUE "BMZ"

A handwritten signature in dark ink, appearing to be 'AS' or similar initials, written in a stylized, cursive manner.

A.N. Savenok

Description of key impacts, risks and possibilities

The Republican Unitary Enterprise “Byelorussian Steel Works” is a state-owned plant subordinated to the Ministry of Industry of the Republic of Belarus. RUE “BMZ” is one of the largest enterprises in Belarus which makes a considerable contribution to the country’s economy. According to the data of 2008 the percentage of the plant in the gross domestic product (GDP) of the Republic of Belarus is 2,5%, in the RB industrial output — 3,2%, in export — 5,0%. RUE “BMZ” main production and financial indicators serve an evidence of stable results of the activity allowing essential contribution to be made in steady development of the Republic of Belarus and Gomel region.

RUE “BMZ” situated in the town of Zhlobin, Gomel region provides over 12 thousand inhabitants of the region with work and makes a considerable contribution into the development of the infrastructure of the town and the region. The plant uses water and ground from the local resources, influences the air basin. Cooperation in the sphere of the rights of the plant’s workers and the members of the local society and the environmental matters is based on the national law and mutual interests. The results can be seen in Section 5.

More than 80 % of the products are delivered by the plant to 50 countries of all the continents of the Earth. We buy raw material, spare parts, power resources from more than 10 countries. Relations with our business partners are developed by the plant’s management in accordance with the national, the regional, and the international law and the agreements based on international management standards. The results can be seen in Section 5. Competitive advantages of the enterprise are: a favourable geographic location, a good reputation among our customers due to product quality.

Risks (weak points): absence of own sources of raw materials, dependence on resources including manpower and national law, changes of the regional agreements, crises. Activity for risk reduction is reflected in the Section «Strategy of development». Global crisis affected the plant’s economy. RUE “BMZ” takes all measures possible to minimize the after-effects of the crisis; an anti-crisis management group was founded at the plant. The undertaken measures include costs reduction, provision of sales including:

- study of markets to minimize risks;
- determination of a group of products bringing the best profit;
- revision of assortment and price policy of the enterprise.

Capacities (strong points): qualified personnel, technical equipment of the existing production process, use of new advanced technologies, a developed commodity-distribution network.

Strategy of development

The strategy of the enterprise is directed towards satisfaction of interests of all parties concerned in:

- the output of the products of the required quantity and range;
- provision of steady development ;
- support and strengthening of the position on the markets developed;
- improvement of the welfare of the plant’s workers;
- preservation of health and life of every member of the labour collective;
- continuous decrease of the production activity impact on the environment;
- support and further development of corporate management standards.

Realization of the general strategy is carried out in the following directions:

- introduction of advanced technologies during designing, development of the production processes of the new competitive types of products so as to improve the product quality, reduce danger and risks in the production processes, prevent harmful impact of the production factors on the personnel, decrease harmful emissions into the air, discharges into the water basin, formation of wastes, consumption of natural resources;
- permanent control of risks related to the production processes, undertaking of continuous preventive and corrective actions aimed at prevention of generation of professional diseases and accidents in the production;
- forecast of risks related with the enterprise’s business activity;
- execution of regular monitoring of the production and management processes;

- improvement of product quality, assurance of labour safety and health and environment protection, power saving, including suppliers, subcontractors and users of RUE “BMZ” products;
- carrying of goal-seeking professional training of the workforce, creation of optimal conditions for quality labour, revealing personal capabilities and initiative of every worker and interest in the provision of high quality of products, efficient use of raw and auxiliary materials and power resources.

Main directions and priorities of the plant’s development in future are reflected in RUE “BMZ” development forecast and business-plans for social and economic development and investment projects approved by the Board of the Directors and the Ministry of Industry as an incorporator.

It is impossible to achieve the strategic goals without realization of the innovative potential of RUE “BMZ”. A distinguishing feature of the investment programme of RUE “BMZ” is its direction towards stage-by-stage complex full-scale reconstruction and modernization of the production in all stages of the manufacturing process by way of introduction of the state-of-art technologies and equipment, commissioning of new production facilities. The programme foresees introduction of energy-and resource-saving methods and equipment corresponding to the highest world level of development of the metallurgical science and technology. Herewith transition to the production of products of fundamentally new quality and consumer characteristics in conformity with the European and American standards and world best similar products is made, reduction of specific energy consumption of the production, increase of the environmental cleanness of the technology and the production in general is achieved.

Marketing office of the plant worked out the strategy of the development of the commodity-distribution network for 2006–2010. The main aim of this strategy is export of RUE “BMZ” products so as to receive maximum earnings, i.e. search of most profitable and permanent buyers.

So as to promote steel produced by the plant to the world markets, we take an active part in international and national exhibitions and fairs where we have talks with traders, end users and new partners and study the possibility of manufacturing new products.

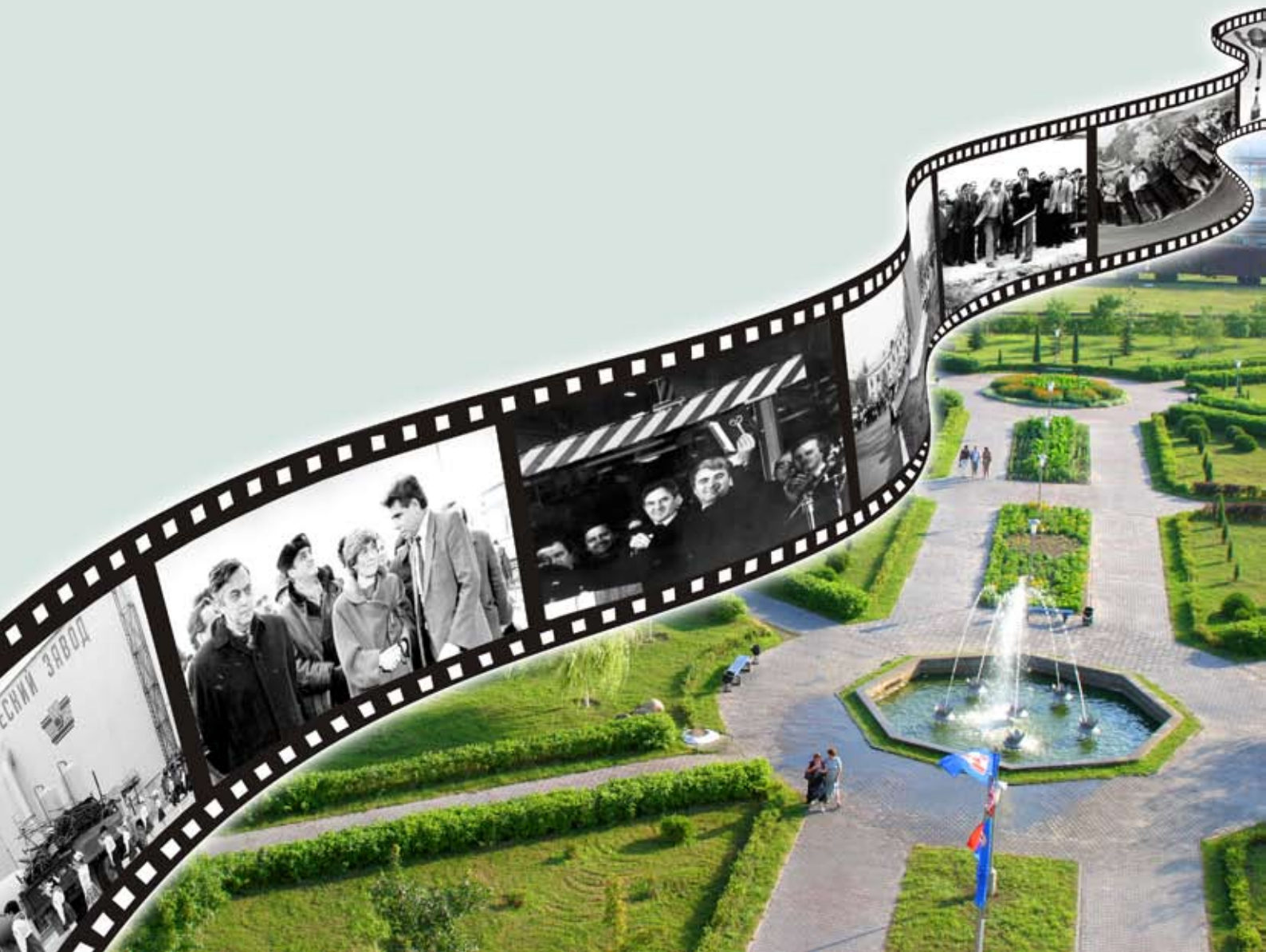
In accordance with the global trends and directions of the development of the steel making and wire industry considering increasing requirements and expectations of the market, commodity product range is constantly renewed and expanded and production facilities are modernized and revamped with consideration of the growing environmental requirements. This allows to maintain and retain competitiveness and strong reputation of the commodity product as well as to increase business activity of the plant.





2

Description (profile) of the organization



2. Description (profile) of the organization

Basic information about the organization

The Republican Unitary Enterprise «Byelorussian Steel Works» is a unitary enterprise owned by the state. It is situated in the centre of Europe in the town of Zhlobin, Gomel region, 220 kilometers from Minsk, capital of the Republic of Belarus.

Legal address/postal address/headquarters address: 37 Promyshlennaya str. Zhlobin Gomel region 247210, Republic of Belarus.

Main directions of the activity: manufacturing of concast and hot-rolled billet, rolled section, rolled bar, concrete reinforcing bar, pipe billet, wire rod, tire cord, different types of steel wire, and hot-rolled seamless pipe.

Key brands:

- trade mark (company logo) is given in the symbols of the plant (p.2). It is registered in 60 countries of the world;
- reinforcing steel has been the winner of quality contests many times;
- tire cord has been the winner of quality contests many times.

Size of the organization:

Total number of the personnel as of on the end of 2008 is 12 445 people;

Net profit in 2008 was BRB 351,9 billion;

Total area of RUE «BMZ» production site is 249,06ha.

Functional structure of the organization is given in Section 4.

Outside the Republic of Belarus RUE «BMZ» interests are represented by joint-ventures and trade firms in Germany, Austria, the USA, China, Lithuania, the Russian Federation, Poland, Czechia. The joint-ventures are busy with logistics including export-import insurance, organization and fulfillment of export transportation from the works to the customers, customs formalities, organization of buffer and consignment stores, coordination of deliveries between the seller and its customers, control of settlements under deliveries, etc:

1) BELASTAHL Aussenhandel GmbH (Germany);

2) BELMET Handelsgesellschaft mbH (Austria);

3) BEL-KAP-STEEL, LLC (USA), (Poland);

4) BELMET (Shanghai) Trading Co., Ltd. (PRC);

On the CIS market our own commodity-distribution network is represented by:

1) «Torgovyi Dom BMZ», St.-Petersburg, Russian Federation;

2) «Torgovyi Dom BMZ», Moscow, Russian Federation;

3) RUE «BMZ» representative office (RF);

4) Torgovyi Dom BMZ (Shaulyai, Lithuania);

5) Ferro Group Finance (RF (official dealer);

6) Kronos, RF (official dealer)

7) BELORUSSIAN STEEL WORKS TRADING CZECH, s.r.o., Prague, Czechia

General information about achievements and awards

The enterprise won the contest «Best Goods of the Republic of Belarus on the market of the Russian Federation» in the nomination «Process and technical goods» in 2001, 2003–2008.

The plant was the winner of the contest «Best Goods of the Republic of Belarus» in the nomination «Process and technical goods» in 2002–2008.

RUE «BMZ» was the first among national enterprises to become a laureate of the International Award «Commonwealth Star» in the nomination «Best company in CIS».

Based on the results of the contest «Businessman–2007» Mr. N.V. Andrianov, general director of RUE «BMZ» became the winner in the nomination «Efficient use of new technologies and methods of management».

Since 2008 RUE «BMZ» is a member of the Quality Leaders Club of Central and East-European countries.

Rue «BMZ» was the prize-winner of the contest «Best exporter–2007» in the nomination «Engineering, metallurgy and steel processing ».

In 2008 town volley-ball team Metallurg (Zhlobin) won 2008 championship of the Republic of Belarus among men teams. Besides, this year volley-ball players won the Cup of the Republic.

Dates and events

March 19, 1982 — signing of the CONTRACT for the plant's erection;

October 15, 1984 — start of the operation of the production facilities of the melt shop and fabrication of the first heat and its casting with CCM;

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:

- secondary metallurgy facilities (ladle-furnace, ladle and circulation degassers) and CCM No.3 at the melt shop;
- large-section rolling mill 850 at the rolling plant;
- production facilities of wire shop No. 1 and production of the first lot of Byelorussian tire cord;

March 1, 1991 — start of operation of the production facilities of wire shop No.2, lime kiln No.2, EAF-3 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 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.

January 2008 — based on the results of 2007 the enterprise was awarded a challenge red banner and a diploma of Zhlobin district executive committee among industrial enterprises of the district. Besides, the plant was the first in the nomination "Best exporter" and "Best investor", and sportsmen of RUE "BMZ" were considered the best among the enterprises and the organizations of the district.

January 2008 — the first certification of hot-rolled seamless pipes. Certification authority «TÜV NORD» (Germany) certified correspondence of RUE "BMZ" hot-rolled seamless pipes with the standards of this European country.

January 2008 — innovators of RUE "BMZ" became the winners of the Third National Republican Contest «Technosphere-2007» in the nomination «Best innovative proposals in the area of power saving». The innovators of the enterprise were awarded a «golden» (1st place) diploma.

January 2008 — BMZ won the contest «Best Exporter – 2007» in the nomination «Engineering, metallurgy and steel processing». Based on the annual results BMZ was the first in export in its branch of industry, supporting development of export-oriented production, strengthening the prestige of Byelorussian manufacturers on the global market. There were 10 nominations in the contest, and 10 winners were determined in these nominations.

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 Byelorussian metallurgical Forum "Integration of science, production and education in the development of metallurgy in 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 EAF-2 gas-cleaning system.

December 2008 — achievement of the full capacity of the pipe production.





3

Report parameters



3. Report parameters

Reporting period: 01. 01. to 31.12. 2008 (a calendar year)

The report is done for the first time. Subsequent reports will be issued once in two years

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The report content is determined according to the indices of GRI Continuous Development Manual.

Scope of the report: activity of the plant's subdivisions.

The report contains secret materials and confidential commercial information of the plant.

Report basis: reference reports of the plant's subdivisions.

Methods of assessment: comparison with the previous period and/or plans.

There are no remarks to the amended data of the previous period because the report is executed for the first time.

There are no significant changes of the approaches compared to the previous period as the report is executed for the first time.

A table with the standard items is given in the Appendix.

Subsequent reports will be approved by an independent party.





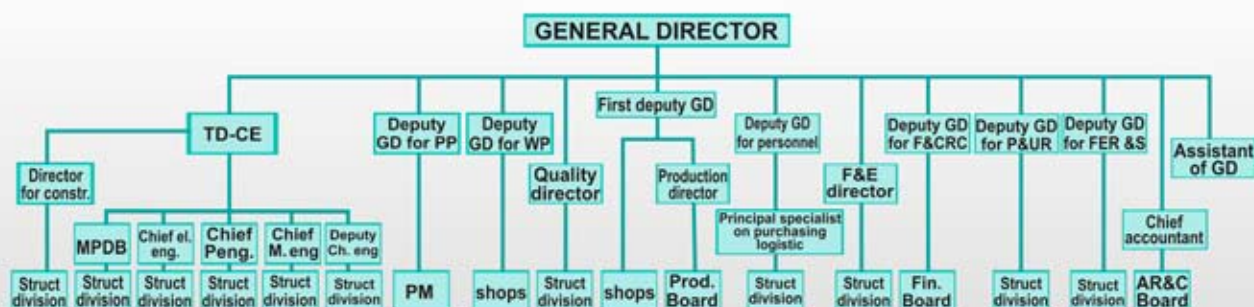
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Management, responsibilities, cooperation with the parties concerned



4. Management, responsibilities, cooperation with the parties concerned

The organizational structure is based on a hierarchical principle. The enterprise is headed by the general director who works in accordance with the statute of the enterprise delegating part of his responsibilities to his deputies, directors for separate directions of activity who form the Board of the Directors.



Organization is managed in accordance with the national law of the Republic of Belarus with the use of international standards, the Statute of the enterprise forming the corporate system of the plant's management.

The top management body is an executive authority at the same time. It determines the policy, the mission and the aims. Undertakings of the top management reflected in the Corporate Policy, the Business Code of Ethics, Targets for 2008 and Results of their fulfillment are given on page 76-79. Methods of the Policy, the Code of Ethics and achievement of the targets set forth are given in the corresponding sections of the Report.

Analysis and improvement of the economic, environmental, social activity is carried out within the standard of the organization STP 840-KSM -5.6 «Management analysis. Self-assessment of the corporate management system» and STP 840-KSM 8.5 «Continuous improvement. Data analysis. Preventive and corrective actions». Conformity of our activity with the international standards ISO 9001, ISO 14001, OHSAS 18001 is checked by the international auditors from «TÜV Rheinland» (Germany), BUREAU VERITAS CERTIFICATION (France), and others. Observation of the principles of the UN Global Compact is given in this Report.

The process of determination of qualification, competence and evaluation of the top management activity is done by the owner — the Ministry of Industry of the Republic of Belarus. Stimulant payments to the top management are effected depending on the work efficiency and fulfillment of the social and economic indices of the plant's development.

Much attention is paid to preventive measures in all spheres of activity of the plant so as to exclude occurrence of undesirable events. This procedure is described in the plant's standard STP 840-KSM 8.5 «Continuous improvement. Data analysis. Preventive and corrective actions».

Economic, environmental and social charters joined by the plant are given in Section 5 of this Report. Fulfillment of the UN initiative formulated in the Global Compact joined by the plant is given in this Report. For cooperation with the international professional community and representation of the plant's interests it became a member of the following associations:

- Byelorussian Union of Founders and Metallurgists;
- International Union of Steel Workers;
- International Union of Rollermen.

Cooperation with the Parties Concerned

An important aspect of RUE "BMZ" activity is an active cooperation with the parties interested: both supervisory units and public organizations, customers, suppliers, contractors. The following parties are interested in the effective operation of the plant:

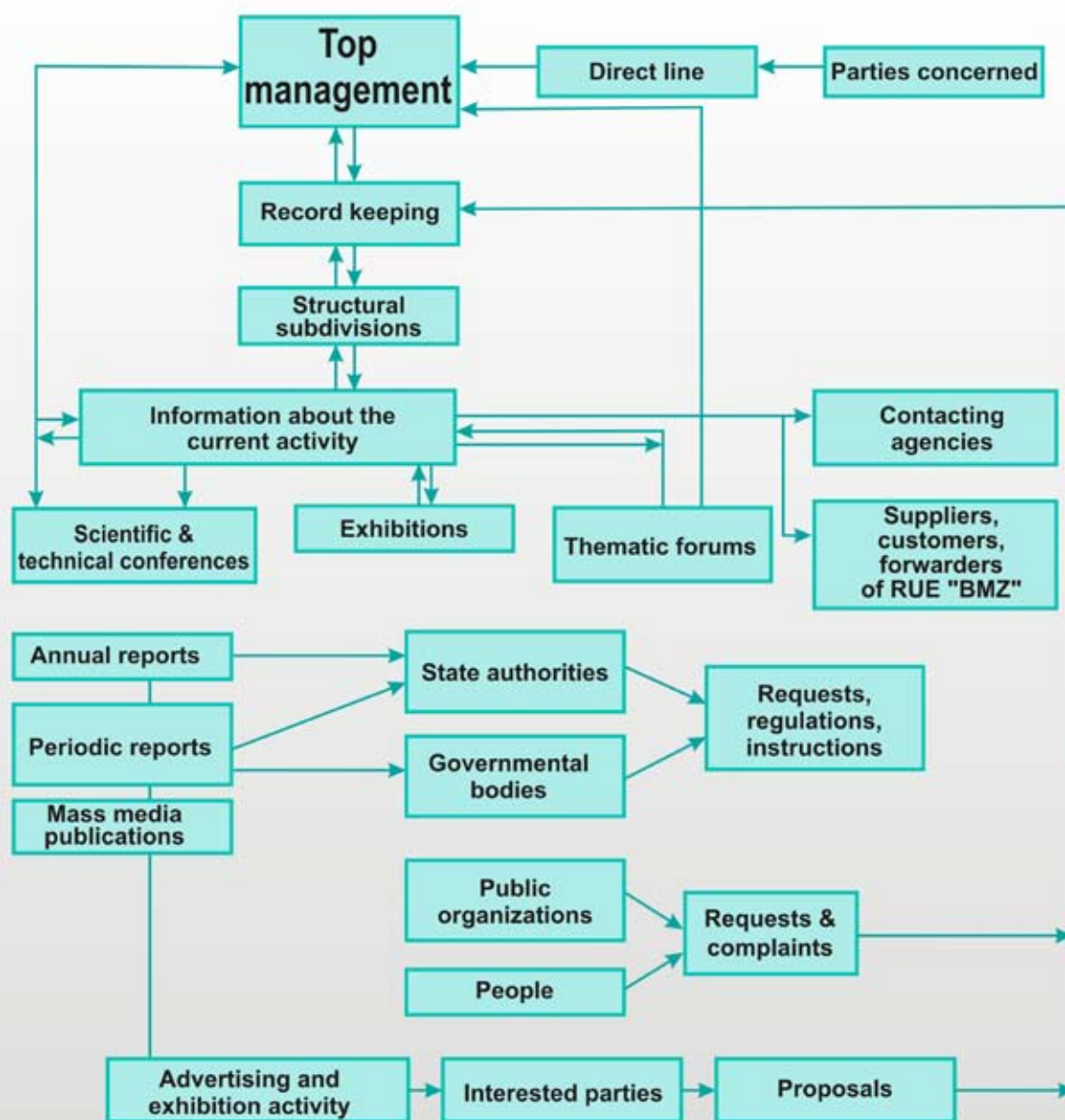
inside the plant:

- the personnel of the plant because here its material and spiritual demands are realized;
- the trade union because it protects interests of its members;
- unions of young people, women, veterans, etc. because they cooperate with the plant's management in solving organizational matters.

outside the plant:

- customers and suppliers;
- district, regional, republican authorities;
- international organizations (UNO).

Information exchange with the parties interested is carried out in accordance with the following scheme:



Ground and methods of cooperation with the parties concerned, approaches to the involvement of the parties concerned, key matters and concerns, reaction of an organization to them are given in Section 5.

Analysis of the fulfillment of the key indices of RUE "BMZ" operation in 2008 compared to 2007 can be found in the Appendix.



5

Indicators of efficiency in the area of continuous development



Economy

In the economic activity RUE “BMZ” is guided by the law of the Republic of Belarus, parameters of stability and development of the production activity, economic expediency as well as its own responsibility for the investors, workers and business partners, local communities, other parties concerned.

Economic development of the plant: growth of its profitability due to increase of the production output of advanced technology products in accordance with the strategy, growth of production efficiency.

With general increase of efficiency, operation intensity, product quality, complication of the technical level of the production processes, quickness of decision making, requirements to the personnel of all departments grow. The staff of the economic department consists of qualified specialists with the higher education. Their professionalism is very high. These people are regularly trained in policies and procedures related to the production and the business process efficiency.

Financial and economic activity

In 2008 RUE “BMZ” reached maximum production output possible in the existing technical and technological conditions. During the last five years steel production output increased by one and a half times and total plant's volume of product output in comparable prices — by 1,7 times.

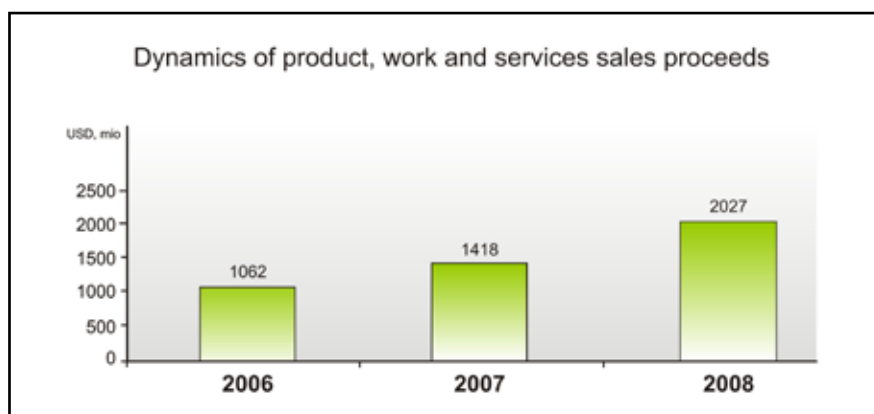
So as to get a well-grounded opinion about the reliability of the financial statement results, an independent auditing organization carries out yearly audits at RUE “BMZ” in accordance with the requirements of the international standards (IFRS).

So as to inform the top management about the production, financial and economic operation, a monthly review of the operation is organized, economic meetings are held, and analytical materials are submitted to the managers.

Efficiency of the financial activity

Main indicators

The rate of the production output growth in comparable prices based on the results of 2008 is 110,1% and planned figure is 110,0%. Fulfillment of the plans laid down allowed to receive sales proceeds in the amount of BRB 4 trillion 329 billion or USD2 billion.026,6 which is 42,3% more than in 2007. Sale proceeds growth was possible due to steel price rise by 29,7% and increase of steel sales volume by 10,5%. Cost of sales, works and services grew up 47,4% and equaled to BRB3 450,9 billion. This is related to the increase of the production and sales growth by 10,5%, and price rise of the basic raw material and auxiliary materials (scrap, ferroalloys, iron, pellets, natural gas).



Other types of business operations (financial and non-sale operations) have a detrimental character thus decreasing profitability of the basic activity. But nevertheless, during the period analyzed the result of the business activity of the plant was profitable.

Profit

Sales proceeds amount to BRB675,4 billion which is 26,1% higher than in 2007. Profitability of the products sold was 19,6% which is 3,3% lower than in 2007.

In 2008 net profit of RUE “BMZ” was BRB 351,9 billion which is 19,0% higher than in 2007. Sales profitability

in terms of net profit dropped from 10,2% in 2007 to 8,5% in 2008. Application of the profit in 2007 and 2008 is given in Fig. 1 and 2.

In 2008 RUE “BMZ” rendered assistance as a sponsor to agricultural enterprises, daughter companies, Gomel Regional Executive Committee in erection of the 2nd stage of The Sport Centre in Zhlobin and to other organizations in the Republic of Belarus in the amount of BRB 24,8 billion.

In 2008 our enterprise made payments to the personnel including salaries and wages in the amount of BRB 16,4 billion as compensation and stimulation payments and payments of acute social character.

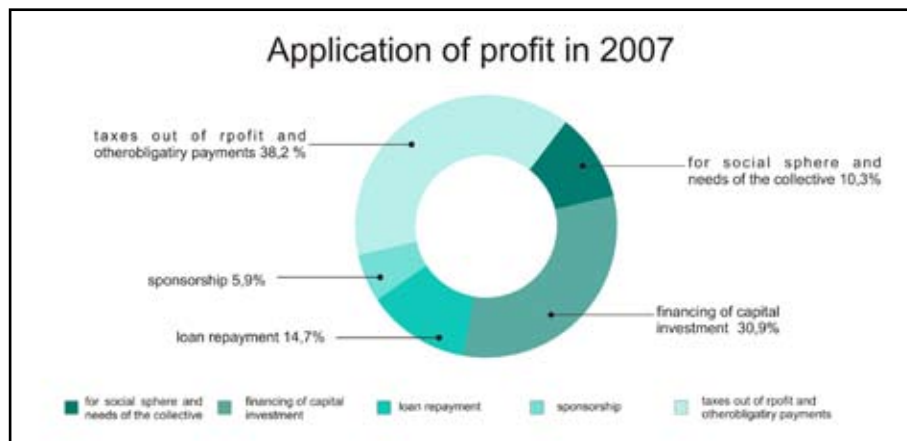


Fig. 1

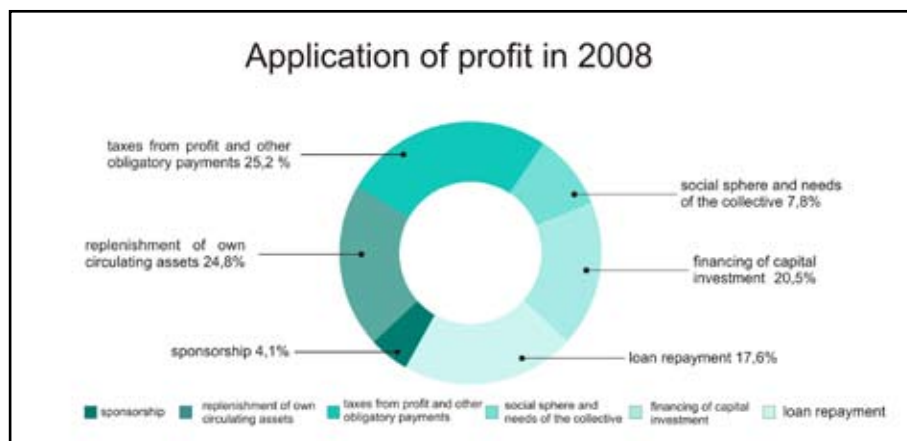


Fig. 2

Payments to the owner

According to the existing law the plant transferred a part of the profit in the amount of BRB 16,4 billion to the state budget (the so called dividends) and BRB 12,25 billion to the national development fund.

Taxes and obligatory payments

RUE “BMZ” is a responsible tax payer effecting regular tax payments to budgets of different levels. Economical stability of the region, in particular possibility of the local and regional authorities to develop infrastructure of the region, depends on timely and regular transfer of the taxes to the state by the plant. Influence of the taxes on the regional economy is significant because tax payments by RUE “BMZ” are a key source of the local budget formation. The Republican Unitary Enterprise “Byelorussian Steel Works” occupies the 6th place among the biggest tax payers of our republic based on the results of 2008.

Percentage of taxes and payments out of the profit in 2008 was 30,5%. Compared to 2007 this figure decreased by 3,2% due to the reduction of the environmental tax (in relation with a changed tax rate: in 2007 the environmental tax was BRB 3 019 mio, in 2008 — BRB 37 mio) and cancellation of the construction duty.

Risks of the enterprise

Realization of any investment project is always related with risks. It is obvious that different characteristics of an investment project may be forecasted with different accuracy. As a rule errors in assessment of future expenses are lower in comparison with the errors in determination of the time of this project realization. Degree of a risk at

the time of taking a decision about the beginning of a project realization can vary. The degree of risk acceptability is a very important strategic characteristic feature of any project. It is very important to understand that risk is always inevitable. So as to determine and decrease a risk of money investment, an analysis of stability (sensitivity) of a project from the point of view of its parameters and external factors is carried out. Without fail a multifactor analysis of project sensitivity to input changes (price, production output, costs elements, terms of financing, inflation process and other factors) is carried out. Based on the specification of a project, the parameters most liable to changes are chosen. Sensitivity analysis is carried out during the project realization phase so as to reassess it and make required adjustments.

Realization of RUE “BMZ” investment projects is connected with certain organizational, technological and finance risks. That is why in the business-plan of an investment project a simulation economic model of the enterprise is developed which is based on the use of technical and economic indicators and analysis of the efficiency of the scenario for calculation, thus ensuring multi-variant alternative calculations, if required, obtaining objective assessment of possible development of projects in a certain economic situation.

RUE “BMZ” investment projects have had one peculiarity: they were fulfilled at the running enterprise having a sufficient experience of operating technological equipment and building new production facilities. That is why influence of organizational, technical and technological risks was considered insignificant. High professionalism of the plant's specialists, use of advanced technologies in the production process, organizational and managerial decisions guaranteed high efficiency and stability of the realized projects in spite of possible unexpected circumstances.

To consider and minimize the influence of possible risks, multi-variant calculations of financial results and efficiency indicators depending on different varying factors (sales price, fixed and variable expenditures and trends of their change, required investment amount, attraction of borrowed capital) were carried out within the business-plan of RUE “BMZ” investment projects. The below results of the evaluation of the economic efficiency of the projects were obtained in basic cost conditions, existing at the time of the business-plan preparation. But in the course of the project realization these cost conditions could change due to changes in the global economy. It was very important and necessary to analyze the reliability (sensitivity) in these conditions so as to assess the influence of possible consequences of external factor change onto the project efficiency, and to determine admissible and dangerous boundaries of these changes.

Possible change of the following key factors having the most evident influence on the economic indicators was considered during sensibility analysis:

- sales price as most subject to changes in connection with fluctuations on the metal market;
- amount of production costs depending on the level of prices for charging materials, power resources and other materials and services used in the technological process;
- amount of investments depending on the level of contractual prices of the equipment;
- the proportion of own and borrowed capital.

During the sensitivity analysis influence of fluctuation of the above factors on two key indicators of the efficiency were considered: simple payback term and internal profitability rate.

Financial support by the government

In January 2008 the Republican Unitary Enterprise “Byelorussian Steel Works” was reimbursed BRB5 845,5 mio — a part of the interest for bank loans paid for 2007 – from the republican budget in accordance with the Resolution of the Council of Ministers of the Republic of Belarus No. 789 “Reimbursement of legal entities realizing investment projects on the basis of a competitive distribution of a part of interest for bank loans in 2007” dd 13.06.2007. This amount was used for realization of the investment project «Organization of the production of hot-rolled seamless pipes at the Republican Unitary Enterprise “Byelorussian Steel Works”.

According to order No. 525 of the President of the Republic of Belarus “Measures of state support of some organizations” dd. 24.08.2006 our enterprise was given state support in the form of exemption from the duty paid to the republican fund for the support rendered to producers of agricultural products, food and agricultural science and the tax collected from users of motor roads with the purpose of strengthening production cooperation, stabilization of financial and economic situation. The amount of BRB2 447,2 mio under this order was used for reconstruction, modernization and technical revamping of the production process, increase of production facilities for manufacturing of competitive products, and purchase of capital assets.

Presence on the market

Coefficient of relation between the initial rate of remuneration of labour at our enterprise and minimum salary existing in the Republic of Belarus is 1,65.

Existence of such stages of production as steel melting, rolling, pipe production and steel cord and wire production requires usage of raw material, auxiliary materials and power resources. The biggest resource consumers are: the melt shops (EMS–1 & 2) manufacturing cast billet and bloom as commodities and as semi-finished products to be used for further processing within our plant. The main raw material for steel cord and wire production is wire rod manufactured in mill 150. All production processes of the plant also use a considerable quantity of auxiliary materials and accessories. Commodity production at our plant foresees usage of more than 250 types of main raw materials and auxiliary materials and a large number of parts and accessories, and 80% of raw materials are imported. Distribution of raw material suppliers is rather diversified: Russia, the Ukraine, Baltic States, China, Germany, Austria, and others.

A large place in material expenditures is occupied by ferroalloys used as alloying additives for deoxidation in steel melting. A large portion of ferroalloys (99%) is bought in CIS (the Ukraine, Russia).

In 2008 our enterprise purchased material resources from:

▪ producers in the amount of	BRB 998 805 mio.
▪ from the supplier “Belresources”	BRB 317 mio.
▪ from The Belarusian Universal Exchange	BRB29 499,6 mio.
▪ from other organizations	BRB138,6 mio.

Till recent time strategy of development of metallurgical enterprises has been built around growth of steel output. But the highest rate of development of Chinese metallurgy, strengthening of competition on all traditional export markets resulted in high risks of this extensive way of development. That is why investment should be directed towards retaining export markets and predominance on the national market and maintenance of a rather high level of profitability in the steel making industry.

A distinguishing feature of RUE “BMZ” investment program is its orientation towards stepwise realization of a complex, full-scale modernization and reconstruction of the production at all manufacturing stages. It foresees introduction of technologies and equipment considering the latest technical and technological achievements in steel making industry realized with the assistance of the leading companies from Austria, Italy, Germany, the USA. Herewith we provide a transition to releasing products with a fundamentally new quality and consumer properties corresponding to European and American standards and world best similar products together with the decrease of specific energy consumption of production, increase of environmental safety of the technology and the production in general.

The amount of investment in the capital asset of RUE “BMZ” in 2008 was BRB 212 070 mio including production area — BRB208 103 mio, and non-productive area — BRB3 967 mio.

Sources of capital asset financing were:

▪ undistributed profit	124 933
▪ amortization fund	61 646
▪ budget amount	2 378
▪ bank loans	20 222
▪ means of citizens	1 351
▪ other sources (leasing, non-repayable enumerations)	11

Investment growth rate in the capital asset in comparable prices compared with 2007 was 36,5% ($212070 / (513905 \cdot 1,13 \cdot 100)$). Reduction of investments in 2008 can be explained by a high level of investments in 2007 related to commissioning of the pipe mill. Commissioned fixed assets amount to BRB200 949 mio.





Protection of environment



Protection of environment

Environmental policy

The plant recognizes that its production activity is connected with negative influence on the environment and takes all measures possible to minimize this impact on the vital activity of the population. The enterprise takes the road of a large-scale modernization of the equipment and methods of production considering increasing environmental requirements. This allows to reduce the amount of emission of contaminants into the atmosphere and to decrease the volume of production wastes of the plant.

Byelorussian Steel Works is a state-owned enterprise governed by one of the predominant directions of the state policy: provision of environment safety. Actual implementation of the state policy provides for efficient work of the environment management system (EMS). EMS is a part of the general system of the plant's management responsible for systematic approach to environment protection in all areas of the production activity. It is integrated into the processes of the quality management system, management of labour protection and social responsibility. EMS is a tool permitting the plant to achieve, regularly control and minimize the level of the impact of the plant's operation on the environment.

Effective functioning of the system of environmental management of RUE "BMZ" is supported and lead by the top managers. Management position in the area of ecology and environment protection is described in the Corporate Policy of the enterprise and other normative documents of the Corporate Management System.

Main principles and approaches

Long-term strategic aims of the plant in the area of ecology and environment protection include the following directions:

- minimization of the plant's impact on the vital activity of the region;
- minimization of the plant's impact on the flora and the fauna;
- efficient use of natural resources;
- efficient use of power resources;
- air basin protection;
- water basin protection;
- utilization of production wastes;
- training;
- improvement of ecological culture of the personnel and formation of ecological consciousness;
- development and introduction of resource-saving, low-wasted and environmentally-safe technologies in the production ;
- monitoring of emissions, contaminants discharge and attestation of work places;
- observation of ecological norms and requirements in the development of the manufacturing of products, building, reconstruction and expansion of production facilities;
- readiness for emergency situations.

RUE "BMZ" EMS is certified in accordance with the requirements of ISO 14001–2004, STB ISO 14001–2005 and applies to steel melting, rolling and steel cord and wire production.

Management of nature and environment protection is carried out by administrative control and economic methods.

Implementation of the environmental policy

MINIMIZATION OF THE PLANT'S IMPACT ON THE VITAL ACTIVITY OF THE REGION

So as to minimize the impact on the vital activity of the population of the region, our plant was built in the south-eastern part of the town with consideration of the wind rose. A sanitary protection zone 1 km wide was installed the area of which is 674,1 ha including the territory of the production site. 55% of the area between the boundary of the plant's territory and the boundary of the sanitary protection zone is occupied by the forest plantation of conifer and deciduous trees, and bushes. The nearest inhabited locality (the village of Solonoe) is 1,75 km away from the

boundary of the plant's area. The dwelling houses and the districts of the town of Zhlobin are 3–3,5 km away. The industrial site is situated in the area with a plain relief which does not influence its being smoked and the distribution of smoke flare towards the housing estates. Every year the plant organizes actions related to the protection of the air basin, the water basin, reduction of the amount of the buried production wastes.

MINIMIZATION OF THE PLANT'S IMPACT ON THE FLORA AND THE FAUNA

The territory of Zhlobin district is located within the Dnieper lowland and is a plain of the Dnieper glaciation. The climate of the district is moderate continental. Sand soil prevails on this territory. As for the vegetation, this district belongs to the subzone of broad-leaved and pine forests. Meadows are represented by water (flood) meadows, waterless valleys and waterlogged meadows.

Separate small populations of plants and animals being under the threat of disappearance and consequently registered in "The Red Book of the Republic of Belarus" can be met in Zhlobin district. To protect these species of the flora and the fauna it is necessary first of all to maintain hydrological and phytocenocious conditions favorable for these species, i.e. to provide protection mode close to a reserve one. Species registered in the Red Book have different categories of protection: species under the threat of disappearance for which saving it is necessary to take special urgent measures and the restored species which status does not arise anxiety thanks to protection measures taken, but commercial use of which is not allowed and control of which population is required.

The list of species subject to protection includes 44 objects.

The existing networks of the protected objects of the republican significance occupy a very little part of the district territory: only 0,039%.

The territory of the plant area looks like a peculiar park with green plants and birds. At present green plants and lawns occupy approximately 23% of the plant's area. Mainly conifer and broad-leaved trees grow here. There are many flowerbeds. The area of green plants is 56,34ha.

In 2008 the land improvement and greenery planting shop did the following job:

Job description	Unit	Quantity	Remarks
Purchased from external organizations for plant's territory improvement: a) young conifer ornamental plants	pc.	431	various thuyas — 281, spruce — 10, Conica spruce — 5, charmaecyparis — 10, box-tree — 5, various junipers — 120.
b) young blossoming bushes	pc.	553	Rose splings — 500, rhododendron — 30, caprifol — 10, cinquifol — 8, Forgune's euonymus — 5.
c) planting material of bulbous and rhizome flowers	pc.	1250	Tulips of various types and sorts — 1000, 3 types of daffodil — 150, 2 types of lily — 100.
d) perennial flowers	pc.	212	24 types
e) biennial flower sprouts	pc.	1400	
f) Flower sprouts grown and planted	pc.	150790	
g) groups and Alpine hills arranged	pc.	13/9	
h) New flower gardens arranged	pc/m2	13/228	
Tree sprouts planted to improve the plant's area: a) conifer b) ornamental blossoming bushes c) broad-leaved valuable species	pc.	395 397 32	
Collection, processing and storage of seeds for further reproduction to improve the plant's territory	kg	4,0	

So as to preserve and enrich national cultural and spiritual possessions, historical heritage and natural resources of the country, original traditions of Belarusian people, to bring up young people in the spirit of love for the Fatherland the President issued order No. 720 dd. December 29, 2008 announcing the year 2009 "A Year of Homeland". In accordance with the order RUE "BMZ" worked out a plan of actions to commemorate the Year of Homeland.

EFFICIENT USE OF NATURAL RESOURCES

RUE "BMZ" production process represents a complete metallurgical cycle with the annual output of more than 2 million of liquid steel.

In 2008 the following key materials were used for steel manufacturing:

Material	Unit	Quantity
Scrap	T.	431
Ferroalloys	T.	553
Pellets	T.	1250
Electrodes	T.	212
Slag-making deoxidizing refining admixtures (lime, limestone, fluorite, dolomite, IRM, sand, coke, etc.)	T.	1400
Carburizers	T.	150790
Heat insulators	T.	13/9
Refractory	T.	13/228

Percentage of the processed materials of the total amount of raw materials in 2008:

Material	Unit	Quantity
Scrapped refractory	%	8,4
Electrodes	%	1,2

EFFICIENT USE OF POWER RESOURCES

RUE "BMZ" maintains the tendency of dynamic development and swiftly increases its production potential without considerable growth of FER consumption. Our major task is saving and efficient use of resources due to:

- introduction of power-saving measures;
- introduction of new advanced technologies;
- effective use of the existing facilities;
- introduction of the latest scientific achievements in the field of power efficiency.

Direct use of power from the initial sources in 2008 made up:

Source	Unit	Quantity
Thermal energy	gCal	189 800
Natural gas	m3 thou	135 373,7
Diesel fuel	t	3 343,149
Lead-free fuel	t	263,612

Amount of the intermediate energy purchased and used from the irreplaceable power sources in 2008 equaled to:

Source	Unit	Quantity
Electric power	mWth/(GJ)	1 869 466 (6 730 078)

Power saved in the result of measures taken to decrease power consumption and increase efficiency in 2008:

Power resource	Unit	Quantity
Electric power	mWth/(GJ)	92 257 (332 124)

Traditional directions of the power saving programme are:

- equipment with group regulators of thermal energy consumption of the central thermal plants, thermal points and thermal units of buildings;
- installation of regulated electric drives;
- use of secondary thermal power sources;
- development and introduction of new power-saving technologies, materials and equipment;
- systematic goal-seeking training of the personnel in power-saving technologies;
- introduction of an automatic system of energy management and efficient lighting devices, etc.

For material stimulation of RUE "BMZ" personnel the following is used:

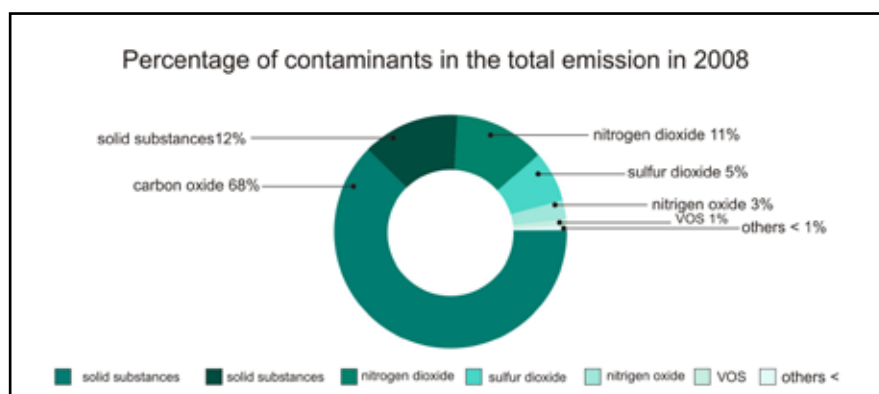
- Contest among the RUE "BMZ" personnel for the best ideas for the increase of power efficiency of the production;
- Contest for the best structural subdivision of the plant in view of power saving;
- Awarding of the personnel for power resources saving'.

In 2008 there was a reduction of the percentage of the electric power consumption by 4,5%. Power saved in the result of the measures taken to reduce power consumption and increase efficiency equaled to 92 257mWt/h (332 124GJ).

Besides reducing the financial load, FER saving involves decrease of production load of the plant on the environment.

AIR BASIN PROTECTION

One of the main sources of negative Impact on the environment is the sources of contaminating emissions into the air. 506 sources with the allowed total emissions of 6430 tpy are used at RUE "BMZ". To minimize detrimental emissions the main sources are equipped with gas cleaning systems. There are 133 such systems.



Substance description	Actual emission, [tpy]		Percentage of contaminants formation, kg/t of steel produced]	
	2007	2008	2007	2008
Carbon oxide	3687,349	3330,123	1,60	1,30
Nitrogen dioxide	545,704	521,364	0,24	0,20
Sulfur dioxide	246,938	253,288	0,10	0,10
Solid substances	626,429	601,780	0,27	0,23
Total quantity of contaminants	5211,303	4905,914	2,30	1,95

RUE "BMZ" owns 119 motor units. 62 vehicles use diesel fuel, 51 vehicles — gasoline, 6 vehicles — condensed gas.

Railway transport includes 6 diesel locomotives.

Railway transportation is carried out only within the plant's territory, motor transportation — within the boundaries of the sanitary protection area of the plant.

Transport means use lead-free gasoline grade AI 92, AI 95, normal 80, condensed gas, and diesel with sulfur content 0,005% as a fuel.

Atmospheric emission of contaminants from movable sources in 2008

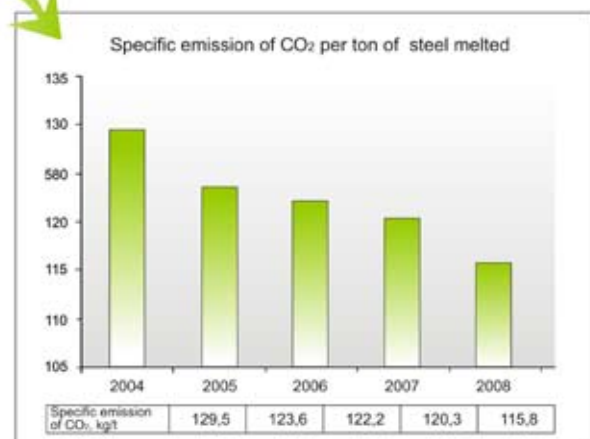
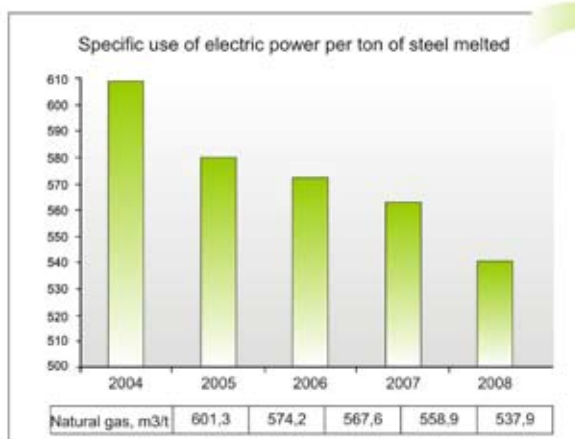
Substance description	2007, t	2008, t
Carbon oxide	690,526	538,435
Nitrogen dioxide	158,924	126,038
Sulfur dioxide	86,312	67,390
Hydrocarbon	264,009	212,761
Soot	64,506	50,305
Benzapilene	0,0014	0,0011
Total	1264,2784	994,9301

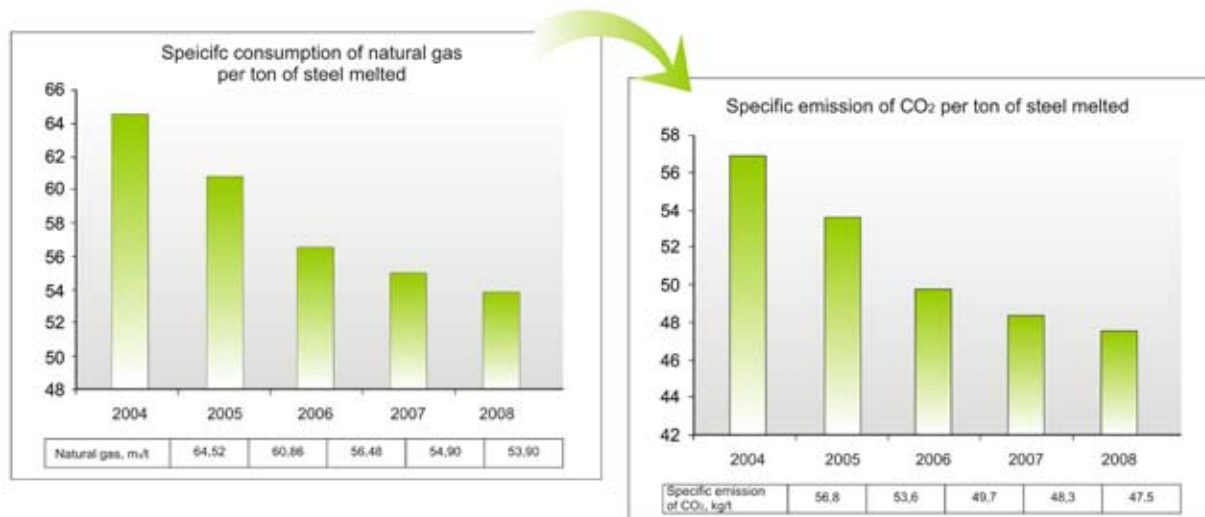
Analyzing the figures of emission into the air, it is necessary to point out that total emission into the atmosphere in 2008 decreased by 6 % (305,4t) compared to the previous year including emissions:

- from technological processes — by 293,18t;
- from fuel combustion — by 12,21t.

Utilization of substances destructing ozone is carried out on the basis of the requirements of the license for activity related to the usage of natural resources and the impact on the environment in particular the usage of ozone destructing substances.

DATA ON THE ACIVITY RELATED TO THE UTILIZATION OF OZONE DESTRUCTING SUBSTANCES														
Name of ODS	Amount of residues as of the beginning of the year, kg		Purchased, kg		Collected for regeneration, kg		Regenerated (recycled), kg		Amount used, kg		Sold, kg		Amount of residues as of the end of the year	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
R-22	165,0	119,6	136,0	625,6	164,0	6,8	164,0	6,8	465,0	587	—	—	0	165
R-12	0	0	0	0	0	5,7	0	5,7	0	5,7	—	—	0	0
R-401A (R22-53% R153-13% R124-34%)	109,6	185,0	0	0	11,0	0	11,0	0	53,0	75,4	—	—	67,6	109,6
R-114B2	1321,1	1973,1	0	0	0	0	0	0	204,0	652	—	—	1117,1	1321,1



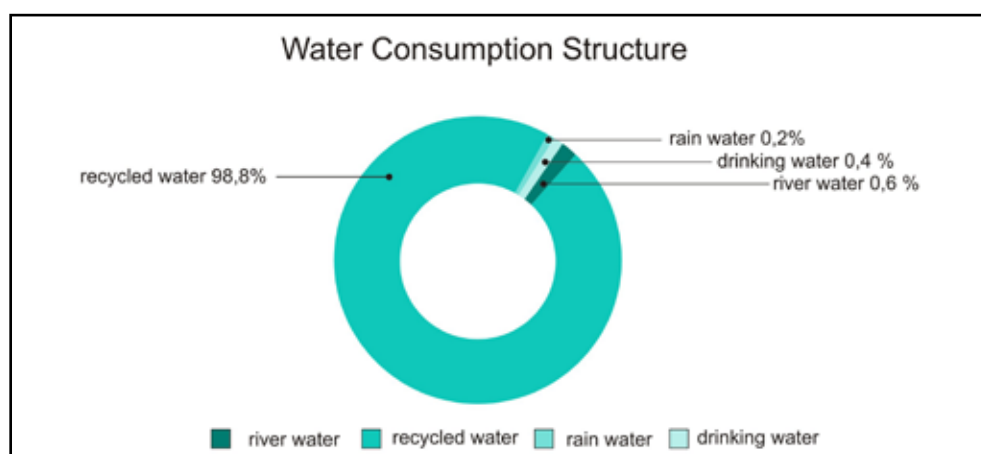


WATER BASIN PROTECTION

Water diversion for technical needs is from the Dnieper river, one of the main rivers in the Republic of Belarus. Its length from the head water to the mouth is 1182 km.

Amount of annual yield of the Dnieper river is 1 261 440 000 m³. Annual water diversion amount of RUE "BMZ" is 0,12% of the river yield.

There is a circulating water system for the main users — technological equipment at the enterprise. Water from the surface sources (the Dnieper) is used for compensation of the irrevocable water consumption in the water cooling systems of the equipment. For drinking and household needs drinking water from artesian wells is used.



So as to decrease the amount of natural water consumed from the Dnieper the enterprise uses rain water collected and cleaned by specialized departments.

Description	2007	2008
Consumption of water from surface sources, [thou. m ³ /y]	1 880,302	1 581,047
Drinking water consumption, [thou. m ³ /y]	1 053,7	932,5
Recycled water amount, [thou. m ³ /y]	213 220,5	236 239,96
Use of storm water, [thou. m ³ /y]	34,1	443,017

Results of the efficient use of water resources by the enterprise in 2008:

- decrease of water consumption from the surface sources — 299,255 thou m³/y or 15,9%;
- reduction of drinking water consumption — 121,2 thou m³/y or 11,5%;
- increase of recycled water consumption — 23019,46 thou m³/y.

In 2007 — 2008 a big modernization of the treatment plant of saline sewage of the galvanic production was carried out. During the modernization work a part of the industrial sewage not very well cleaned and diluted

with collected rain water was discharged into the surface water of the river Dobysna. At present the technological run-off water formed in the result of the production activity of the enterprise is directed to the treatment plants of the enterprise's subdivisions to be re-used in the production.

Amount of contaminants discharged into the water object with sewage water

Substance	2007, ton	2008, ton
BPK	0.144	0.038
Mineral oil	0.003	0.005
Suspended matters	0.728	0.621
Sulfates	5.174	2.970
Chlorides	7.223	2.922
Phosphates	0.037	0.006
Ammonia nitrogen	0.016	0.003
Copper	0.0004	0.0003
Zinc	0.002	0.003
Nickel	0.0001	0.0001
Lead	0.0001	0
Iron	0.0103	0.023

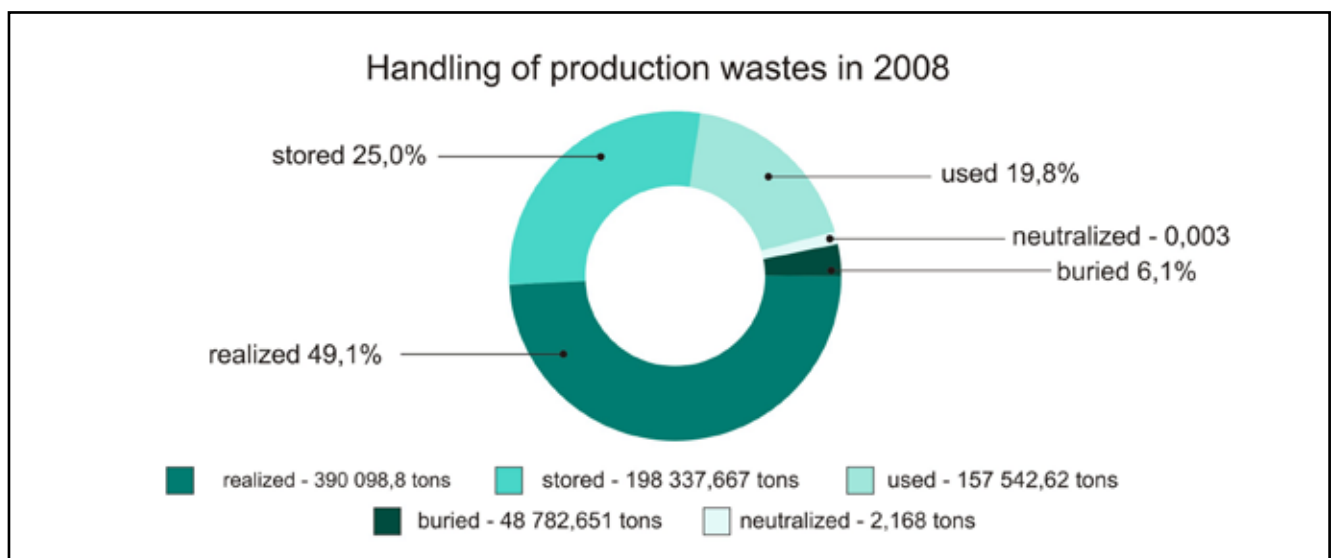
The household sewage of the plant is directed to the treatment plant of the town of Zhlobin.

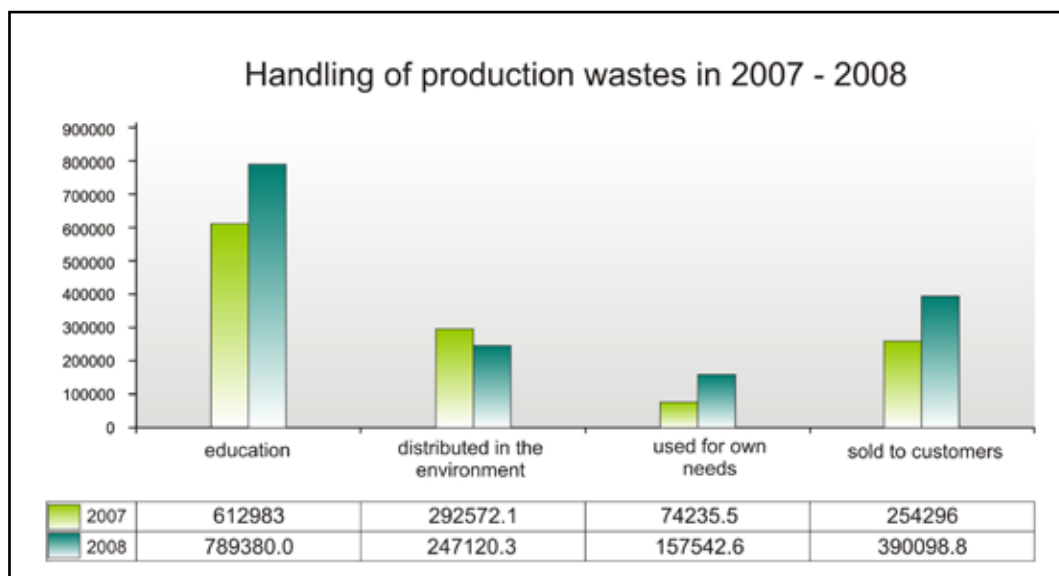
In 2008 the amount of the water flow to the water object decreased by 13,7 times compared to 2007 and was 6,2 thou m3 (2007 — 84,9 thou m3).

There exist no water objects considerably affected by RUE "BMZ" production activity.

UTILIZATION OF PRODUCTION WASTES

One of the most important aspects leading to environment contamination is utilization of dangerous wastes formed in the result of the production process. Depending on the danger degree and physical properties of wastes a strict procedure of wastes handling on all stages (formation, collection, transportation, storage, utilization and neutralization) is determined at the enterprise to ensure the smallest impact on the environment.





The above diagrams show that the amount of utilized (buried, stored) wastes in 2008 compared to 2007 reduced by 15,5% due to increase of realization of the wastes stored: slag from steel melting and galvanic slums. Percentage of the wastes to be buried remained at the level of 2007 and is approximately 6%.

During 2008 there were no spillage of chemicals, oil and fuel capable of a significant negative environmental impact and having a possible threat for soil, water, air and a man's health.

In the production activity of RUE "BMZ" the following wastes corresponding to the waste groups listed in Basel convention are formed:

Y1 Medical wastes in the result of patent medical care in hospitals, polyclinics and clinics;

Y8 Superfluous oils unfit for the initially planned use

Y9 Wastes in the form of mixtures and emulsions, hydrocarbon;

Y16 Wastes from production, obtaining and use of photochemicals or materials applied for photomaterial processing;

Y17 Wastes from steel or plastic surface processing;

Y31 Lead; lead compounds;

Y34 Acid solutions and solid acids;

Y36 Asbestos (powder or filaments).

Handling of these wastes was in accordance with the environmental law of the Republic of Belarus. There was no export or import of these wastes.

As the main raw material of RUE "BMZ" production (rolled steel, steel cord and wire) is scrap, our enterprise is able to completely utilize its products after their service life expires.

TRAINING

So as to improve environment protection, training on various environmental matters is organized at all levels. Professional training is continuous and is carried out during the whole labour activity so as to extend and deepen professional knowledge and the knowledge in environment protection and industrial sanitary step by step. Responsibility, duties and authority are determined, documented and advised to all workers so as to support efficient management of the environment in the production activity.

So as to guarantee fulfillment of the legal and other environmental requirements, an access to the existing reference legal system "Consultant Plus: Belarus Network", informational and search systems "Stroidocument" and "Standard" is provided for every worker.

General training data are given in Section 5.3.

IMPROVEMENT OF THE ECOLOGICAL CULTURE OF THE PERSONNEL

In 2006–2008 RUE "BMZ" took an active part in the national ecological forums aimed at popularization of a

solicitous attitude towards natural resources, involvement of the society in solving ecological matters and exchange of environmental experience between specialists.

Every year international scientific and technical conferences of young specialists and scientists are held at RUE "BMZ" where measures to reduce the load on environment, effective use of natural resources are discussed. So as to inform people about RUE "BMZ" environmental activity and improvement of the environment management system, articles were published in the corporate and regional mass media, in the republican trade publication "Foundry and Metallurgy", a video about environmental activity of the enterprise was shot.

Public hearings attended by control bodies, social organizations and workers of the plant are organized to assess the impact of the enterprise's activity on the environment.

The plant takes part in environment protection actions and many times it was an initiator of such actions.

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

So as to decrease environmental impact, RUE "BMZ" organizes different actions every year. In 2008 the following main actions were carried out:

- introduction of the system of continuous local monitoring of emissions of EAF-1 at MS-1. The expenditures equaled to BRB605 187 456;
- reconstruction of the gas cleaning system of EAF -2 at MS-1. The expenditures equaled to BRB14 842 944 310;
- purchasing of a new crushing-sorting plant for slag processing. The expenditures equaled to EUR560 000;
- modernization of the equipment of saline water processing at water treatment plant No.2 of the PS. The expenditures equaled to BRB13 544 541 841.

EXPENDITURES FOR ENVIRONMENTAL PROTECTION AND MONITORING.

PAYMENTS FOR ENVIRONMENT

Environment current cost in 2007-2008:

Environment current cost	Total, BRB thou. (from own assets)	
	2007	2008
Total including:	41 760 167,6	53 150 799,3
protection and efficient use of water resources	20 757 044,8	25 369 242,0
Including payments to other organizations for acceptance and cleaning of waste water	9 166 965,7	10 926 533,0
protection of atmospheric air	15 162 721,8	19 873 292,0
protection of environment from production wastes	5 734 924,4	7 682 416,0
Including payments to other organizations for collection, acceptance, storage, and neutralization of wastes	2 021 526,3	2 146 686,4
environment certification, audit, insurance, and regulation	105 476,6	156 100,1
Environment current cost (monitoring)		
local monitoring of waste, surface and underground water		276 997,6
local monitoring of emissions of contaminants into the air by fixed sources		384 795,3
local monitoring of the ground		715,6

Fixed assets used for environment protection in 2007—2008:

Fixed assets used for environment protection	Total, BRB thou (from own assets)	
	2007	2008
Total, including:	—	717 146,1
fixed assets for collection, transportation, cleaning of waste water, reclaim water system and water recycling	—	—
fixed assets for cleaning, neutralization of emissions into the air of contaminants	—	717 146,1

Ecological payments in 2007-2008:	2007	2008
	Total, BRB mio.	Total, BRB mio.
Tax for natural resources (water)	119	105
Tax for emissions into the air	2 164	1 836
Payments for waste water discharge	2 401	37
Payments for wastes burial	3 249	4 731
Payments for wastes storage	2 415	1 461
Tax for production and import of plastic package, use of package based on paper and cardboard	59	43
Fines and administrative penalties	39	14

Planned figures in the targets for 2008 were met in full.

A very important aspect of RUE “BMZ” activity is cooperation with other parties concerned: both control bodies and public organizations as well as customers, suppliers, subcontractors. The exchange of information is done according to the diagram listed in the section «Control, obligations and interaction with interested parties.





Responsibility in the social sphere



Responsibility in the social sphere

Employment relations and adequate labor

POLICY IN THE AREA OF PERSONNEL MANAGEMENT

Long-term strategic aims of the RUE “Byelorussian steel works” corporate policy in the field of personnel management provide:

- Forming of labor relations regulation system and social partnership development on the base of personnel and plant's interests balance;
- Personnel motivation system development, providing for a competitive level of workers' compensating package connected with the increase in labor efficiency, collective and individual results of labor activity;
- Personnel development (choice, employment providing, assessment, training, promotion) to supply the plant's departments with workers who possess necessary professional-qualifying characteristic features;
- Increase of labor protection level, improvement of social conditions in production and provision of the staff, their families with extra possibilities for health improvement;
- Development of corporative culture, ensuring of social stability and favorable moral and psychological climate in labor collectives;
- Development of corporative social programs.

MAIN PRINCIPLES AND APPROACHES

RUE “BMZ” policy in the area of personnel management is formed and implemented on a system basis in accordance with the approved normative documents.

While continuously developing and improving, the plant associates its success with the united and active professional personnel. One of the main aims of RUE “BMZ” is the creation of “a company of a priority choice”, which is based on honesty, keenness, creative approach, optimism, and aspiration for self-perfection of each employee. Creation of RUE “BMZ” management system supposes personnel involvement into the process of taking decisions, business processes optimization, improvement of company's production and social activity. So, every person feels his own contribution into the common purpose achievement.

In the conditions of a large number of the personnel and constantly changing conditions of activity, it's very important to create a competent and effective personnel management system.

The policy of RUE “BMZ” personnel management based on the principle of partnership relations between a person and the organization is directed to the formation of an integrated corporative medium assisting with the dynamic development of the enterprise. The personnel is the main element of success in achieving our goals, so we pay much attention to solving personnel's questions.

Effectiveness of the “Personnel management” process and its correspondence with the requirements of the international standards was approved by the management system audits of such companies as “TÜV-ZSSM”, TÜV Rheinland (Germany), American Petroleum Institute, «SGS Polska», «CARES» (Great Britain) and others in 2008.

DESCRIPTION OF THE PERSONNEL

One of the priority directions of the plant in the area of personnel management is the creation of favorable conditions for the personnel to demonstrate their professional, creative and personal virtues.

The aim of RUE “BMZ” is to form its staff from the local population attracting qualified specialists.

As on 31.12.2008, total number of the personnel was 12 445 people. It increased by 36 people compared with the last year.

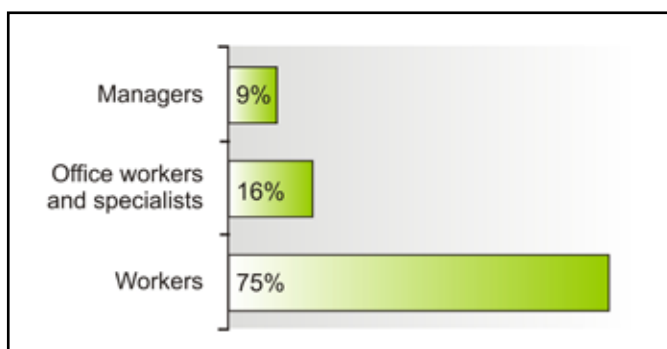
year	2006	2007	2008
number	12 891	12 409	12 445

Personnel increase took place due to the engagement of young specialists, graduates from specialized high educational institutes and Zhlobin metallurgical technical college, which was built and is financed from the enterprise's assets.

There are some changes in the categories of the personnel structure towards decrease of the number of managers and specialists within the framework of the general concept of the optimization of the organizational structure and redistribution of the human resources within the enterprise.

Category name	2007	2008	Deviations
Total number, people	12 409	12 445	+36
Managers, people	1 153 (9,3%)	1127 (9,1%)	-26
Specialists, people	1 784 (14,4%)	1773 (14,2%)	-11
Office workers, people	167 (1,3%)	167 (1,3%)	0
Production workers, people	9305 (75,0%)	9378 (75,4%)	+73

Personnel total number on the 31 of December 2008 r. — 12 445 people.



Byelorussian steel works has a balanced age structure of the personnel. Mainly there are people at the age from 35 to 45 years old; which evidences of the availability of the personnel having corresponding knowledge and skills.

Category name	2006	2007	2008
Personnel average age, years	39,0	39,30	39,34

Gender structure of the personnel didn't change compared with 2007. As of 31.12.2008 there were:

- 67,6 % men;
- 32,4 % women at RUE "BMZ".

Predominance of men is explained by the fact that metallurgy is a male branch with heavy and dangerous conditions of work.

Turnover of the personnel in 2008 was 1,92%.

Year	2006	2007	2008
Fluctuation of personnel %	1,49	1,87	1,92

More than half of the plant's personnel have a higher and a secondary special education.

Multilevel a reserve of the supervising personnel is organized at RUE "BMZ" for implementation of a long-term strategy of the enterprise development. The reserve has to supply the enterprise with the leading staff possessing basic leading competence. Stepwise training of the staff reserve in accordance with the existing system is organized at BMZ. Its aim is the development of the corresponding competences and creation of a real outlook for the personnel professional and functional promotion.

Category name	2006		2007		2008	
	people	%	people	%	people	%
Higher education	2 796	21,7	2905	23,5	3016	24,2
Secondary special	3 576	27,7	3284	26,4	3243	26,1
Secondary technical, secondary	6 521	50,6	6220	50,1	6186	49,7
Candidates of science	8		9		9	
Post-graduates	8		4		5	
Undergraduates	5		8		14	

The training programs foresee preparation of a reserve from a foreman level to a top-manager, taking into account the specificity of the work ("School for Young Leaders" and "Management School"). Specialists of leading educational establishments of the Republic of Belarus are involved in the training according to bilateral agreements signed. Appointment of more than 50% of the School graduates to the leading positions speaks about the effectiveness of the Reserve Preparation System.

The number of specialists with a higher education has increased by 111 people this year compared with 2007. The number of specialists with a secondary special education remains stable. There is a tendency of the decrease of the number of the workers with the secondary education.

RUE "BMZ" is a successful, stable, working enterprise. This makes it attractive for prospective workers and solves the question of the personnel in future.

In 2008, 557 people including 443 men and 114 women from the local population were chosen and employed considering the level of their competence. Personnel employment by BMZ was connected with the increase of the production program and amount of work at the steel wire shops and the achievement of the planned production capacity of the pipe facility built in 2007.

The enterprise pays much attention to the acceptance and adaptation of young specialists.

year	2006	2007	2008
YS number	121	107	188

In 2008 a multifunctional team consisting of specialists and leaders of the main production divisions developed and primarily tested a system designated to work with young specialists.

The main task of the System is a stepwise adaptation and professional start of young people.

The personnel policy of RUE "BMZ" is directed towards the revealing of the individual potential of each person and his/her development interconnected with the strategic tasks. The existing assessment system helps to define conformity of each employee with the position occupied and to create conditions for successful and efficient fulfillment of his/her official duties. Objectivity and openness are the main principles in the area of personnel efficiency management.

With a view to develop the basis required for the personnel assessment, local normative documents regulating the assessment and attestation of leaders and specialists were worked out in 2008. Constructive dialog between an employee and a leader is laid in the basis of the assessment procedure.

2180 specialists of the enterprise were assessed regarding the fulfillment of the targets set forth; besides, correspondence of 585 people with the position occupied was confirmed with "360 degrees" method in 2008.

TRAINING AND EDUCATION

Quality of the personnel today is one of the priority factors defining competitiveness of any employer.

A Training Centre was formed at the plant to improve the competitive advantages in the area of the personnel development and in accordance with the established demands related to the level of professional education. The Training Centre carries out professional training in 194 working professions and has licenses for training of workers to carry out 17 kinds of activity, connected with the operation and maintenance of the objects controlled by Gospromnadzor (the State Industry Supervision Body).

The Training Centre solves the following tasks of the personnel professional training:

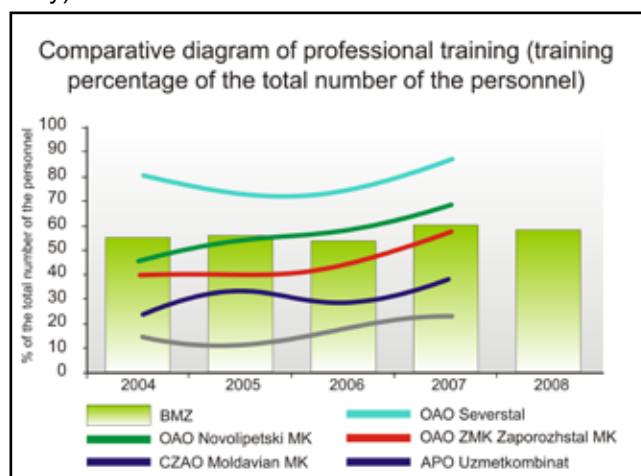
- perfection of workers' and specialists' professional knowledge in the field of new achievements of

- science and technology, acquaintance with native and foreign progressive experience;
- satisfaction of demands of RUE "BMZ" departments in qualified workers and specialists;
- training of the staff reserve and middle unit leaders;
- creation of the staff potential reserve of workers from the local population.

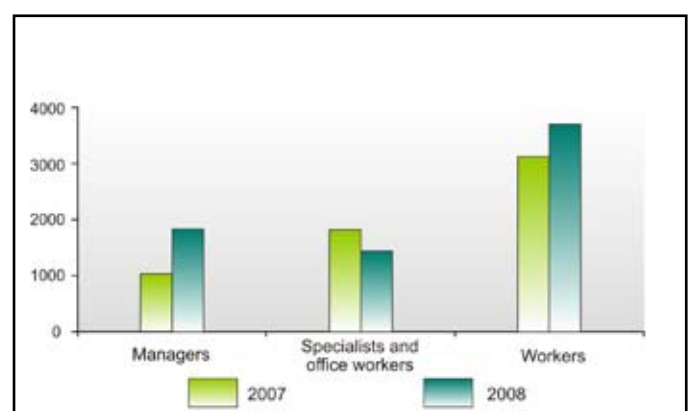
Personnel training and development is conducted in accordance with the current and perspective needs of the plant.

Differential approach to formation of the training programs is carried out according to the level of workers' qualification. Programs of continuous professional training provide for study of questions of special technology, civil, political, economic, social and cultural human rights, requirements of the environment protection system, quality management, labor protection and industrial safety, energy saving.

Continuity of education is provided by rational combination of professional training at the educational establishments, systematic self education, and education at the Training Centre and at working places. In 2008, 6714 workers of the plant had different kinds of training (53,9% of the total personnel number), it is 846 people more than in 2007. This growth was achieved thanks to the increase of the number of the leaders and the workers trained (745 and 460 people respectively).



Category of trained staff	Number of trained staff, people			% from of general number of trained staff			% from of general number of this category personnel		
	2008	2007	changes	2008	2007	changes	2008	2007	changes
Managers, people	1017	1762	745	18,3	26,2	7,9	88,2	156,3	68,1
Specialists, people	1735	1354	- 381	29,6	20,2	- 9,4	97,3	76,4	- 20,9
Office workers, people	2	24	22	0,03	0,4	0,36	1,2	14,4	13,2
Production workers, people	3114	3574	460	53,07	53,2	0,13	33,5	38,1	4,6
Average	5868	6714	846	100,0	100	-	47,3	53,9	6,6



During last years every employee was engaged in at least one kind of training. Average number of training hours per one employee of the plant was 43 hours.

year	2006	2007	2008
Average number of hours	38	40	43

Investment to education in US\$

year	2006	2007	2008
Investment in US\$	450,75	450,00	338,30



The Training Centre is equipped with new means of education. Everything is organized in such a way that studies are held with maximum efficiency. Presence of modern teaching aids which were worked out by teachers and foremen of the Training Centre on the basis of the plant technology and equipment makes the learning easier. Traditional forms and modern technologies of knowledge transfer (modular teaching, trainings, analysis of production situations and so on) are used in the process of training.

In the sphere of personnel training, RUE "BMZ" forms up long-term relations with some leading educational institutions, which have proved well: The educational Institution "Institute of refresher training in new directions of technique, technology and economy development of the Byelorussian National Technical Institute", State Educational Institution "Institute of refresher training of industry specialists "Industry staff", non-profit educational institution of extra professional education "North-Western Training Centre", Training Centre "Moscow Institute of Steel and Alloys", State Educational Institution "Republican Institute of Higher School".

Trying to make its contribution to the development of the community, RUE "BMZ" helps in training of high-qualified workers for the enterprises of the town, the region, and the country.

Developing a reputation of the most attractive employer in the region is a precondition for attracting of inventively active and technically competent personnel to the plant. Helping younger generation in getting advanced education, the enterprise forms its own perspective staff reserve. Considerable means are provided for these aims.

As a patronage and charitable help, the plant contributes funds into the improvement of the material and the technical basis of the kindergartens, the schools, the preschool creative centers, the children's homes, the boarding schools. Financial assistance is provided for making repairs, buying equipment, getting modern training aids, computer hardware, sport equipment.

RUE "BMZ" finances the activity of the State Educational Institution "Zhlobin metallurgical technical school", which educates technologists for the main production departments of the plant. All graduates from the technical school work at the plant.

Vocational guidance of schoolchildren and students occupies a special place and is carried out on a continuous basis with the participation of RUE "MBZ" workers. Some programs are implemented within this direction:

- participation of schoolchildren in the action "Public Day" at the basic educational institutions;
- excursions to the museum of the plant;
- youth competitions, cultural activities involving



schoolchildren and students of special educational institutions.

RUE “BMZ” does a lot to increase the level of the personnel education. 255 workers study by correspondence at higher educational establishments on a contract basis by the plant’s assignment; approximately 400 workers get higher education on their own.

Long-term cooperation with higher educational establishments is one of the most important target factors of the personnel development system. It is beneficial for educational establishments as well as for our enterprise. The enterprise offers an opportunity for the students to do practical work at the plant. Experienced workers and specialists supervise the students during the period of their practice. Detailed acquaintance with the production takes place at the working place; the students have an opportunity to feel themselves a part of the working collective, to try their capabilities and to take over teachers’ experience; thus, RUE “BMZ” shows the possibility of getting an interesting work and personal self-actualization to their potential employees.

SYSTEM OF MOTIVATION

MATERIAL ENCOURAGEMENT

RUE “BMZ” admits the workers’ right to worthy payment for the results of their work, aspires to provide for the remuneration of their labor capable to improve their life level.

The strategy of production development envisages the fulfillment of the tasks which implementation requires high productive and creative labor of the personnel motivated for their fulfillment.

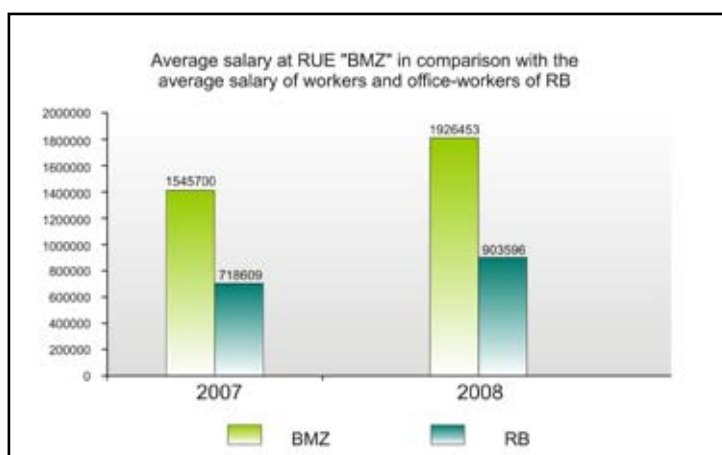
A system of the personnel motivation and stimulation is worked out at the plant. It gives the opportunity to expect material and non-material remuneration corresponding to the professional level and personal contribution to the operation of the plant for each employee. The personnel of the plant have unimpeded access to the information about the principles and the criteria of the existing system of motivation.

The main aim of the plant personnel policy is continuous increase of productivity and personnel labor quality, effective use of functioning forms and systems of remuneration of labor directed to the production of high quality competitive products on the basis of efficient use of each employee’s labor potential.

One of the most precise indicators of the social policy efficiency of the enterprise is the level of wages.

A salary is the main source of income and the main factor of provision of a certain level of well-being. A bonus system of labor stimulation is worked out at the enterprise with the purpose to achieve the unity of interests of all categories of workers in reaching good final results of the plant’s economic activity in general on the basis of determination of labor contribution and encouragement of each department and an individual person.

In the present economic situation, keeping of the lowest level of labor remuneration of badly protected groups of workers is very important.



RUE “BMZ” policy in the area of personnel remuneration including the plant’s top-management and its departments, envisages coordination of remuneration of labor with collective and individual key indicators of efficiency.

Charging of salary was made in accordance with the legislation accepted in the Republic of Belarus. At the enterprise the following principle is provided for: the salary charged for an employee who has worked for the whole period of the working time and fulfilled the labor norms, cannot be less than the minimal salary in the Republic of Belarus in 2008, i.e. 208.8 thousand Byelorussian rubles.

At the enterprise the principle of equal remuneration for a labor of equal value is secured. The rated part of

a salary is defined on the basis of the monthly base-rate determined in the unified scale of rates of the Republic of Belarus and the collective agreement in accordance with compilation of job rates in the organization according to the following categories:

- for workers, it is defined by way of multiplication of first-grade basic rate by the tariff coefficient of the corresponding basic rate category defined for a worker in accordance with the general regulations of the Unified wage rate scale on the basis of wage rate characteristics of workers' professions;
- for office-workers it is defined by way of multiplication of the first-grade basic rate by the tariff coefficient of the corresponding basic rate category of the Unified tariff scale, determined for the office-workers in accordance with his position;
- for men and women according to their work or position in accordance with the Unified tariff scale and the collective agreement.

The average salary of office-workers is 15,2% higher than the average salary of workers of the enterprise. The average salary of managers is 60,9% higher than the average salary of workers. This ratio is explained by the difficulty of the duties fulfilled in accordance with the job description and efficiency of the activity of the organization (some structural subdivisions), quality of work (services), efficiency of fulfillment of the targets and the tasks set forth.

Men and women have the same salary scale and basic wage rate. Women are guaranteed not only equal rights with men, but also extra benefits and insurance arrangements aimed at defending their health and maternity.

Thus, it is forbidden to use women labor at:

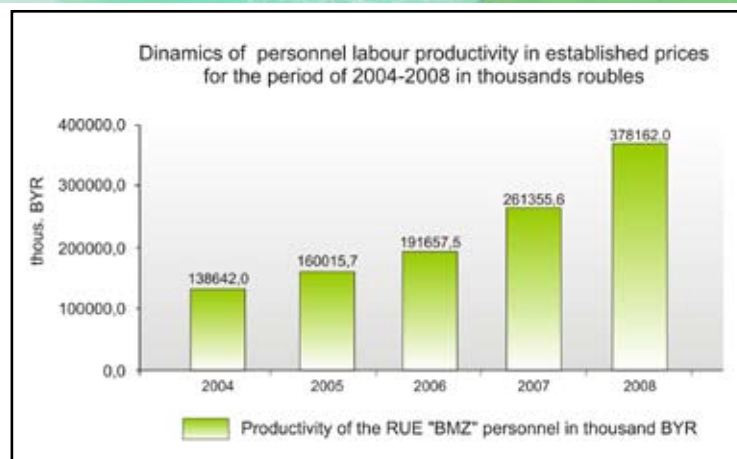
- heavy work and work with harmful and (or) dangerous conditions of work;
- work connected with manual handling of heavy loads;
- some professions and positions (steel-maker, steel-maker assistant, blacksmith, battery attendant and so on).



The average salary of men is 37,4 % higher than the average salary of women at the enterprise. Difference of women's average salary from the average salary of men is explained by a higher salary for a heavy work, harmful and dangerous conditions of work where women are not allowed to work.

In planning of remuneration of labor costs the level of salary achieved and the achieved output for one worker are accepted as the basis. In accordance with the increase of labor productivity, the increase of a salary is planned accordingly.





The rate of annual growth of labor productivity by 44,7% in the existing prices is provided for.

The rate of growth of labor productivity of the plant in 2007 in general is 110,5%, including:

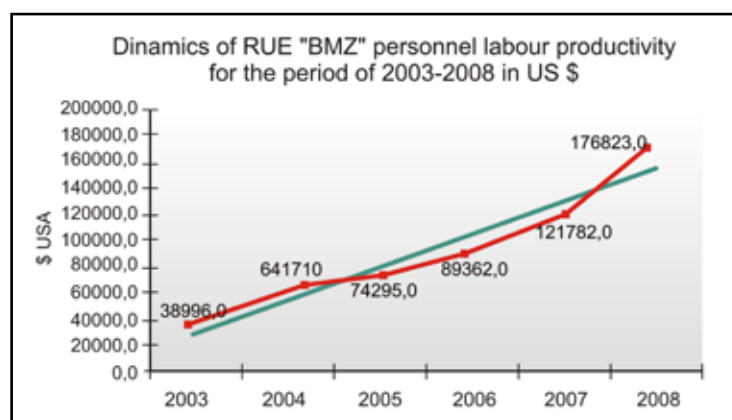
- increase of the production output — 108,5%
- optimization of the number of the personnel — 101,8%

Increase of labor productivity in comparable prices by 109,7% due to approved measures was planned for 2008. Actual growth rate of labor productivity was 110,7%, including:

- increase of the production output — 110,0%;
- optimization of the number of the personnel — 100,6%.

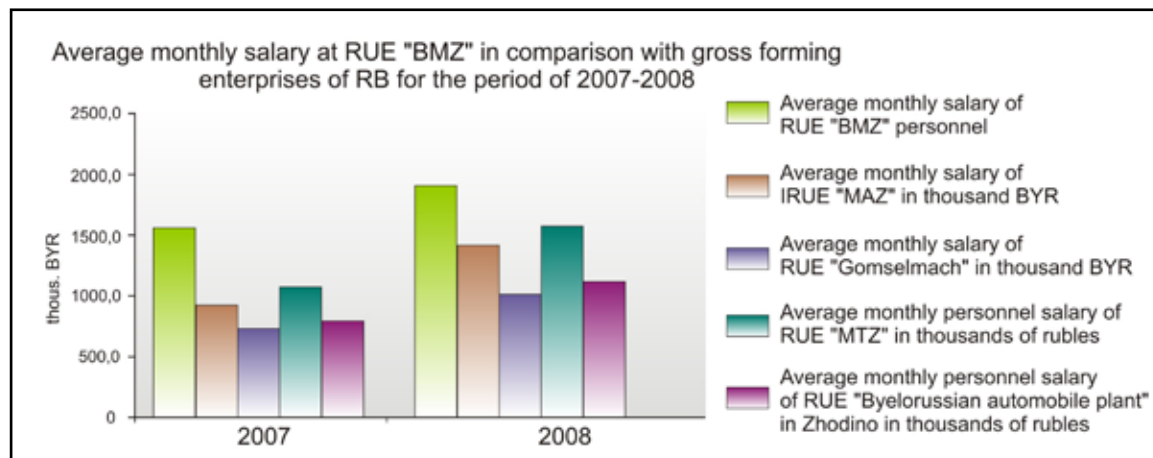
It's necessary to point out that growth of labor productivity in the existing prices was 144,7% in 2008 while the growth of salary was 124,7%.

So, last year advanced rate of labor productivity growth compared to the rate of salary growth was provided.



One of the favorable factors of labor productivity growth was decrease of the labor intensiveness of the product manufactured. Realization of this direction led to relative release of 42 people in 2008.

As to the level of salary, the plant occupies a worthy place among the gross forming enterprises of the Ministry of Industry of the Republic of Belarus which can be seen this in the diagram.



NON-MATERIAL STIMULATION

An important element of the enterprise corporate culture is the workers' non-material stimulation system, including social and psychological, personnel and professional aspects.

At Byelorussian Steel works great attention is paid to stimulation and personnel's interest in saving of material and power resources, increasing of labor productivity, enhancing of responsibility for production quality, increase of production efficiency, and development of creative activity with the help of production competitions. 29 types of production competitions in individual and collective forms are held ("The best in the profession", "The best workshop", "Professional Olympus", "The best innovator of the year", "The best young specialist", "The competition of workshops and structural subdivisions according to the system "Attention — a person!" and many others).

Some festivals such as "Consecration to young metallurgists", "Registration in the Book of Honour and the Board of Honour", "Honoring of competitions winners" are held at the plant with the purpose of moral stimulation, strengthening of labor traditions, increasing of a person's significance. Photos of all categories of the personnel who achieve the best results in the productive activity, take an active part in the social life of the enterprise, deserve authority and respect of the labor collective may be placed on the Board of Honour. "Avenues of fame", stands "Production pace-makers" with photos of the best workers are available in all structural subdivisions.

31 workers of the enterprise were awarded a diploma in 2008 by various executive and legislative authorities:

- Ministry of Industry of the Republic of Belarus;
- Gomel Regional Executive Committee;
- Gomel Regional Council of Deputies;
- Zhlobin District Executive Committee;
- Zhlobin district Board of Deputies.

It is a good tradition to congratulate workers of the plant on their birthdays, with the birth of a baby, marriage, seeing-off to the military service and with retirement.

An important motivating factor is the possibility of professional training and professional development of the personnel. Personnel professional training organized and carried out by the Training Centre provides fulfillment of the following three motivation functions:

- production and economic (growth of competitiveness of the plant, improvement of the quality of obligations discharged and quality of production);
- administrative (provision of the plant with qualified personnel, formation, reproduction, adaptation and development of the personnel);
- social and cultural (socialization of a person, provision of employment, social confidence, provision of equal possibilities for professional and career growth).

LABOUR PROTECTION AND INDUSTRIAL SAFETY

As an enterprise with considerable level of production danger, RUE "BMZ" is responsible for provision of safety of manufacturing facilities for the personnel and the inhabitants. The plant arranges healthy and safety conditions of work guided by the labour protection law, international standards in the area of industrial production safety and prevention of professional disease and specially developed local normative documents. Questions of the personnel health and safety are reflected in the collective agreement.

From the first days of existence of the plant its managers accepted the strategy of providing production safety, arrangement of labour conditions allowing health maintenance during the whole labour activity.

The existing system of labour protection and industrial safety management is developed taking into account the best global practice.

The main directions in providing for labour safety and industrial sanitary, arrangement of corresponding work conditions are:

1. Preparation of high-qualified personnel during their professional training, constant professional development starting with workers and finishing with managers.
2. Arrangement of safe working conditions, continuous improvement of working conditions, improvement of labour safety.
3. Development of technological processes for all kinds of work, working out of regulations and norms for labour protection and safety, continuous familiarization of workers with them.
4. Protection of the personnel against harmful and dangerous labour factors by means of providing workers

with individual and collective means of protection, providing workers connected with harmful production with special foodstuff — milk.

5. Strengthening of labour and technological discipline, creation of continuous control system for observance of labour protection and safety rules and norms.

6. Information of workers about working conditions, response to all suggestions aimed at provision and improvement of working conditions and labour safety.

These directions are the basis of management system of the labour protection and safety functioning at the plant.

In December 2007 the enterprise had the first certification audit to check its conformity with the international standard "Professional health and safety management system". Auditors from BUREAU VERITAS CERTIFICATION confirmed the conformity of the existing management system with the international standard. In March 2008 RUE "BMZ" received a certificate of conformity to the international standard OHSAS 18001:1999.

Last year the first supervision audit of the labour safety and industrial sanitary management system was held at the enterprise.

Based on the results of the audit it was pointed out that our labour safety management system conforms to the requirements of the international standard OHSAS 18001:1999 and STB 18001–2005.

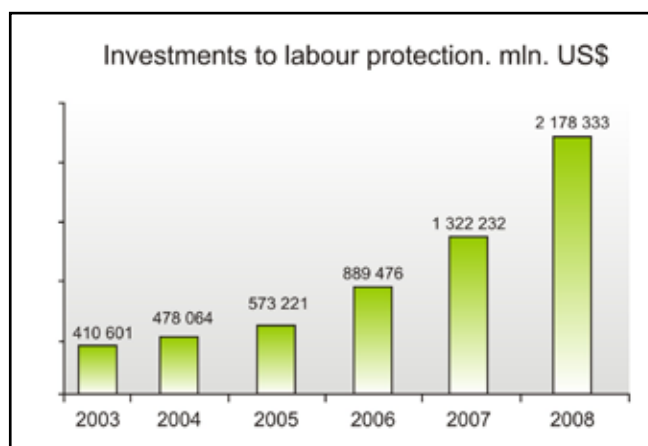
In 2009 it is planned to certify the labour safety and industrial sanitary management system conformity to the requirements of the international standard OHSAS 18001:2007 « Professional health and labour safety management systems — Requirements».

Rates of industrial injuries

№	Rates	2007	2008
1	Quantity of registrated accidents	10	9
2	Quantity of injured, as well as	10	9
	– fatal	0	2
	– heavy	1	4
	– in groups	0	0
3	Coefficient of frequency, Cf	0,80	0,73
4	Coefficient of severity, Cs	33,7	54
5	Working days lost	324	486

The main reasons of industrial injuries: breach of labour protection duties by managers and specialists, violation of labour protection instructions by the people injured.

In 2008 labour protection investments were US\$2 178,3 mln. The level of industrial injuries depends on some factors. One of them is the amount of investment in labour protection. During last years investments in labour protection measures increased and the level of industrial injuries decreased in proportion with the growth of investments.



Every year part of the funds used for these purposes is spent for providing workers with modern uniforms and footwear as well as means of personal protection.

IMPROVEMENT OF WORKING

Every year workers of different departments prepare suggestions regarding labour protection on the basis of which "Plan of measures for labour protection and improvement of working conditions" is worked out at the enterprise. In 2008, 132 actions to ensure labour protection and conditions improvement were planned, 123 of them (93,1%) were fulfilled. According to the measures fulfilled working conditions for 1 331 workers were improved (2007- 970).

A lot of work is done within the framework of The Revamping Program to take the old equipment out of operation and to commission up-to-date equipment conforming to all international labour safety requirements.

These measures made it possible to improve working conditions of workers and to reduce the impact of harmful and dangerous industrial factors on health.

TRAINING AND DEFENITION OF COMPETENCE

A person is at the heart of production. Material welfare is created by labour and intelligence of people. Labour protection greatly depends on the professional training.

Kind of activity	2008		
	Plan	Fact	% real
1. Professional development of leaders and specialists: – Industrial Atom Supervision of RB (Promatomdadzor) – Courses of purposeful use in OHSAS	1182	1524	128,9
	315	403	127,9
	867	1121	129,3
2. Professional development of workers: – new workers training – retraining – professional development – Courses of purposeful use	2705	3574	132,1
	0	111	111
	563	902	160,2
	715	803	112,3
	1427	1758	123,2

HEALTH AND SAFETY

Medical examinations are held to prevent development of occupational diseases. Medical examinations of the workers of structural subdivisions were organized in full and in due time.

According to the morbidity monitoring results, it was noted that morbidity at the enterprise decreased in 2008 as compared to 2007. General working time loss decreased by 13 370 man–days or by 12.5% as compared to 2007.

The reason for this decrease was reduction of the number of the days of sick leave by 13,7 %. Besides, catarrhal and systemic diseases dropped by 15.3% and the number of social sick–lists decreased by 3%.

WORK WITH THE PERSONNEL

Public inspectors taking an active part in the periodical control of labour protection render the administration a significant assistance in the prevention of industrial injuries.

Public inspectors of labour protection on a voluntary basis are involved in making a daily control of observation of the labour legislation and labour protection at each working place, a more complete realization of the rights empowered by the trade union. For this purpose 265 public inspectors of labour protection who make social control are elected by open vote and 42 commissions are formed.

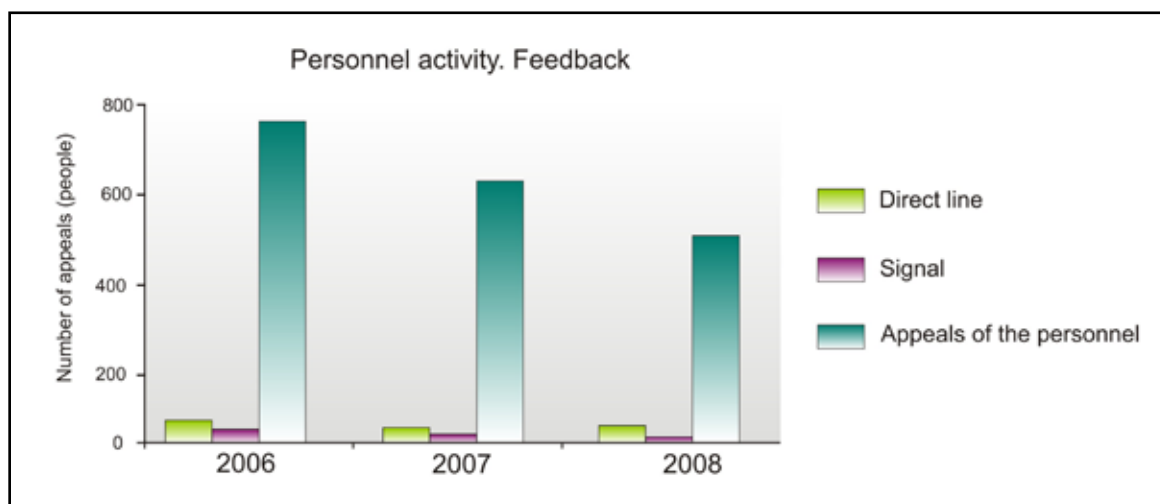
Public inspectors' authorities for making social control of observation of the labour legislation are confirmed by a certificate of the standard form. Public inspectors of labour protection contact with department leaders, labour protection service and the trade union of RUE "BMZ".

INTERNAL COMMUNICATION SYSTEM

Management of the plant develops internal communication and supports a constant dialog with their workers.

Acting in accordance with the principles of the UN Global Compact, RUE “BMZ” provides a free access to the information except limited by the law. So as to carry out a successful activity, much attention is paid to the feedback communication. As a significant component of the enterprise’s policy, the feedback from the personnel unites the staff from the point of view of the common public targets, values and interests.

Feedback channels include traditional forms of communication with workers (meetings, informational conferences with leaders of the enterprise and public agents, workers’ meetings, conferences, press–conferences, “free microphone” and so on) as well as sociological polls and interviews. There’s a “Direct line”, where every worker may ask any manager a question by telephone and get an irrefragable answer. For quick respond of the managers to questions, notices and suggestions of workers, there’s a “Signal” system working day and night in the automatic mode. Every person may phone and make a request, a note, a suggestion which are studied every day. An answer is given to the applicant himself or through the plant newspaper “Metallurg”.



Regular questioning of plant departments helps to discover the social state of the employees, the level of satisfaction with the labour and life conditions at the enterprise, the social and psychological climate.

Results of option poll are considered during developing of social programs, projects and arrangements directed to the improvement of the employees’ labour and life conditions, taking managing decisions connected with the personnel and the plant’s interests.



During the year, the following opinions of the personnel were chosen as research directions: personnel general satisfaction and loyalty, satisfaction with work, social peculiarities, demands and main motives of the personnel’s labour behavior, level of the personnel’s satisfaction with different kinds of working activity (conditions of work, organization of work, social sphere and so on), possibility of promotion, career claims of the personnel, satisfaction with the salary and the bonus system of the plant, social and psychological climate, the level of conflicts in labour collectives, assessment of managers’ activity and professional qualities, level of trust, assessment of management general strategy and policy, level of the personnel’s awareness of the state of affairs at the enterprise and so on.

PLANT’S NEWSPAPER “METALLURG”

Circulation of the newspaper is more than 8 900 copies. It means that every family of the plant’s employees subscribes to our newspaper, it is interesting and relevant. Such columns as “For Strong Belarus!”, “Directive No.1

in action", "Economy and thrift", "Professionals", "People of the plant", "Informational meetings", "The best in a profession", "Creative youth", "BRYU and its affairs" and so on reflect the life of the plant, the region and the state.

4 informational bulletins are issued in 2008:

- A healthy nation is one of the foundations of a strong and successful state;
- Youth of the plant: "We always one step in advance and in the centre of things!";
- 2008 Parliament elections;
- «We aim at an active use of the civil initiative (about the work of non-government organizations and unions).

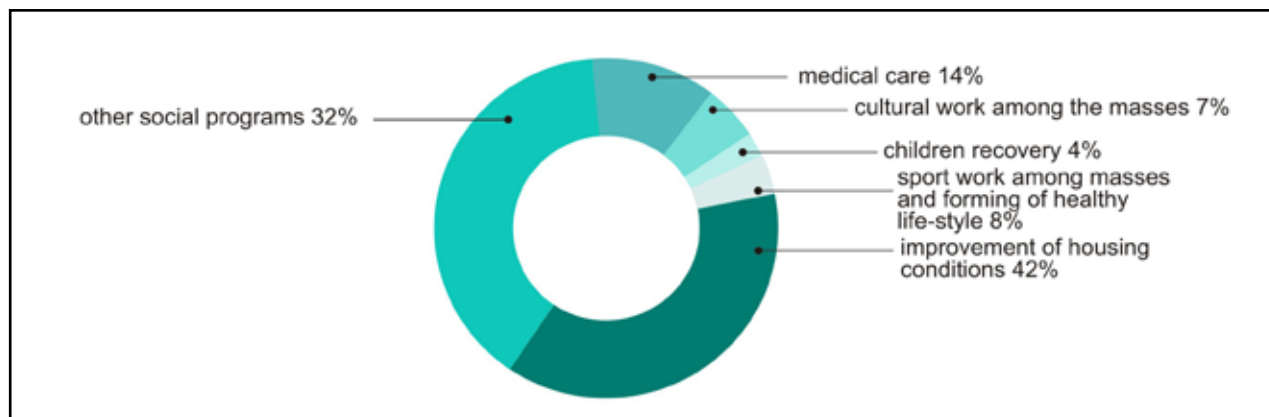
Information and reference system of the plant "Info BMZ". There you can find more than 20 000 materials of technical, normative and house-keeping information. Sociological "on-line" surveys among the plant's employees are held in «Info BMZ», they considerably increase efficiency of getting information.

SCIENTIFIC AND TECHNICAL LIBRARY

The scientific and technical library is the centre of education and information. The main task of the library is to assist the enterprise in the fulfillment of the scientific and research work plan, render support in the innovation activity with informational resources, provide an access for the personnel to all kinds of important social information (legal, cultural); provide the personnel and public organizations with the informational service. There's a reading hall and an Internet hall at the scientific and technical library of RUE "BMZ". The library stock is 36 816 copies.

Social package of privileges and guarantees for the staff

To stimulate the labour productivity increase and optimize the personnel management costs, extra social package of more than 1 685 000 rubles for a person in 2008 was used by the plant.



PROTECTION OF HEALTH

RUE "BMZ" pays much attention to the preservation of people's health. With the aim of quality improvement and increase of medical programs accessibility for employees and Zhlobin inhabitants, the plant develops its own network of health protection institutions.

Medical and sanitary unit of RUE "BMZ" is the biggest among the town enterprises and consists of a polyclinic for the 250 attendances per shift, workshop aid posts and workshop healthy centers. It is the main basis of medical care for employees and the pensioners who retired from RUE "BMZ". Inhabitants of the town have an unimpeded access to the whole list of services of the medical-sanitary unit.

Byelorussian steel works provided financing of medical-sanitary unit. In 2008 RUE "BMZ" spent 2542,5 mio rubles for this purpose. The structure of the medical-sanitary unit consists of clinical and biochemical laboratories, a functional diagnostics room, an X-ray room, an ultrasonic scanning room, a day hospital and a physiotherapy room. Reception of patients is carried out by high quality specialists of 12 medical specialties. The equipment makes it possible to do the following examinations: electrocardiogram, rheovazogram, bicycle ergometry, daily (Holter) monitoring, rheoencephalography, overall blood test, urine biological analysis, biochemical blood analysis, ultrasonic

scanning of the abdominal cavity organs, the thyroid gland and the heart, radiography.

Thanks to the active work of the medical-sanitary unit, the administration of the plant, and the trade union, treatment of the personnel without isolation from work was introduced in 2001; it gave the opportunity to keep the level of labour productivity and save means of the social protection fund. Introduction of the method of preventive treatment and treatment without isolation from work helped to decrease diseases by 2,2%.

Much attention is paid to preventive measures, case detection and treatment. The main mechanism of the personnel's health control is a periodical medical examination. Besides, for the workers whose work is connected with harmful and dangerous factors, detailed medical examinations including an instrumental-laboratory research and consultations of particular specialists are organized. According to this project, 5 500 employees passed medical examination which cost amounted to 9,3 mio rubles in 2008.

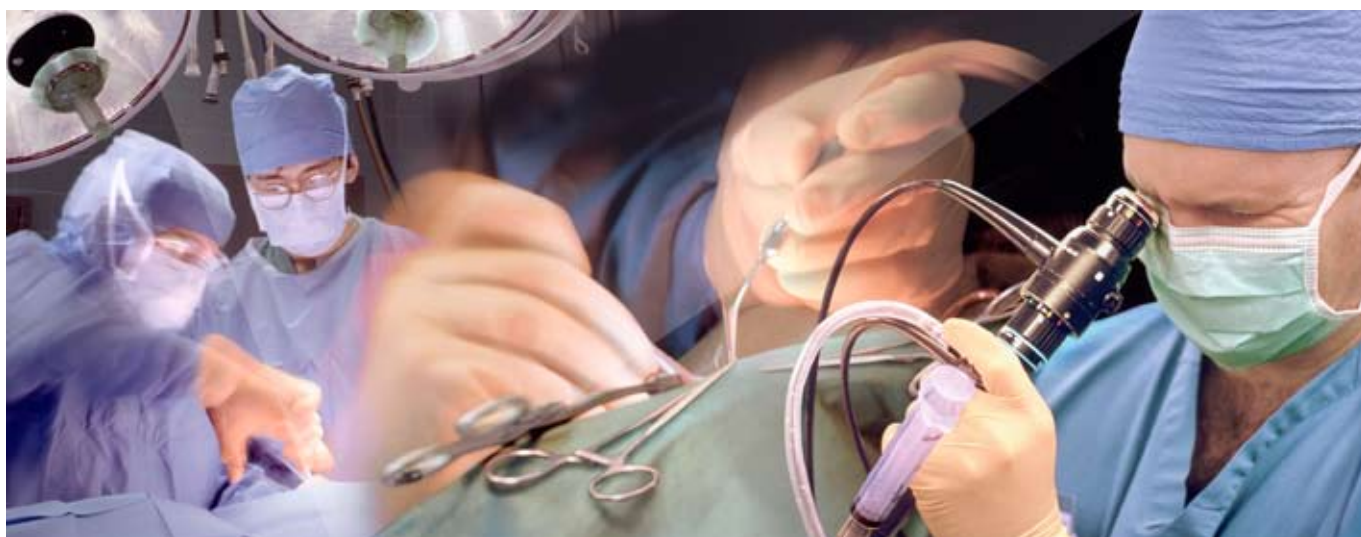
EFFECTIVENESS OF MEDICAL AND SANITATION PROGRAMMES

Funds invested in the personnel's health, an efficient system of disease prevention, improvement of the quality of medical treatment and introduction of modern methods of treatment, successful implementation of the programs of sanitation at sanatoriums and homes of rest helps to preserve positive dynamics of the personnel's morbidity decline.

Index	Unit of measurement	2006	2007	2008
temporary disability (diseases and inquires)	cases	11 614	11 739	10 898
	days	105 767	113 672	107 986

Since 2008 total clinical examination of workers began at the plant with the aim of prevention and early detection of diseases.

RUE "BMZ" takes part in the fulfillment of the national program of demographic safety directed towards improvement of the state of pregnant women, parturient women, preparing for a childbirth and upbringing of a child.



SANITATION AND REST OF THE STAFF AND THEIR FAMILY MEMBERS

RUE "BMZ" strives for improvement of sanitation and rest conditions of its employees and all interested people in Zhlobin. Nowadays, the plant suggests high quality services which can satisfy any client: a recreation centre "Dneprovskie Zori" (24 places).

Every year more than 1190 workers of the plant and their family members rest at sanatoriums and rest houses of the Republic of Belarus. Financing of sanitation programs and sanatorium-and-spa treatment is carried out on the principles of joint participation out of budgetary means, by the employees themselves and out of state social insurance. In 2008 more than 800 mio rubles were used for reimbursement of rest costs for the staff and their family

members. 15% discount was given for the rest at the trade union sanatoriums. Rest in other sanatoriums was partly compensated by the trade union funds.

RUE "BMZ" compensates the greater part of costs for organization of rest for their employees' children. In 2008, 1 157 children improved their health in sanitary centers for children.

Besides, in 2008 the plant used possibilities for the improvement of children's health according to the program of distribution of places in sanatoriums by the social insurance fund. 114 people improved their health in sanatoriums of our republic.

PHYSICAL CULTURE AND SPORT DEVELOPMENT

Physical exercises and sport is one of the constituents of a person's healthy life-style, so the formation of needs in regular physical training is one of the important directions of RUE "BMZ" social policy. Nowadays the plant suggests the physical training center for its workers and the inhabitants of the town for physical exercises and sport. This center is responsible for the development of mass physical culture and sport and formation of healthy life-style. There are three sport halls: training, playing and tennis. All services are available for the inhabitants of the region.

Main directions in the work of the physical training centre are:

- organization of the physical-sanitation and mass sport work among the workers of the enterprise;
- involvement of the staff and their family members in regular physical training, sport and tourism;
- strengthening of the personnel health, increase of their capacity for work and stress steadiness;
- uniting of amateurs of physical culture, sport and tourism into sport clubs, sections, physical training groups.

In 2008 the plant spent more than 259 mio rubles for the support of the physical training centre. Allocated funds were directed to:



- conducting of mass sport events according to the all-the-year-round sports day of RUE "BMZ" workers: competitions were held in 15 kinds of sport, 32 teams consisting of more than 2 900 members took part in them;
- competitions between shops;
- sport festivals according to the approved schedule for 2008; more than 700 workers and their family members took part in 11 traditional sport festivals;

In 2008, more than 38.8 thousand people visited the physical training centre.

Workers of the plant defend the honor of the company in different championships, the mini-football team "MFT Zhlobin", a member of the major league, is an active participant of the Championship of the Republic of Belarus and are members of Gomel regional combined team.

Efficiency of implementation of the healthy life-style policy at the plant is confirmed by sport achievements of the employees combined teams:

- the first place in the all-the-year-round district sports and athletic meeting;
- the first place in the regional summer sports and athletic meeting of the Byelorussian union of industrial workers;
- the first place in the republican sports and athletic meeting

of the Byelorussian union of industrial workers in volley-ball;

- the third place in volley-ball competitions of the VI open sport festival in Albena (Bulgaria);
- the third place in the power-lifting cup of the Republic of Belarus;
- the first place in the taekwondo championship in Gomel region;

So as to organize workers' spare time and involve them in the healthy life-style there's a program of collective visits of the physical training center, the ice-palace, the swimming-pool and the aqua-park.

RUE "BMZ" renders financing support to those kinds of sport where we have major achievements: the volley-ball team "Metallurg", the hockey club "Metallurg-Zhlobin", Byelorussian biathlon club. 14 328 mio rubles are spent for these purposes.

CULTURAL LIFE OF THE WORKERS

Provision of conditions for the development of the creative potential of the workers and their family members is one of the important tasks of the plant.

The Palace of Culture of Metallurgists plays a key role in the organization of the cultural life of the workers and citizens. During 17 years this establishment has educated, taught and entertained people. It provides favorable conditions for folk and art work, satisfaction of cognitive requirements, needs in self-education, in intellectual, moral and physical development.

Different cultural entertainments for masses take place in the Palace of Culture: parties, discos, theatre performances, concerts, competitions, amateur art activities. In 2008 more than 32,5 thousand people visited the Palace of Culture; 1 354 mio rubles were spent on the support of the Palace of Culture and on cultural entertainments people.

The Palace of Culture does not only bestow good mood upon people, but develops talents, gives an opportunity to be engaged in favorite occupation, makes metallurgists' spare time spiritually rich and more interesting. More than 500 people are engaged in circles and creative collectives, 400 of them are organized for children.

20 creative collectives and amateur units work in the Palace of Culture; 9 of them are collectives of adults and 11 are collectives of children. 5 creative collectives bear honorary titles of "People's" and "Classic" in the Republic of Belarus.

In 2008 more than 160 cultural entertainments were held. All the entertainments were directed towards implementation of educational, esthetic, entertainment programs for different audiences and age categories. The following programs are very popular with children: contests "Little Miss", song and dance festival "Christmas musical ladder", "How to become a star or to the whole world in secret", family entertainment program "Merry Sunday"; youth program "Dances plus", "From heart to heart", contest "Bride fair", extreme music festival, discos; contest "Love age", twins show "Like two drops", "The old cafe", "Fiesta for grown-ups", chamber music and so on organized for adults.

The activity of the Palace of Culture features professional development as well. Creative collectives of the Palace take an active part in the prestige festivals and contests. The folk chorus "Krynitsa" took part in the IV district festival "Pevcheskoye Pole — 2008" and was awarded a Diploma in the nomination "For high ideological and artistic level of performance".

"Krynitsa" is awarded a diploma of the choral singing festival named after T.K. Lapatina. The brass band ("Metallic Big Band"), show ballet "Fest", folk chorus "Krynitsa", soloists Maria Gritsok, Evgeny Yaroshevich and Svetlana Subbot are awarded diplomas of the laureates of II amateur art festival of the organizations of the Byelorussian professional industrial workers unit. Anna Donets became the gold medal winner of the VII Republican exhibition of self-made dolls "Balaganchik".

One of the most important directions in the activity of the Palace of Culture is upbringing of younger generation. Practically the work of the Palace of Culture in total plays a definite role in the preventive measures of asocial behavior of young people, in the struggle against drug addiction and drunkenness.

Healthy life-style arrangements and AIDS preventive measures are included into the work plans. Different thematic discos for young people, parties, and festivals are regularly held in the Palace of Culture. It is planned to organize a festival "Still wet behind the years" the main idea of which "Creation is the an alternative to drugs and alcohol".

The staff of the Palace of Culture works in tight cooperation with Zhlobin district organization of the social unit





"Byelorussian officers' unit", "Byelorussian Republican Youth Union".

The Board of Veterans of RUE "BMZ" works at the Palace of Culture. It organizes joint actions: concerts, meetings, festivities.

The most popular with the young people are joint projects of the Byelorussian Republican Youth Union and the Palace of Culture: contest "Miss Zhlobinchanka", "BMZ" Superman, "Lady Perfection", "Business Lady".

Actors of the Palace of Culture often make performances for the inhabitants of the district. Creative collectives of the Palace of Culture regularly take part in the annual Republican festival "Dazhynki"; concerts devoted to the agricultural workers' Day.

All important events of the town are held with participation of the collectives of the Palace of Culture. Victory Day, the Day of Independence of Belarus, Labour Day, Youth Day, festivals devoted to professional holidays are not the only holidays in the list of annual entertainments in which amateur actors of the Palace of Culture participate.

The collectives of the Palace of Culture also take part in the Republican and regional entertainments: the festival devoted to the Day of unity of Belarusian and Russian people; the concert devoted to the 50th anniversary of Gomel teleradio company; festivals devoted to the 70th anniversary of Gomel region; the summary concert of Gomel region devoted to the 65th anniversary of Belarus liberation from fascist invaders which took place in the Palace of the Republic (Minsk), the fair "Metall-Expo-2004" (Moscow).

One of the directions in the work of the Palace of Culture is the strengthening of connections with the production, upbringing up people to be proud of the enterprise.

The entertainments of the Palace of Culture fulfil both an entertaining and pedagogical function. A man of labor, demonstration of every person's significance, upbringing and supporting of corporative spirit for effective activity of the enterprise in general are in the centre of all entertainments. For example, such forms of work as: annual ceremony of presentation of the "Professional Olympus" award, "Miss Zavodchanka", "Ordaining into metallurgists", "Youth ball", cultural and sport festivals, entertainments devoted to the Metallurgists' Day, Plant's Birthday, contest named "Humor, jokes, laugh will bring together workers of every shop and of the whole plant" between the teams of the Club of Merry and Sharp-Witted.

The work of the Palace of Culture is organized in such a way that most workers have a possibility not only to visit concerts and entertainments but to reveal their capabilities and talents and join the beautiful and high spiritual things. A convincing evidence is the annual contest of amateur art activities in which all departments of the plant take part. It's necessary to say, that this creative work unites people. Joint rehearsals, performances enrich participants with emotional moments which raise the spirits, excite thoughts, cheer up for successful and fruitful work.

The Metallurgists' Day is an important holiday not only for the BMZ staff, but for the whole town. It does not yield to the republican entertainments from the point of view of its importance, popularity, and brightness of impressions. Byelorussian and Russian variety stars take part in the celebration.

SETTLING OF HOUSING PROBLEMS OF THE STAFF

An important part of the social policy of RUE "BMZ" is attraction and consolidation of young high- qualified staff.

A special housing program is worked out and implemented at the plant to gain this aim. It gives an opportunity to get a flat at the expense of the plant on preferential terms. 1 896 mio rubles for 138 people were used for this purpose in 2007 and 6 931 mio rubles for 124 people in 2008 respectively.

SUPPORT FOR THE FAMILIES HAVING MANY CHILDREN

With the aim of further development of the support for maternity and childhood, actions to support complete and incomplete families, families having four and more children till the age of 18 are carried out by the plant. The

aim of these arrangements is to raise the family status and to improve their life quality. According to the sanitation and resort treatment regulations of RUE “BMZ”, preferential and partly-paid sanatorium vouchers are given to the families. One of the social support arrangements for the families of the plant’s workers is an annual payment for school uniform and a monthly paid day-off for mothers having children.

Arrangements realization on family members support

Support direction	2005	2006	2007
Payments because of child birth (once)	181 woman 60 mln. rub.	185 women 140,7 mln. rub.	177 women 226,8 mln. rub.
Child care till 3 years payments	508 women 567,7 mln. rub.	637 women 739,8 mln. rub.	551 woman 1010,4 mln. rub.
School form buying payments	1175 families, 1 mln. rub.	970 families 31,1 mln. rub.	903 families 31,6 mln. rub.
Free payable day provision	764,2 mln. rub.	785,5 mln. rub.	1114 mln. rub.
Means, directed to children sanitation	661,5 mln. rub.	551,4 mln. rub.	824,5 mln. rub.

SOCIAL SUPPORT FOR PENSIONERS, INVALIDS AND OTHER CATEGORIES OF THE CITIZENS NOT SUFFICIENTLY PROVIDED FOR

Work with veterans, invalids and other categories of destitute people is carried out on the basis of a “directed” social support with the usage of a large network of social objects: the medical-sanitary unit, the Palace of Culture, RUE “BMZ” physical training centre.

More than 5 forms and directions of social support are used; more than 800 people enjoy the support. In 2008 the amount of such support was 934 mln rubles.

CONCERN FOR CHILDREN

Being a socially-oriented enterprise RUE “BMZ” pays much attention to preservation and strengthening of health of the younger generation providing safe conditions for vital activity and a child’s personality development.

Realization of these tasks is entrusted with 9 infant schools which are in charge of the enterprise. They are attended by 1 845 children (28% of them are employees’ children). The following facilities function on their base:

- 9 musical rooms;
- 9 sport halls;
- 6 swimming pools;
- 8 paint shops;
- 8 defectologist’s rooms;
- 8 psychologist’s rooms;
- 9 medical blocks.

For efficiency of the educational process integrated lessons and action — playing complexes are widely used in the kindergartens; social teachers and psychologists work there. A great importance is attached to the protection and defense of a child’s rights. Legal education work is carried out with children and their parents.

In 2008 RUE “BMZ” expenses for infant schools support were 5.2 billion rubles.



Cooperation with workers’ unions

From April 2005 the system “Attention: a person” has been used at the plant. It is aimed at the improvement of the moral and psychological climate of the staff and solving of problems on coordination of cooperation between the administration, the trade union, The Byelorussian Republican Youth Union, Young Specialists’ Board, plant veterans, women, soldiers-internationalists, physical culture organizations and others.

The Union of Social Organizations works at RUE “BMZ”, it supports tight relations with the administration of the plant and acts in the workers' interests forming an active social position of every person of the labour collective.

The following representatives are included into the Union:

- The trade union;
- Primary organization “Byelorussian Republican Youth Union”;
- Union of veterans;
- Primary social organization “Byelorussian Union of Women”;
- Union of soldiers-internationalists;
- Union of young specialists;
- Board of foremen;
- Sport union;

To provide for the effective realization of the workers' rights and to establish trustful relations with all parties interested, the Social organizations union actively cooperates with the representatives of the territorial social service center; the district and regional law machinery; the central district hospital and the medical — sanitary unit of RUE “BMZ”; plant's and regional juridical services; the deputy of the Chamber of Representatives of the National Meeting of the Republic of Belarus elected to the legislative authority from among the plant workers.

RUE “BMZ” TRADE UNION ORGANIZATION

On the basis of the principles of social partnership and being a socially responsible enterprise RUE “BMZ” takes into account workers' interests and rights. These principles are reflected in the Collective agreement for 2008–2011, an important document of social partnership covering all the staff of the plant which purposes are: development of contractual relationship between the enterprise and its workers which are the parties of social partnership;

- coordination of the plant's and workers' interests in the course of working out general principles of social-labour relations regulation;
- provision of workers with working places and remuneration of labour in accordance with the labour agreements signed, social and economic rights determined by the existing law of the Republic of Belarus;

- observation of the labour and social discipline, labour protection and production sanitation requirements;
- strengthening of the social and legal protection of the staff;
- stabilization of social and economic situation in the collectives and the enterprise's departments.

The conditions of the present agreement are applied to all workers of the plant (100%).

RUE “BMZ” trade union organization unites 12201 people which makes up 97,6% of the whole staff. So as to honor the rights and assert legal interests, the staff of the enterprise represents RUE “BMZ” in the Regional Union and the Republican Trade Union Committee being a member of the Regional Trade Union Council and the Council of Belarusian Trade Union Federation.

Legal regulation of labour relations at RUE “BMZ” is fulfilled

according to the Labour Code of the RB and the Collective Agreement of the enterprise:

- Signing of labour agreements and work contracts is carried out with consideration of vindication of industrial, organizational and economical reasons;
- Notification of a worker about change of the working conditions is made at least one month before the conclusion of a contract;
- Notification of a worker about contract expiry, the intended extension or cancellation of the contract is made at least two weeks prior.

The collective agreement regulates social benefits and payments of one-time dowries, extra payments and



rewards the size of which depends on the results of the production and financial activity of the enterprise.

Extra, in comparison with the existing legislation, regulations of working conditions and its payment, social security and workers' living conditions, compensation and so on are determined by this document. The collective agreement envisages different forms of payments, bonuses, awards for one-year work totals, for long service, rated increase for high qualification, professional skills and others, determines guarantees and benefits for families with children. A person is not left alone in a difficult situation, such kind of help is also envisaged by the main collective document.

According to the collective agreement in 2008 the trade union paid out:

- to the parents in connection with a baby birth — 47 mio roubles;
- for acquisition of New Year presents for children — 210 mio roubles;
- for conducting of mass and cultural arrangements — 55 mio roubles;
- for anniversary presents to the workers — 68 mio 158 thousand rubles;
- for presents to the people retired — 31mio roubles;
- for the support of veterans — 36mio 610 thousand rubles;
- for welfare — 410 mio 500 thousands rubles (4975 people).

Collective agreement commission is a constant body of social partnership. It consists of administration and trade union representatives and controls execution of accepted obligations under the Collective agreement. As a result of a continuous dialog, agreements on salary, management structure optimization, provision of health and safety conditions of work, introduction of benefits of a specific social aim are achieved.

The Parties are guided by the principles of social partnership, such as equal rights of the parties, observance of legislation norms, accounting of actual possibilities of accepted undertakings fulfillment, obligation of fulfillment of agreements and responsibility for execution of the obligations undertaken.

So as to provide for equal rights of the plant's workers, observance of the RB laws, decision of disputable questions a labor disputes commission is organized. The commission is designed for a qualified consideration of individual labour-related disputes between the administration and the workers. In the course of a year the commission functioned as an arbiter. In 2008 9(nine) applications of the plant's workers were considered.

Charity and sponsorship is one of the directions of the trade union's activity.

The trade union is an active participant of the charitable action "Trade Unions to children". In 2008 the assistance in the amount of 23 mio 218 thousand rubles was rendered to:

- Zhlobin boarding school;
- supported schools;
- The Territorial Centre of Social Service for the Citizens of Zhlobin District";
- regional festival of children-invalids "Create kindness";
- other organizations;

For organization of mass and cultural arrangements for the staff, visits to theatres and concerts, towns and cities of the Republic of Belarus the trade union spent 383 mio rubles.

One of the trade union priorities is the arrangement of conditions for a full physical and moral development of the personnel and the younger generation. RUE "BMZ" trade union is a founder of a sport school for children and young people and the children's club "Fakel" where more than 450 children are engaged. Foster children of the sport school became winners of championships of the RB and international championships.

Within the framework of the program of work with the younger generation since 2005 the Commission of family and school assistance has been working at the plant to support and improve the relations between families, schools and the local community, strengthen a family, maternity and protection of childhood.

There is a trade union library at RUE "BMZ" which stock comprises 35 287 books. The personnel of the plant, the inhabitants of the town and their children can find the required literature there. Last year the number of attendances was 39 826 and 137 241 books were given out. 23 mln 593 thousand rubles from the trade union budget were spent on purchasing literature.



PRIMARY ORGANIZATION OF THE BYELORUSSIAN REPUBLICAN UNION OF YOUNG PEOPLE

The right of priority in implementation of the state youth policy is given to the primary organization of the public association “Byelorussian Republican Youth Union” having the rights of a district committee.

The primary organization carries out its activity on the basis of the program “Young people” dedicated to the work with young people of RUE “BMZ”.

The main approaches used in the work with young people are:

- provision of information about the state youth policy;
- civil formation, spiritual and moral and ecological upbringing of young people;
- support of scientific and technical creative work;
- youth cooperation and development of its creative potential;
- healthy life-style and tourism development;
- modernization of youth social defense system;

Exchange of labour experience on the work with young people became traditional at the meetings with:

- district and town unions of veterans of Gomel region;
- youth of Byelorussian automotive plant (“BelAz”);
- youth of industrial enterprises of the Republic of Belarus and CIS countries within the framework of the scientific and technological conference “Metal 2008”.

So as to inform and join young people in the main directions of realization of the state youth policy in the RB, arrangements conducted by BRYU are reflected in the following mass media:

- newspaper “Metallurg”;
- republican, regional and district newspapers;
- news of the plant on the TV channel “Nyuns”;
- plant’s website “Info BMZ”;
- the Internet — portal “Young people of Belarus”.

Youth organization prepares photo-reports, posters, informational materials reflecting questions of realization of the state youth policy.

Nowadays, the organization consists of 1320 members, i.e. 38% of the young people up to 31 years old working at the plant.



	Number of the organization members					
	2003	2004	2005	2006	2007	2008
Primary organization of the Byelorussian Union of Young people	—	439	561	1132	1308	1336

The following arrangements and charitable actions were held by the primary organization of the Byelorussian Union of Young People in 2008:

- Charity,
- The day of old people;
- The international day of invalids;
- “STOP AIDS”,
- “All children are ours” which was organized together with the centre of social defense of the population

of Zhlobin district within the framework of which young people of the plant gave presents to the children from adverse families of the countryside;

- “To children from us”— young people of BMZ organized 6 actions for the inmates of the Children's Home during last year. There was an action “In the new year with a kind heart” which was organized together with the primary organization of Zhlobin metallurgical technical college. On the Christmas eve a performance for the smallest pupils of the Children's Home was staged. The pupils themselves took part in the performance. The arrangement “No to smoking” was devoted to the Year of Health; it consisted of a lecture “No to smoking”, questionnaires of pupils, an action “I change a cigarette for a sweet”.

Subject lectures:

- “Nature and we are a single whole”,
- “My plant is my fate”,
- “A healthy family— a healthy nation”;
- Youth balls;

In March a contest of a professional skill of a turner and a milling machine operator was held together with the trade union. 16 people from 5 structural subdivisions took part in it. The winners were awarded diplomas and money bonuses. Alexander Kalistratov was the first among turners; and Vladimir Novikov wne the first prize among milling machine operators. Young workers represented the enterprise at the regional competition. Dmitry Dedkov became the winner among turners.

In the course of a year the representatives of BRYU took an active part in regional mass and cultural activities:

- competitive and entertaining programs which took place at the Palace of Culture and in the town House of Culture;
- games of the regional league of the Club of merry and sharp-witted;
- district intellectual games “What? Where? When?”
- regional festival “The guitar unites us” devoted to the Day of AIDS prevention;
- creative duel between musical collectives of RUE “BMZ” and Rechitsa Hardware plant.
- Under the aegis of BRYU the young workers of the plant took part in the republican, regional and district tourist festivals and meetings:
- water tourism competitions “The Neman spring – 2008”;
- youth sport and art festival “The trade Union is my fate”;
- festival of healthy life-style “Olympia — 2008” (the first place in the nomination “The best team of the festival”);
- action “We are young, we are together” devoted to the Day of Youth;
- republican festival of healthy life-style “Nemanskie zori” (I and III places in volley-ball, III place in rope pulling and II place in ring-buoy throwing);
- tourist meeting of BRYU devoted to the 90th anniversary of L.Y.C.L.S.U..
- For the first time the primary organization of RUE “BMZ” BRYU organized:
- a table tennis tournament devoted to the Year of Health among young people and schoolchildren of Zhlobin;
- a chess tournament devoted to the Day of Children's Defense among young people of the plant and schoolchildren of Zhlobin;
- a beach volley-ball tournament among young people of the plant.

Young people take an active part in the social defense of the law order; young men are members



of the voluntary defense unit.

With the purpose to organize youth and young families' free time, the following actions are held:

- sports day "Father, mother and me are a sport family";
- Family festival;
- "Day-off for the whole family", including a visit to the circus in Gomel;
- visits to cities and towns of Belarus, the Ukraine and Russia.

UNION OF VETERANS

The organization unites 887 former workers who have retired and made their contribution to the formation and development of Byelorussian metallurgy.

Entire work of the organization is directed towards the improvement of the status of elderly people, public acknowledgement of their fates and experience, taking part in social life, overcoming their isolation, changing the idea about an old age, comprehension of the history of their life through a dialog of generations. The union of veterans cooperates with youth organizations of the plant in conducting different arrangements: joining the BRYU, ordaining into steel makers, presentation of diplomas and bonuses to the best young specialists taking part in scientific and technological conferences.

It has become a good tradition to render welfare to veterans, visit them at home, celebrate a person's anniversary, organize harvest exhibitions "Gold sunflower" and work of the following amateur clubs: "Needlewoman", "Musical salon", "Chess and draughts club", "Veterans' Chorus", "Sport club".

The members of the organization take part in mass arrangements, such as the plant Sports Day in different kinds of sport; in the competition of amateur art activities "Song and labour are close by"; support the families which are not sufficiently provided for and children-invalids, participate in parties, attend concerts and hockey matches of their favorite team.

UNION OF WOMEN

In 2004 women of the plant founded a primary organization of social union "Byelorussian Union of Women" on the a free union basis. This organization unites 1180 women, working at RUE "BMZ". The union acts on their will and according to their interests, cooperates with other social organizations, and takes part in democratic reforms in the Republic and assists in strengthening of social justice and social defense of the population, protects interests and rights of women, increases the role of a woman in the public, economic, social and cultural life.

Priorities of the Union:

- A woman and the production,
- A woman and the family,
- A woman-veteran,
- Healthy life-style,
- organizational and informational work.

The organization has large experience and many good and useful deeds. They are: making suggestions to be included in the Collective Agreement, making demands to the administration of the local authorities, meeting interesting people and so on.

Members of the Union of Women take part in spot-checks of production culture and labour conditions; arrangements for maternity and childhood defense, sanitation of children and consolidation of families; and charitable actions.

The Union of Women works in close connection with the regional centre of social help to population. Qualified juridical and psychological help is provided to women; there is a helpline and a young family club; methodical



literature, booklets and brochures on children upbringing and problems of women are worked out and brought to women's attention. The following actions are held together with the centre: "Create kindness" (collecting of soft toys), "Town mothers to village children" (collecting of clothes and school articles). Cooperation with district organization "Red Cross" is expressed by making of social passports of the families not sufficiently provided for and rendering assistance with clothes, food staff, syringes and bandaging material. The newspaper "Metallurg" and TV channel "Nyuns" give information about women with an active viewpoint who unsparingly pay much attention to the social life. The Union constantly develops the activity of women in the sphere of social life, makes regularly suggestions on health problems, defense and conditions of work, sanitation of women and their children, production and life culture; takes care about strengthening of the family, maternity and childhood defense, about families with many children and not sufficiently provided for, about families with children-invalids. The Union of Women uses modern methods in its work. Besides, sociological research on different questions is held; the Union of Women website is created in the plant computer network "InfoBMZ".

UNION OF SOLDIERS–INTERNATIONALISTS

130 soldiers–internationalists work in structural subdivisions of BMZ. The questions of labour, life, soldiers–internationalists sanitation are studied at the Union meetings; representatives of the administration and the trade union are also invited to the meetings. The Union of soldiers — internationalists works in close connection with youth organizations. Soldiers – internationalists of the plant take an active part in the annual regional contest of Afghan song and participate in the arrangements devoted to the soldiers–internationalists' memory Day.

UNION OF YOUNG SPECIALISTS

More than 300 young specialists work at the plant. The Union of Young Specialists is engaged in solving of all questions connected with the young personnel: adaptation, professional career, scientific and technological activity, innovative work. Increase of business and creative activity of young people, organization of scientific and technological conferences and participation of young employees in similar forums held at other plants, exchange of experience is an important part of the union's work. In 2008 21 young employees took part in 9 scientific and technological conferences of young specialists of the metallurgical branch of Russia and the Ukraine and won 11 prizes; more than 100 young specialists took part in the international conference "Metal – 2008" which took place at RUE "BMZ premises.

BOARD OF FOREMEN

The Board of foremen organizes its work in close contact with the personnel departments and solves actual problems of 540 foremen of the plant. Within the Board collective discussion and working out of recommendations regarding the role of a foreman are held. The Board takes part in organization of professional, ideological and economical training of foremen; considers the questions of labour and moral upbringing of workers, strengthening of labour and executive discipline, promotion of the reserve of young specialists.

The following arrangements took place in 2008:

- the first conference of foremen;
- around–the–table discussion "Progressive methods of organizing the work of foremen in the production";
- field meeting of The Board of Foremen at Legmash plant, an open joint–stock company;
- seminar "Moral and psychological climate in a collective. Non-material motivation";
- awarding of the title "The 1st-rank foreman" to 27 people and "The 2nd — rank foreman" to 63 people.

PHYSICAL CULTURE UNION

The union solves questions of planning, organization and carrying out of mass and sport work in the labour collective of the plant. The Union approves of the schedule of the plant's Sports Days, tournaments, competitions and physical-sanitary programs; studies the questions of material and financial security.





Guaranteeing of equal rights for the community representatives



Guaranteeing of equal rights for the community representatives

Rights of workers

Top managers of RUE «BMZ» are open for an honest and effective dialogue with their colleagues. This cooperation is based on the principles of partnership and confidence and is formed on the basis of generally recognized norms of the international law.

To solve the points at issue in labor relations and relations between individual workers of RUE «BMZ» and the management, a commission of the labor controversies was created. Equal number of representatives of the administration and the trade union take part in this organization. 9 claims of workers were considered during 2008.

There is a system of prevention, detection and taking measures to eliminate the violation of the social and the economic rights of the workers, if required. In 2008 38 % of the subdivision collaborators directly participating in the assurance of the effective functioning of this system were trained and their skills were upgraded.

«Byelorussian steel works» declares its devotion to observation of the human rights according to the Constitution and the law of the Republic of Belarus. based on the generally recognized principles and the norms of the international law, a legal control of the labor and other coherent relations is carried out according to the conventions and declarations of the International Labor Organization and the existing legislation.

RUE «BMZ» supports the freedom of associations and actually provides the workers' right to conclude collective agreements.

In 2008 the plant joined the U.N. Global Compact and declares its views and approaches to human rights guarantee. In its practical activity RUE «BMZ» recognizes inviolability of human rights and takes all necessary measures to assure and defend them.

The plant considers security and protection of human rights prior to the economic results of the production activity and being guided by the principles of U.N. Global Compact it guarantees their observation.

Not a single case of discrimination against sex, nationality, religious convictions and political opinions was registered in 2008 at RUE «BMZ» as well as use of forced and child labor.

A steadfast attention is paid to increasing awareness and legal competence of the staff within the framework of the existing system of continuous training and the professional development so as to observe and guarantee the human rights at the plant

A clear and strict observation of the human rights and freedoms is the basis of the modern socially responsible business directed not only towards getting profit but towards steady development of the plant in general.

Social security and discipline

To assure the economic security and the prevention of corruption the company carries out its economical and production activity openly and with responsibility.

According to the generally accepted international principles of the free economical activity, fixed in the U.N. Global Compact, RUE «BMZ» considers a fair competition a security of realization of the right to freedom of business activity. There were no legal proceedings against the organization related to resistance to competition.

Being guided by the directive «Measures for strengthening of the public security and the discipline» and by the law of the Republic of Belarus «Struggle against corruption» and supporting the principles of U.N. Global Compact, we organized a service involved in prevention of corruption and abuse in this field, optimization of risks when choosing suppliers of raw materials and users of the fabricated products in the situation of a tough competition on the sales markets and safety of the state property under the plant's control.

The existing economic security service of the plant excludes every possibility of illegal actions including corruption, as regards both new employees and those who have already worked at RUE «BMZ». In 2008 more than 50% of the security staff were trained in policies and procedures related with the human rights.

Anti-corruption programs have been developed and are functioning at the enterprise in accordance with

which checks of corruption symptoms in the activity of the plant's subdivisions and preventive measures are carried out.

Openness, transparency, partnership, mutual taking into account of interests of all parties concerned helped to exclude occurrence of corruption in the business surroundings and within the plant in 2008. There were no sanctions and penalties against the plant because of infringement of the law and standard requirements in 2008.

Carrying out the obligations with respect to the investors, business partners and the society in general, the plant closely follows the existing law, the civil norms, the code of ethics of the republican unitary enterprise «Byelorussian Steel Works» and is guided by the principles of effective management, information openness, financial discipline, legality and ethics.





Responsibility for the goods produced



Responsibility for the goods produced

So as to meet the requirements of its customers on the national and international markets the enterprise manufactures the following products of various steel grades: concast billet (CCB), bars and structural shapes, pipes, steel cord and wire. The initial material is scrap — a secondary raw material.

The plant's products are demanded by our customers, they are competitive; over 80% of the products are exported to all continents of the world.



General provisions

The product and packaging manufactured are safe for people's health and the environment.

The general director of the plant and his deputies organize fulfillment of the following aspects of responsibility for the product manufactured:

- safety for a customer's health in case of contact with the product;
- appropriate marking of the product;
- marketing communication with customers and suppliers;
- inviolability of private life of the customer's personnel;
- correspondence with the requirements set.

In manufacturing and selling of our products the plant's management undeviatingly follows Principle 1 of the Global Compact set forth on page 6. According to principle 8 of the Global Compact the plant's management launches initiatives and undertakes measures to reduce the impact on the environment which is reflected in the section «Protection of environment».

Viewpoints of the plant's management regarding the responsibility aspects are given in:

Corporate Policy (p. 76); documents of the Corporate Management System listed in this section;

Code of Business Ethics (p 78) are executed with the help of approaches.

Quality management approaches:

1. Formation of the quality management system and its certification;
2. Product certification with consideration of the requirements of its safety;
3. Product marking with the appropriate information;
4. Mutually beneficial cooperation with the users of the plant's product;
5. Mutually beneficial cooperation with suppliers;
6. Provision of fulfillment of the requirements of the law, customers' standards in manufacturing products;
7. Participation in quality contests.

Fulfillment of approaches

Creation of the quality management system and its certification

The quality of the product manufactured at the plant has always been paid much attention to starting from the very beginning. Till 1997 a complex product quality management system had functioned at the plant (PQM CS). In 1997 a quality assurance system was formed and certified by TÜV CERT in accordance with ISO 9002.

In 2008 the plant had seven quality system certificates:

certificate No.BY/112 05.01.002 0100 issued by the Committee of standardization, metrology, and certification of the Council of Ministers of the Republic of Belarus in accordance STB ISO 9001–2001 for CCB, bars and structural section, seamless pipes, steel cord and wire production;

- certificate No 75 100 9352 TÜV CERT (Germany) conforming the correspondence with the requirements of ISO 9001:2000 in production of CCB, bars and structural section, seamless pipes, steel cord and wire;
- certificate No. 01 111 005043 TÜV CERT (Germany) proving correspondence with the requirements of ISO/TS 16949:2002 in production of steel cord and wire for automotive industry (with development of new types of products);
- certificate No. 1064 CARES (Great Britain) conforming the correspondence with the requirements of BS EN ISO 9001:2000 in the production of CCB, hot-rolled bars for concrete reinforcement;
- certificate No. TS–0327 of the American Petroleum Institute to prove correspondence of the QMS with the requirements of ISO/TS 29001;
- certificate No Q1-0511 of the American Petroleum Institute to prove correspondence of the QMS with the requirements of API Spec Q1;
- certificate No 0767 of the American Petroleum Institute to prove correspondence of the QMS with the requirements of ISO 9001:2000.

Quality management system of the steel cord and wire production was approved by the representatives of such customers as Michelin (France), Continental (Germany), Goodyear (Luxemburg).

Product certification with consideration of its safety requirements

So as to protect the internal market, provide security for its citizens and protect the environment, the Republic of Belarus, Russia, EC countries and other states do not permit to import to its territories products uncertified for correspondence with the requirements of the national standards.

As on 31.12.2008 has 43 certificates for the products corresponding to the requirements of the national standards of the Republic of Belarus, Russia, Germany, Great Britain, USA, Norway, Sweden, the Netherlands, Finland, Poland, Austria, Czechia, Slovakia.

In 2008 certification audits to check correspondence of the new product of the plant — hot-rolled seamless pipes — with the requirements of the American and German standards. In the same year the plant was granted certificates of correspondence of this product with the requirements of the American and German standards by API (USA) and TüV NORD (Germany).

So as to inform customers about product safety for further processing, safety certificates are issued to prove conformity of the batch production with GOST 30333 and other TNLA (Technical Normative Legal Acts) in accordance with the organization's standard STP 840-SMK-7.5.1.2 «Means of production process management. Introduction of technical normative and legal acts for products and the procedure of development of technological documentation for its manufacturing. Special processes. Special characteristics of products and special process parameters». In accordance with customer's requirements inspection of radioactivity of the products is carried out at the plant and corresponding certificates are issued for customers.

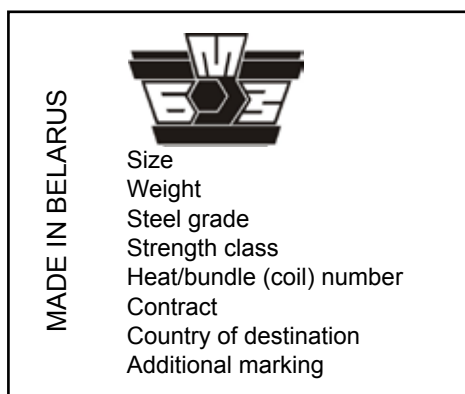
Packing, storage, handling and delivery of products is carried out by the personnel of the shop in accordance with the plant's organization standard STP 840-SMK-4.15 «Handling, storage, packing, conservation and delivery of cast billet, bars, wire and steel cord». Environmentally safe materials are used for packing. They do not affect human's health and the environment.

During the accounting period no claims regarding steel cord packing due to shifting of steel cord boxes in railway cars during maneuvering have been received from our customers. So as to reduce impact on package during maneuvering at the intermediate railway stations and on the way, optimal schemes of loading of steel cord and wire into railway cars were developed based on the agreement between RUE «BMZ» and UO «BelGUT».

Product marking with the appropriate information

All products delivered to customers are marked and accompanied by quality certificates. Product marking is done in accordance with the plant's provisions related to label requirements and includes information about the producing country, the plant's logo, the supply contract number, lot number, destination, weight, and other product information. Product quality certificates contain information about product quality.

In August 2006 a permit to use «CE» mark on bars of structural steel was granted by Cares (Great Britain), and in 2008— on hot-rolled seamless pipes within the requirements of directives 89/106/EEC and 93/68/EEC from TüV NORD Systems.

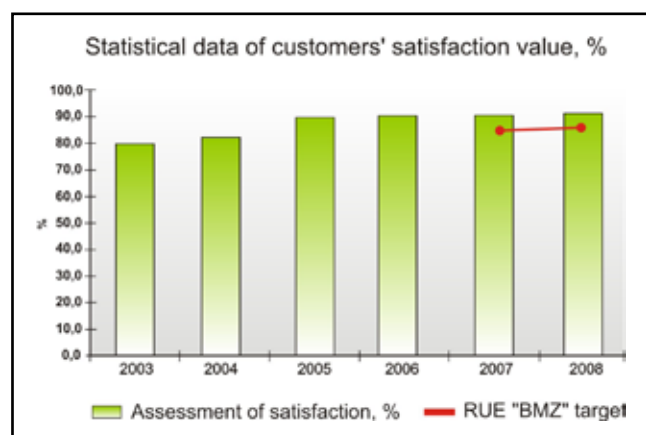
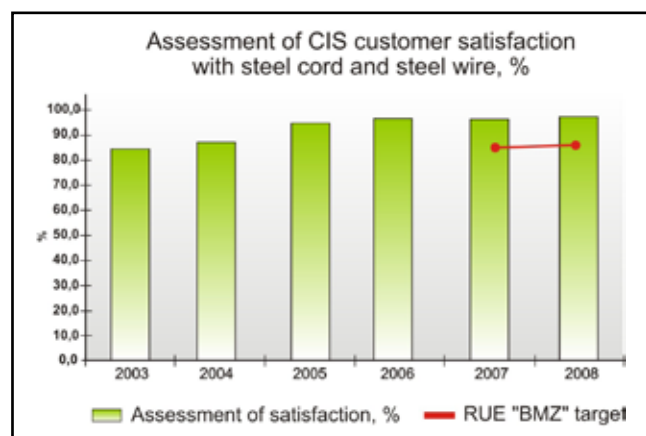
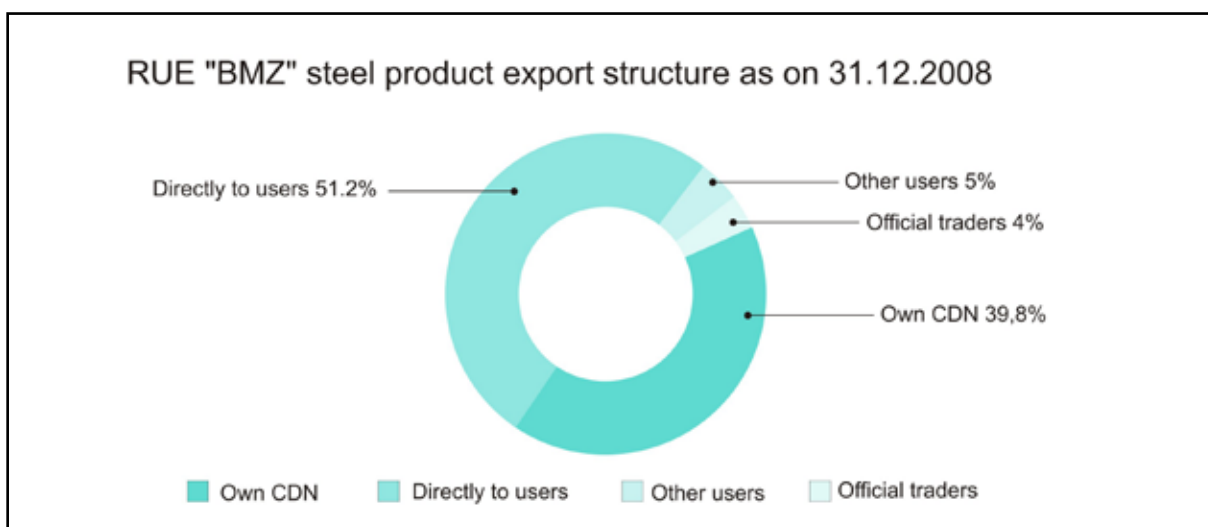


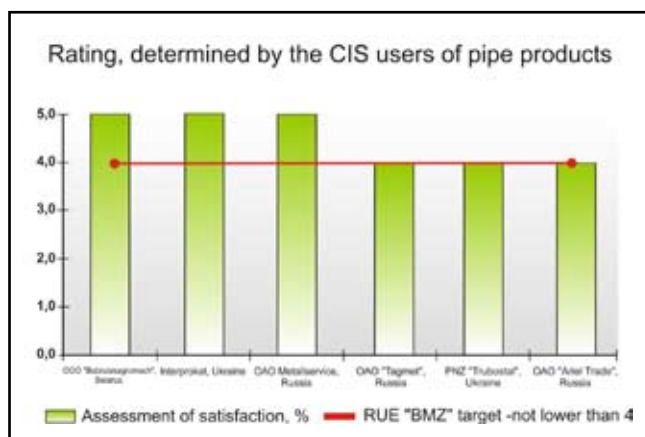
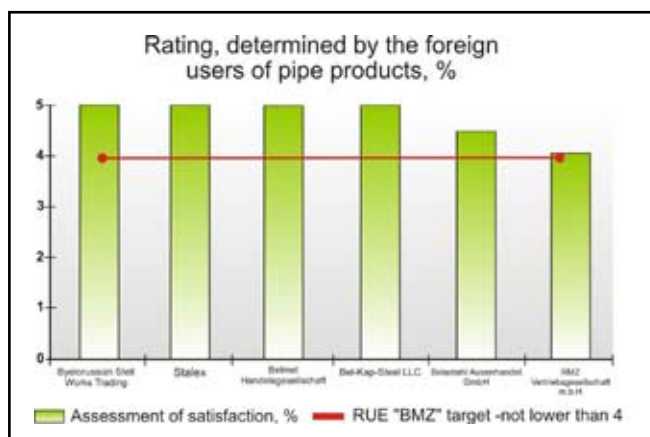
No remarks from the customers regarding product marking.

Mutually beneficial cooperation with the consumers of the plant's products

Our customers are the most interested parties for us because cooperation with them brings profit for the plant. Work with customers is organized in accordance with Code of Business Ethics and the plant's standard STP 840–SMK–7.2 «Processes related to customers. Plant's product sales procedure».

Main users of RUE "BMZ" products are plants manufacturing concrete articles and building organizations, tire plants, engineering enterprises from over 50 countries of the world. Products are sold directly to customers through our own commodity–distribution network and by other ways. Product sales structure is given in the diagram.





The plant does not collect information about private life and personal data of customers' personnel. No claim has been issued based on violation of inviolability of the private life and personal data of the customers since the foundation of the plant.

Mutually beneficial cooperation with the suppliers

Another interested party which is not of a minor importance for us are our suppliers of raw material and auxiliary materials for manufacturing our products. Work with suppliers is organized in accordance with the Code of Business Ethics, plant's standard STP 840–KSM–7.4 «Purchasing. Procedure of work with suppliers» and the Supplier's Quality Manual.

A supplier is chosen on the basis of:

- market study and suppliers' questioning;
- rating on the commodity and services market;
- quality of the resources (services) purchased with consideration of the information about supplier's quality system functioning and its efficiency in the form of:
- results of regular large-scale deliveries without claims and remarks;
- availability of conformity certificates issued for the supplier's management system and its products;
- supplier's undertaking not to violate the rights and freedoms of the citizens in accordance with the UN. Global Compact;
- supplier's agreement to fulfil RUE "BMZ" Supplier's Quality Manual.

An individual card is executed for every supplier of raw material and auxiliary material.

Suppliers' activity is evaluated according to the following criteria:

- fulfillment of the volume and terms of product delivery;
- correspondence of the supplied product with the established requirements and calculation of the quality index of the product supplied (IQL) considering availability of a quality system of the supplier, percentage of deliveries with deviations out of the total amount of deliveries with consideration of the coefficient of the deviation significance;
- degree of loyalty of a supplier to the plant and fulfillment of the corrective actions.

Results of a supplier assessment are given in the table below.

2008 Actual data, %	Supplier	Quality index of deliveries, %	Loyalty, %	Loyalty to the plant, %
55,3	Excellent	IQL=95,1–100	100	100
38,43	Reliable	IQL=75,1–95	100	100
2,74	Acceptable	IQL=30,1–75,0	80-100	80-100
3,51*	Unsatisfactory	IQL≤30*	<85	<80

Delivery quality assessment is discussed at quality meetings.

For the development of partnership relations, improvement of the quality of the product delivered by developing the management system of acceptable suppliers according to the Bulletin of the suppliers assessment for the previous period, the plant's specialists carry out suppliers audits.

Based on the results of cooperation and the assessment a List of approved suppliers is issued including names of intermediaries which make deliveries.

Provision of fulfillment of the established requirements in manufacturing of products

Work on quality assurance starts with choosing suppliers of raw materials and auxiliary materials for the production process. Raw materials and auxiliary materials for manufacturing products make up 94 % of the thoroughly chosen excellent and reliable suppliers (see item 5).

Further work to provide fulfillment of product requirements and prevent occurrence of non-conforming products at the earliest stages of their manufacturing is done by analyzing the functioning of the production processes and control on all stages of the life cycle:

- initial raw material and materials subject to on-receipt inspection;
- operational inspection of products during the production stage;
- products made are subject to acceptance test.

products made are subject to acceptance test.

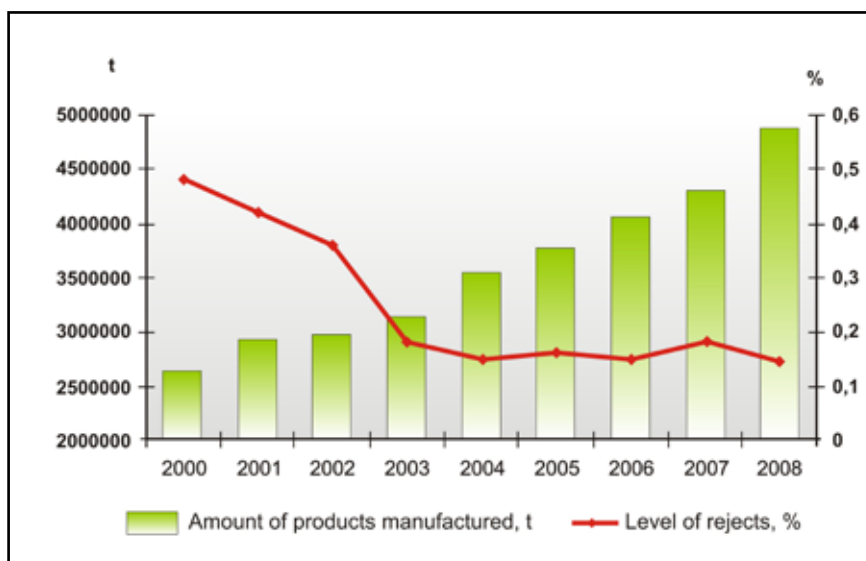
Products conforming the customer's requirements are accepted and a quality certificate is issued. The procedure is described in the standard STP 840–KSM–8.2.4 «Monitoring and measurements. Product quality control, on-receipt, operational and acceptance control and lab tests procedure». Amount of non-conforming products decreases due to preventive actions undertaken.

According to the plant's standard STP 840–KSM 8.5 «Continuous improvement. Data analysis. Preventive and corrective actions» the plant's management monitors and analyses the work of the plant's subdivisions from the point of view of the product quality. Analysis is carried out on the basis of comparison of the indicators which determine the qualitative characteristics of the products and the processes during the accounting period compared with the requirements of TNLA, SD, programmes and orders and the previous period of time.

Analysis of quality work are discussed at shift meeting, daily intercom reports and meetings, at weekly and monthly quality meetings held at shops so as to approve of corrective and preventive actions.

The practice described allows provision of: high quality of the products manufactured, minimal rejects.

Dynamics of relation of the product output and level of rejected material



There were no fines and sanctions due to products non-forming the requirements of the law and the established requirements.

Participation in quality contests

In 2008 RUE "BMZ" became the prize-winner of the following quality contest:

- «Best quality manager — 2008» (quality director—head of TCD Mrs. Elena Peretyagina);
- «Best goods of the Republic of Belarus on the market of RF»; claiming products:
- thermomechanically hardened reinforcing steel for concrete structures class At800 acc. to GOST 10884-94; tire cord 3+2x0, 30HT acc. to TU BY 400074854.004-2006.
- «Best goods of the Republic of Belarus»; claiming products: cold-rolled low-carbon reinforcing plain bars for concrete structures acc. to STB 1341-2002; ordinary carbon wire rod 1sp acc. to TU BY 400074854.032-2006;
- 4th International Quality Tournament of Central and East-European countries and was given a certificate «Recognition of Excellence in Europe 5****».

During several years we have taken part in the Business Marathon «Ascent to the Top of European Excellence» carried out by the European Foundation of Quality Management (EFQM).





Cooperation of the parties



Cooperation of the parties

The plant interacts with a large number of the interested parties which are outside the limits of the existing production activity.

Cooperation with the civil society

The charitable and sponsorship activity of RUE «BMZ» is one of the important directions of the social responsibility. It is implemented in the interests of the undefended groups of people on the territory of the plant's production activity (Section «Responsibility in the social area»)

Byelorussian Steel Works is the town-generating plant which determines the face and the character of Zhlobin. During the complete history of the plant it has been building and creating the industrial and social infrastructure of the town. The first object of BMZ was the boiler-house «Severnaya». It was put into operation in 1983.

Thanks to BMZ, 5 schools, 9 kindergartens, 7 supermarkets, a hotel, a children's department for 120 people and a surgical building for 240 patients were built in the district hospital in Zhlobin. A viaduct over the railway lines between the two parts of the town was built to make auto traffic more comfortable.

Previously there was no stable reception of the republican and regional TV programs. A new broadcasting transmitter helped to solve this problem. The Liberators' square is an adornment of the town. A new building of school No.1 was built with BMZ funds. A physical training and health-improving centre with a skating rink and an aqua- park was built.

The town streets acquired a new look; 3 overpasses provided a comfortable transport communication in the developing «metallurgical capital». Today it is a headily evolving town with modern districts, different sport and cultural constructions.

In 2008 the plant sponsored Zhlobin Executive Committee with 24,8 (twenty four billion and eight hundred million rubles) including 1,3 (one billion and three hundred million rubles).

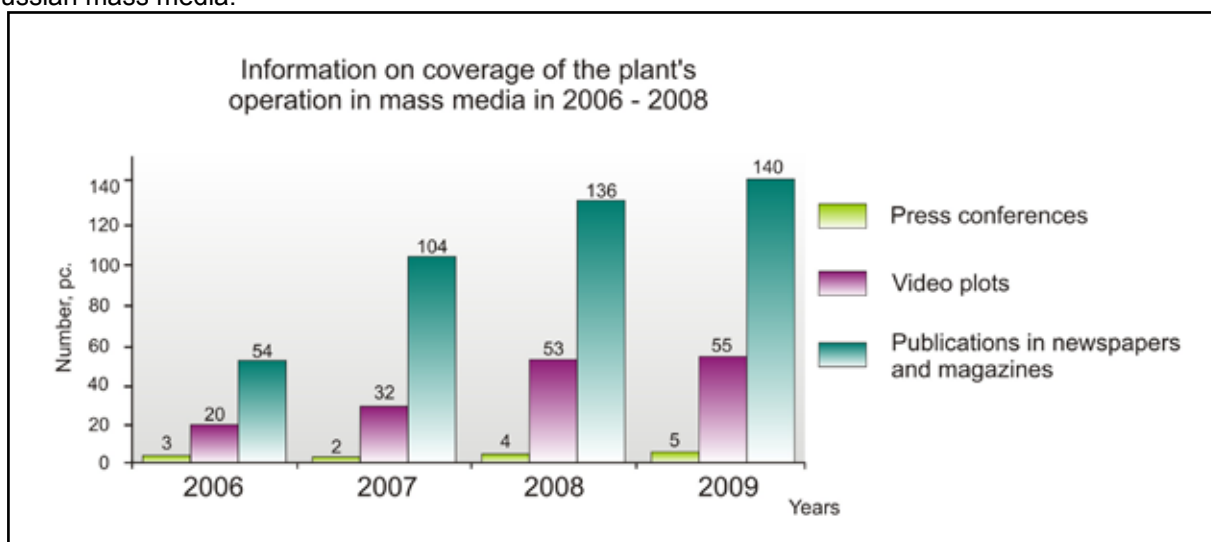
RUE «BMZ» participation in beneficent actions

Actions	plant	Collected amount, rubles		
		2006	2007	2008
Byelorussian world fund	RUE «BMZ»	1 393 280	2 059 780	1 006 140
	OSC «BELFA»	821 880	795 900	820 000
	OSC «GMK»	633 500	1 516 250	935 000
	KDGEUP «Zhulkomservis»	762 000	804 000	817 500
Red Cross society	RUE «BMZ»	1 753 200	1 994 200	2 976 500
	PMK - 71			980 000
	Bread-baking plant			509 000
	Autocade			1 400 000
	OSC «GMK»		1 534 000	1 663 000
	OSC «BELFA»		1 208 000	1 550 000
	GU -2		1 350 000	980 000
Memorial «Red Bank»	RUE «BMZ»	1 011 000	—	
Funds collection for carriages for invalids	RUE «BMZ»	16 364 000	17 975 480	
«We for children» (for inmates of a Children,s Home in Zhlobin)	RUE «BMZ»		1 650 000	820 000
«Crystal heart» (computer equipment for inmates of a Children,s Home in Zhlobin)	RUE «BMZ»			18 058 900
«Our children» (territorial center of the social service)	RUE «BMZ»		80 000	261 000
«Help to our mother » (funds collection for operations)	RUE «BMZ»			1 876 000

Cooperation with mass media

The plant collaborates closely with the regional mass media informing the community about the results of its production activity, significant actions and events and distributes actual and reliable information on the corporate site as well. Interviews with top management of the plant are often published in the newspapers and the magazines of the Republic of Belarus. The most important events of the plant's life can be seen on TV. RUE «BMZ» strives for informational openness and clarity of its activity as it understands the specific importance of the interaction with mass media.

In 2008 136 publications and 53 video plots about the activity of the plant were disposed in the republican mass media. 2 times per month information about the activity of the plant is located in the republican Internet sites. The press conferences «Results of RUE «BMZ» activity during the reporting period»; «Youth and the innovative development of RUE «BMZ»»; «Science, production and education integration in the development of metallurgy in the Republic of Belarus till 2020» (within the framework of the Byelorussian metallurgical forum); «Innovative policy and social and economic development of RUE «BMZ» were held with the representatives of the Russian, Ukrainian and Byelorussian mass media.



Cooperation with the government bodies

The interaction with all interested parties is carried out by RUE «BMZ» on the following basic principles: respect and consideration of interests, opinions and preferences, openness and clarity, confidence and sincerity, strict observation of the law, international and Byelorussian standards, responsible fulfillment of the accepted liabilities, respect of history, culture, traditions, mode of life and heritage of the population of the territory of management.

Assurance of the activity and strategy correspondence to the general social and economic policy and the interests of the country and the region is a very important task for the plant's collective. The constructive cooperation with the authorities permits RUE «BMZ» to solve this difficult task.

The decision concerning the actual questions of the social and economic development of the region, the work with the youth, carrying out of joint measures, the improvement of the medical service of the citizens is taken by the heads of the plant and by the authorities during the monthly business meetings.

Outlooks of the development of Gomel region, progress of the fulfillment of the socially significant programs, expansion of the export policy of the plant, plans for designing and construction of a flattener were discussed many times at the meetings between the general director and the governor of the region Mr. A.S. Yakobson and the deputy prime-minister of the Republic of Belarus Mr. V.I. Semashko during their visits to the plant.

Mr. N.V. Andrianov, general director of BMZ, as a member of the governmental delegation of the Republic of Belarus headed by the President of Belarus Mr. A.G. Lukashenko took part in the discussions concerning the export policy and the commercial and industrial relations at the meeting with the representatives of the industrial groups during his visit in Vietnam in April, 2008.

June 18th, 2008 a Byelorussian steel forum with the representatives of the administration of the President of the Republic of Belarus, the chairman of the presidium of the NAS of RB, the regional authorities, scientific and business groups of Belarus and Russia took place in Zhlobin. The basic directions of the science, production and

education integration, and the stages of the development of Byelorussian metallurgy till 2020 were determined. The widest spectrum of questions was touched upon: from the construction of a new flattener to the environment and social development of Zhlobin district.

In November 2008 as a member of the governmental delegation headed by the prime-minister of RB Mr. S.S.Sidorskiy the general director of RUE «BMZ» took part in the international investment forum in London.

In December 2008 a meeting of the general director with the head of the government of the Republic of Belarus took place where questions of widening of export distribution, provision of raw materials, organization of the personnel training, and maintenance of the social field of the plant were discussed.

So as to build parity relations with the authorities and form the state policy, the management of the plant considers it important and necessary for its representatives to take part in the work of the elective authorities. The results of the election campaign evidence of a very high level of the population confidence in the plant and in its personnel. In the result of the elections 11 representatives of the plant were elected to the local, regional and republican governmental bodies:

- Zhlobin district soviet of deputies — 9 people;
- Gomel regional soviet of deputies — 1 person;
- the House of Representatives — 1 person.

At the same time, RUE «BMZ» does not make any donations to the political parties, individual politicians and any organizations connected with them.

Cooperation with science

The innovative development of the industry is a guarantee of the economical security of Belarus. The plant follows way of the innovative development bravely introducing new projects. According to the decision of the Science and Technology State Committee of the Republic of Belarus of 2008, BMZ was included into the list of the high-tech plants of our country.

Strong relations with the National Academy are established by Byelorussian Steel Works. The plant collaborates with the institutions of the powder metallurgy, hot-rolled steel, steel technologies, engineering of polymeric systems. The scientists do a lot for BMZ developing special techniques for the plant. The economical effect of this collaboration is expressed in billions of rubles.

The collaboration of the plant with science has a many-sided nature. The plant collaborates with the leading higher educational institutions to train modern engineering personnel. Together with the Byelorussian National Technical University a branch of the “Casting equipment and technology” department was formed. Mr. N.V. Andrianov, the general director, was given the academic degree of a senior lecturer for his pedagogical activity at the above.





APPENDICES





THE CORPORATE POLICY

of the Republican Unitary Enterprise "BYELORUSSIAN STEEL WORKS"

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

The Mission of our enterprise is to become a leading supplier of the products in all segments of the market considering the safety regulations and personnel health protection with minimal influence on environment and natural resources efficient use during the production process.

The General strategy of the enterprise is a stable increase of the financial and economic figures for extended reproduction and improvement of well-being of the employees of the enterprise due to sales of high-quality products in compliance with the requirements and expectations of the users, protection of health and life of each employee, constant protection and improvement of the environment during the production activity as well as permanent improvement of the environmental condition and resources conservation.

The Mission and the general strategy of the enterprise are fulfilled as follows:

- the opportune respond to the constant change of the market situation and legislation using P-D-C-A cycle (planning – disposal – control – acting);
- the application of up-to-date technologies to engineering, development of manufacturing processes for new competitive products to improve the quality of products, to decrease the danger and risks during the manufacturing processes, to prevent harmful influence of the production factors on the staff, to decrease the emission of air and water pollutants, wastes and to decrease the consumption of natural resources;
- constant improvement of effectiveness of the Quality Management System in compliance with the requirements of international standards ISO 9001, ISO 14001, OHSAS 18001 and requirements of automotive and oil-and-gas industry ISO/TS 16949, ISO/TS 29001 (API spec Q1), development and application of the subsection "Social Responsibility" to the Quality Management System in compliance with SA-8000;
- constant improvement of the quality of the products and the manufacturing process when de-creasing the raw materials and power consumption per unit of product, energy resources consumption per unit of product, pollution of the environment, danger for health and life of the employees;
- forecasting of manufacturing process hazards and associated risks, actions to decrease risks;
- regular monitoring of the activity of the enterprise;
- activity in quality assurance, occupational and industrial safety, environment protection in compliance with the requirements of the international standards, the existing legislation, the laws and the national norms and standards;
- the active cooperation with all interested parties with respect to product quality, occupational safety and health, environment protection involving the suppliers, contractors and customers of RUE «BMZ»;
- task-oriented staff training, creation of optimal conditions for high-grade labour activity, demonstration of personal abilities and initiative of each employee, their concern in high quality of product, occupational safety and health, decrease of hazardous influence on environment, efficient consumption of raw materials and energy;
- improvement of the corporate culture and maintaining of the personal ethical and material liability for the quality of work.

The management of the enterprise is concerned about realization of the corporate policy and will create the necessary conditions to provide for adequate living standards of the employees and their confidence in the future.

General Director of RUE «BMZ»
14.01.20008

N. V. Andrianov





BUSINESS TARGETS FOR 2008

OF THE REPUBLICAN UNITARY ENTERPRISE

"BYELORUSSIAN STEEL WORKS"

1 PRODUCTION AND ECONOMY TARGETS

1.1 Commodity growth rate (in comparable prices)	not less than 110,0%
1.2 Level of profitability of sold products, work and services	not less than 25,0%
1.3 Goods exported (in actual prices USD)	not less than 116,5 %
1.4 Import of goods (in actual prices, USD)	not more than 111,0 %
1.5 Ratio of new products in the output	not less than 24,0%
1.6 Energy saving (in comparable conditions)	-9,0%

2 QUALITY

2.1 Level of rejects due to production shops	determined by Program No.2
2.2 Acceptance of products at first sight	not lower than 97,7%
2.3 Level of expenses due to defects per USD1000 of commodity products	not more than 3,65
2.4 Percentage of the certified products in the total output	not less than 72,4%
2.5 Assessment of external customers' satisfaction	not less than 86,0%
2.6 Amount of products claimed compared to 2007r.	to be decreased by 10%

3 ENVIRONMENT

3.1 Percentage of wastes distributed in the environment per a ton of steel made compared to 2007	to be decreased by 9%
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4 LABOUR PROTECTION AND INDUSTRIAL SAFETY

4.1 Industrial injuries compared to 2007	to be decreased by 10%
4.2 Danger identification and risk assessment in the auxiliary shops of the plant	16 shops
4.3 Improvement of labour conditions for the people	1030 people

5 SOCIAL RESPONSIBILITY

5.1 Training of the managers and leading specialists	2152 people
5.2 Professional training of workers	2705 people

General Director of RUE "BMZ"
25.01.2008r.

M.V. Andryanau





CODE OF BUSINESS ETHICS OF THE REPUBLICAN UNITARY ENTERPRISE "BYELORUSSIAN STEEL WORKS"

This code establishes behaviour standards in the business environment between the Republican Unitary Enterprise "Byelorussian Steel Works" as a manufacturer on the one hand and the distributors, the joint-ventures, the dealers and the end-users on the other hand as well as the representatives of other branches of industry and the community in general. Basic rules are as follows:

1. Business is based on confidence coming from the necessity of fair relations, efficiency of services rendered to each other and gaining of mutual benefit.
2. The amount of responsibility of each business party should correspond to the amount of the rights entitled on the same.
3. Business should be an open system getting the required information from the business parties and making objective operational data available to other parties.
4. The parties within the range of their competence should assist each other to solve arising problems.
5. Expenses and earnings accounting should be one of the decisive factors in the process of decision making by the business parties.
6. Business parties should aim at minimization of the expenses that may arise in the course of joint business.
7. A customer and a producer arrange business with consideration of fluctuation of the market prices for the goods manufactured so as each party could get the best profit.
8. A producer should guarantee quality of goods supplied to a customer and their packing.
9. The parties providing pre-sale preparation, transportation, storing, unpacking should provide and be responsible for retention of high quality of the goods delivered to the customers.
10. A customer should provide conditions corresponding to technical requirements for storing and processing of the products delivered by a producer.
11. A customer should not put in claims for the goods produced without breaking the technical requirements and having no defects.
12. Business parties should assist each other in market investigation and advertising and exhibitions.
13. All disputes and controversies arising between business parties should be resolved amicably by negotiations.
14. All commercial and technical information and the operational data received during business relations are confidential and should not be advised to third parties without a business party's consent.
15. A producer provides a unified registration of all customers' enquiries through the legal service of the enterprise ensuring efficient feedback with the clients. Term for replies to written and oral enquiries of the customers should not exceed 10 days from the enquiry date, if no other timing is agreed by the parties.
16. In mutual relations with clients the personnel follows the rules below:
 - be polite and attentive;
 - answer phone calls in a social way, naming yourself and the enterprise you represent;
 - show interest and readiness to solve a problem;
 - be accurate in fulfilling obligations undertaken.
17. Business clothes style should support BMZ image as a serious, reliable and stable partner. Clothes and shoes should be:
 - austere, clean and elegant;
 - convenient for work;
 - correspond to the principal activity;
 - reserved in colour, diverting neither a worker nor the surrounding people from their business.
18. Parties accept the rules of this Code as the basis of ethic norms of business partners' behaviour.

RUE "BMZ" General Director
April 12, 2005

N.V. Andrianov



Comparative analysis of the target indices fulfillment of RUE «BMZ» activity for 2008

Index denomination	Actual 2007	2008		
1	2	Plan	Actual	Remarks
1. PRODUCTION-ECONOMICAL INDICES				
Commodity output growth rate in comparable prices (%) not less	108,5	110,0	110,0	
Profitability level of the products sold, works, services (%) not less	22,9	19,3	19,6	
Products export (%) not less	133,6	116,5	139,8	
Products import (%) not more	140,3	111,0	128,7	Index is not fulfilled
1	2	3	4	5
Percentage of new products in commercial production output (%) not more	28,1	24,8	28,5	
Energy savings index, (%)	-10,5	-10,0	-10,0	
2. QUALITY INDICES				
Level of defective goods due to production shops (%)	0,184	Пp.№2	0,145	
Cost level per \$1000 of commodity output	3,66	3,65	2,61	
Portion of the certified products in the total amount of products (%)	70,7	72,9	73	
Evaluation of satisfaction of outside consumers (%)	90,5	86,0	91,2	
Quantity of claimed products to the level of 2007	34 pieces (230,28 t)	decrease by 10%	35 pieces (139,77t)	
3. ENVIRONMENTAL INDICES				
Specific volume of waste disposition in the environment per 1 t of melted steel to the level 2007.	—	decrease by 9%	decreased on 12%	
4. LABOUR PROTECTION AND INDUSTRIAL SAFETY INDICES				
Industrial traumatism	10	decrease by 10%	9	
Danger identification and risks evaluation in the auxiliary shops of the enterprise (mills)	Was done in main shops	16	16	
Improvement of conditions of work of the workers (places)	970	1030	1331	
5. INDICES IN FIELD OF SOCIAL RESPONSIBILITY				
Training of the top management and specialists	2692	2152	3140	
Professional training of workers	3114	2705	3574	

Note:

Excess of the planned index «Import of goods» by not more than 111,0% is determined by the increase of the product output and in this connection — pro rata increase of purchases of scrap and increase of prices for metallurgical raw material imported by the enterprise.

List of abbreviations

AIDS	Acquired immunodeficiency syndrome
API	American Petroleum Institute – non-governmental organization in the USA involved in investigation of the oil and gas sector.
AUYCL	All-Union Leninist Young Communists League
BAFP	Byelorussian association of fur producers
BAP	Byelorussian automobile plant
BeISTU	Byelorussian state transport university
BNTU	Byelorussian national technical university
BRUY	Byelorussian republican union of youth
BYS	Board of young specialists
CCM	Continuous casting machine
CDN	Commodity distribution network
CEE	Central and Eastern Europe
CJSS	Children's and Juniors' Sport School
CIS	Commonwealth of the Independent States
CMS	Corporative Management System
EAF	Electric-arc furnace
EMS	Environment Management System
FER	Fuel and energy resources
GDP	Gross domestic product
GRI	Global Reporting Initiative– an independent non-commercial organization the mission of which is development and distribution of unified principles of reporting in the area of stable development, first of all with the help of The manual of reporting in the area of stable development. The organization was formed in 1988, its headquarters is in Amsterdam, it is controlled by international experts from different organizations all over the world.
GVT	Gomel Volley-ball Club
HA	Housing Administration
IFRS	International Finance Reporting System

InfoBMZ	Information and reference system of BMZ
ISO	International Organization for Standardization
MAP	Minsk automobile plant
MD	Medical Department
MM	Mass media
MMS	Mobile mechanized squad
MS	Melting shop
MTP	Minsk Tractor Plant
NAS	National Academy of Science
NFA	French organization for standardization
OHSAS	Professional health and industrial safety management systems
PCM	Palace of Culture «Metallurg»
PS	Power shop
PSt	Plant's standard
QMS	Quality Management System
RB	Republic of Belarus
RF	Russian Federation
RUE «BMZ»	Republican Unitary Enterprise «Byelorussian Steel Works»
SD	Standard documentation
SEI	State Educational Institution
SSC	Sports & sanitary complex
TNLA	Technical Normative Legal Act
UNO	United Nations Organization
UWSM	Unified Wage and Skills Manual
ZMP	Zhlobin Meat Plant

Table of standard reporting components of GRI (G3) manual

GRI index	INDEX DESCRIPTION	Reference in the report, page.
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2.7	Markets where the organization is working (including the geographical breakdown, the sectors serviced, the categories of the consumers and the beneficiaries)	11
2.8	Size of the organization including: <ul style="list-style-type: none"> Quantity of workers and officials; Net sales (for the private sector organizations) or net proceeds (for the state organizations); General capitalization with the breakdown by borrowed and own capital (for the private sector organization); Quality characteristics of the products or the services rendered; General value of the assets 	8, 11, 20, 23
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Table of conformity to the GRI elements and indices is prepared with the help of the Manual of accounting in the area of stable development of the Global Reporting Initiative (revision 3)



Notes

Feedback questionnaire

Dear readers,

You have just become acquainted with the first official social report of RUE «BMZ».

Your opinion concerning this document is very important for us and we will take into consideration your comments and proposals in further reports.

Please, send filled in form by fax:

+ 375-2334-5-54-26;

+ 375-2334-2-42-61;

+ 375-2334-3-16-35

or to the address:

**37 Promyshlennaya street, Zhlobin, Gomel region
247210 with the note «Social report 2008»**

You can also send this form by e-mail:

(secr.dpir@bmz.gomel.by)

1. What group of interested persons do you belong to?

- ☐ Representative of a managing body
- ☐ Representative of a community
- ☐ Investor
- ☐ Partner
- ☐ Customer
- ☐ Employee
- ☐ Another group of interested persons

2. How do you evaluate the social report from the point of view of completeness of the information presented?

- ☐ Good
- ☐ Satisfactory
- ☐ Bad

3. How do you evaluate the social report from the point of view of reliability and objectivity of the information presented?

- ☐ Good
- ☐ Satisfactory
- ☐ Bad

4. How do you evaluate the social report from the point of view of convenience of search of the information required?

- ☐ Good
- ☐ Satisfactory
- ☐ Bad

5. How do you evaluate the design of the social report?

- ☐ Good
- ☐ Satisfactory
- ☐ Bad

6. Does the social report help you to understand the activity of RUE «BMZ» in the field of steady development?

- ☐ Yes, completely
- ☐ Yes, partially
- ☐ No, not entirely
- ☐ No, not clear

7. Please, state if the following sections of the Social report of RUE «BMZ» were interesting for you, relevant and fully elaborated (from 1 (bad) to 5 (excellent))

- ☐ Strategy and analysis
- ☐ Description of the organization
- ☐ Control, obligations and report interaction.
- ☐ Report parameter
- ☐ Responsibility in the social area
- ☐ Protection of the environment
- ☐ Guaranteeing of equal rights for the community representatives
- ☐ Economy
- ☐ Responsibility for the goods produced
- ☐ Cooperation of the parties

8. Does the social report influence your attitude to RUE«BMZ» activity?

- ☐ Yes, my attitude has improved considerably
- ☐ No, it hasn't
- ☐ My attitude has become worse

9. What information in the social report was the most interesting for you?

10. What directions of RUE «BMZ» activity should be improved from the point of view of social responsibility in your opinion?

11. What information would you like to see in future social reports of RUE «BMZ»?

Thank you for collaboration!
RUE «BMZ»



