



2009

**SOCIAL
REPORT**



United Nations Global Compact

RUE BYELORUSSIAN STEEL WORKS

Joins the Global Compact and commits to promoting the ten Principles of the Global Compact in its day to day operations

Human Rights

Businesses should support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses.

Environment

Businesses should support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility, and encourage the development and diffusion of environmentally friendly technologies.

Labour Standards

Businesses should support the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.

Anti-Corruption

Businesses should work to prevent bribery and corruption, including in business transactions.

[Signature]
Arkadiusz Bork, UN Resident Coordinator,
UNDP Resident Representative in Belarus

Global Compact Participants since 30 August 2008



SPEECH OF GENERAL DIRECTOR



Dear readers !

Now you are reading Social report of Byelorussian Steel Works for the year 2009 in which the enterprise has made a step forward in order to provide you information about various aspects of its activity leading to stable development.

Last year for Byelorussian Steel Works was a hard year. Hopefully cold winter season, problems with metal scrap, hard time of world financial crisis which caused instability and uncertainty in the near future were left behind. Today BMZ has got on its feet and face the future bravely.

Our main success is the fact that we withstood the test of time, passed through world financial crisis, which had led to reduction of demand for our products and increase of raw materials price. At present moment we can say that all those problems have been left in the past. We can see changes for the better. Nowadays volumes of output and orders for the products have been recommenced. Cost reduction and economy programs have proved to be

efficient.

World financial crisis showed that BMZ is capable to work in extreme situations. Our attention was focused on expansion of sales markets and search of new partners. Now we can say with confidence that our products are being sold to 71 countries around the world – earlier we had less than 50 countries among our buyers.

During crisis period we developed new types of products. But anyway we shouldn't be under delusions that everything is fine. The plant shouldn't stop its development on the achieved level in order to ensure successful future. Continuous development and improvement is required.

According to development business plan for the period 2010-2014 it is planned to put into operation new production facilities and modernize existing equipment. We all live in Zhlobin or in its outskirts that is we pay great attention to ecological matters. Today the most important task for us is modernization of dedusting systems on electric arc furnaces. Amount of means to realize this plan will



not be limited. We can say that we finally solved the problem with manufacturing water processing. We developed closed water-supply cycle at our plant and minimized influence on the environment.

Working on our business effectiveness increase we emphasize importance of our social responsibility.

That is self-evident that development of the plant is impossible without development of its personnel. That is one of the priority directions at our enterprise. Principal concern at RUE «BMZ» is drawn to formation of interested and responsible labor collective, improvement of work conditions, increase of employees' social protection level.

Nowadays our plant is one of the few enterprises in the Republic that year by year not only increases volumes of production output but also invests significant amount of means into the development of social programs. BMZ takes active part in solving of important social problems in the region and considers this type of activity as a component part of its business, social investments

and integral part of corporate culture.

In 2008 the plant associated itself with UNO Global Compact and accepted all ten principles related to observance of human rights, labor relations, environment protection and anticorruption activity. Since that time the plant has been maintaining social direction of production and principles of Global Compact has become a part of strategy, culture and everyday work of the plant.

Best regards,
General Director
A.N. Savenok



PREFACE TO THE SECOND REPORT

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

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

RUE 'BMZ' represents the second Corporative social report, prepared in format "G3" of Reporting manual in the field of sustainable development GRI, and the principles being the basis of UN Organization Global Compact. The report contains information about the activities of the plant in 2009, as well as plans, goals and commitments for future.

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

Preparation of this report was based on stakeholders' opinions about Social report over 2008.

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

The report on social obligation and corporative sustainability informs the stakeholders about strategic priorities, potential of RUE 'BMZ', peculiarities of management, competence of management, effectiveness of risk management, cooperation with stakeholders. The report reveals not only efficiency of the plant in money making, adaptation of new equipment and technologies, but also reflects the activities in human capital formation, environmental

safety and arrangements of favourable conditions for dynamic social and economic development of the region of production activities of BMZ.

The report aims to inform the public and all stakeholders: owner, investors, personnel, representatives of district, regional and republican authorities, populace and product consumers.

There is no considerable change of information given in the first plant report.

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

Electronic copy of the report-2009 will be available on the corporative BMZ web-site (www.belsteel.com).

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

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

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BMZ AND INSTABILITY OF THE WORLD ECONOMY

SOCIAL REPORT 2009



I express confidence, that BMZ employees will overcome all difficulties adequately, will find supplementary reserves for saving material and energy resources and mastering new types of products

*Minister of Industry
Alexander RADEVICH*

The world economic crisis seriously corrected development dynamics of ferrous materials market. At the end of 2008 under the affect of negative economic tendencies, the record-breaking production increase in ferrous metallurgy, existing the last 5 years, changed for dramatic decline (for the first time since 2002). All chain links – related to steel consumption - that form production value happened to be negatively influenced. It all affected firstly the results of metallurgical works that are active at export

markets. RUE 'BMZ' is among these enterprises. In 2009 the situation at the world markets did not improve.

For the metallurgical industry in general and for the Byelorussian Steel Works in particular the world economic crisis resulted in reduction of demand for the most of products from the part of main consumers, firstly automobile industry and building. These sectors slumped and had record-breaking losses.

According to the annual results the demand for cars in Europe dropped by more than 20%, in the USA by a third. Recession reached Russian automobile companies as well. The demand for steel cord and wire products slumped. Worsening situation at the world markets put building sector into a difficult situation as well. In the USA the volume of home construction activities dropped to the level of 1991, in Great Britain the downturn of mortgage credit lending made up 70%, in the Russian Federation, according to the information from Rosstat, growth rates in the building sector dropped fivefold and it immediately affected the price of reinforcing products. The crisis affected also such steel consuming industry as machine-building industry, where the output was cut by 20-30%.

Metallurgy concentrates the level of business trends of these sectors and such a serious downturn of the sectors affected in progression metallurgy where the decrease of output reached a record-breaking level. For instance, in Russia the downturn in ferrous metallurgy reached 25-30%, in Ukraine this value in some cases exceeded 35%, but RUE 'BMZ' allowed the decline of production in 2009 only by 6 percentage points in comparison with the analogous period of the last year.

That is why the top priority for the enterprise in the period of crisis is to forecast plant's activities considering analysis results of constantly changing macroeconomic conditions purposely to rearrange the production in the directions dictated by the market.

All efforts of the management and specialists



were directed to optimize the current and operational costs and that was not just the reaction to unfavourable external environment, but continuation of corporative strategy of recent years.

Optimization policy was strengthened by special anti-crisis programs. The personnel in all management levels was informed about the task to take anti-crisis measures. Efficient mechanisms providing structural transformations made it possible with less pain, from the standpoint of workers, with fewer losses for the plant, to solve the problem of cost reduction, to save the personnel and to realize a huge investment project of the revamping of the continuous casting machine aimed at reduction of production cost and increase in labour productivity.

Despite the fact that the results of plant operation for January – December 2009 are behind

compared with those of last year, the finance and economic situation of RUE 'BMZ' is gradually stabilizing. Steady dynamics makes it possible to adopt the strategy of work at the external markets and to form priorities in development in the medium-term perspective.

Supporting the principles of social responsibility, the plant, with no decrease of economic activity, kept on fixing social problems with due regard for available possibilities.



I want to underline that the main task is still to take all technical, technological and organizational measures to cut costs in production and energy-saving; and, what is important, to involve all the personnel of the plant into this process.

*General director RUE 'BMZ'
A.N.Savenok*

Metallurgical enterprises in Belarus produce metal goods with high degree of completion and quality. Gradual reconstruction and modernization of existing works facilitate this. Metallurgical complex includes 8 enterprises. Their main products are produced as per international standards and are certified in many countries worldwide. The works of this sector produce steel electric-welded round and shaped pipes, steel concast billets, rolled section, different types of wire, steel cord, bolts, screws, nuts, nails, molding materials, heating facilities.

Goals and objectives of the branch reform

Metallurgy is one of the basic branches of industry in the Republic of Belarus. Its level of development should answer to the strategic tasks of provision the Byelorussian economy with quality products and stable positioning at the external markets.

Major problems that have to be fixed by any metallurgical enterprise:

- output increase adequate to the market;
- strengthening of positions at the existing sales markets and working up new markets;
- sales increase of the products with high added value.

Accordingly worked out strategy for branch development should reinforce the existing competitive advantages and create new ones.

The necessary preconditions for realization of chosen strategy:

- procurement of raw material resources. Availability of raw material sources is a powerful leverage to control product cost;
- unified steel products, high-liquid ones on the external markets, forming the basis of production program;
- increasing competitiveness and growth of costs make it necessary to speed up introduction of alternative technology, energy-efficient technology and equipment, to optimize cost composition of output (cost cutting for raw materials and energy,

increase of capital charges). Alternative – gradual loss of competitiveness at the external market, later on at the domestic one;

- effective management;
- stable economic status of enterprises, making it possible to increase lendings for implementation of large-scale projects smoothly.

The production of modern high-tech high-quality steel products is possible only as a response to relevant market demand. The absence of large-scale demand for high-tech products results in the following: small batches of such products are imported, and big enterprises are not ready to invest in development if volume of sales is low. It results in gradual technological lag. The recovery will require practically total replacement of main production facilities. Per se, a new metallurgical branch will have to be created. Theoretically it is possible and a Chinese example is very demonstrative. Over the period of three-four years the production of steel increased thrice. Additionally, the reason of the growth is mainly expansion of new capacities. Although the first incitement to this process was given by a rapid growth of Chinese processing industry.

For domestic metallurgical industry with volume of delivery for internal market less than 20%, the guarantee of survival is to preserve export in quite a long-term perspective. Even on the domestic market with the most favourable forecast for its growth, competition will be growing both from Russian companies (existing and new ones), and from Ukrainian companies.

Development strategy

Until recently the strategy of metallurgical development was built on increase of steelmaking volumes. Although, high pace of development of Chinese metallurgy, strengthening of competition at all, without exception, traditional export markets resulted in the following: extensive development became fraught with high risks. The usage of metallized raw materials along with

scrap in metallurgical production will make it possible to fix the problem of raw materials in perspective. Metallurgy development based on directly reduced iron is the main alternative for the metallurgy of the complete cycle.

There are all necessary preconditions for successful development of this production in the long-term perspective in the republic. There is a rather developed metallurgical branch, government program of exploration work approved to develop mineral resources in Belarus for the period of till 2020. There are enough explored reserves of iron ore in Belarus to meet the demands of metallurgical enterprises for 100 years. Currently, two iron-ore deposits are explored in the republic: Okolovsk deposit in Minsk region and Novosyolkovo deposit in Grodno region.

The analysis of the current situation and the perspectives of development of domestic metallurgic branch make it possible to focus three problems:

1. In short-term perspective – keeping export markets and dominance on the home market, keeping quite a high level of profitability in the metallurgical branch. Target – to preserve and to expand production volumes gradually on the existing basis, gradual increase of supplies to the domestic market in concordance with growth of consumption, successful competition with the manufacturers from CIS countries, further upgrading of equipment.
2. In medium-term perspective – increase of steelmaking volumes, construction of new production facilities and development of new types of production.
3. In long-term perspective – to fix raw material problems, to develop iron-ore deposits, to produce sponge iron using environmentally sound technologies for direct reduction process.

Realization of the metallurgy branch development strategy in the republic will facilitate accomplishment of the following objectives, appointed by social and economic development program in the Republic of Belarus for 2006-2010 which was approved by the third all-Byelorussian public gathering and in accordance with the Concept and Industrial complex



The usage of metallized raw materials along with scrap will help to fix the problem of raw materials in metallurgy production in perspective.

*Main specialist for economic affairs
V.M. Machulin*

development program in the Republic of Belarus for 1998–2015 and by National strategy of sustainable social and economic development of the Republic of Belarus for the period till 2020 in which the main development target is invariably high rates of growth on the basis of modernization, perfection of industrial structure and technological structure and increase of

competitive ratio of the output. Advance development of high-tech export-oriented types of production with state assistance of the enterprises which are most important for the economy of the republic and strengthening responsibility for its efficient use.

In ferrous metallurgy main efforts will be redirected from volume growth of metallurgical feedstock processing to increase of processing depth and increase of production processibility (improvement of product quality and mastering of

new products). Within the next five years priority in development will be increase of high-tech products with advanced processing, improvement of production structure and selling qualitative steel grades, rolled products, steel cord and wire products, development of energy-saving technology, modernization of production, as well as construction and commissioning of new production facilities.





CHARACTERISTICS OF DOMINANT INFLUENCES, RISKS AND OPPORTUNITIES

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Chronology of sustainable development.

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 aquatic area of Olympic reserve centre on ice hockey and swimming. It includes modern aquatic attractions, saunas, solariums, cafes and other objects. The honor to cut the red ribbon was given to the following people: Chairman of regional executive committee A.S. Yakobson, Chairman of Zhlobin district executive committee L.N. Apanasiyk, General Director RUE «BMZ» N.V. Andrianov and Director of building company №27 A.M. Ryabkov.

March 6, 2008 — 62nd Meeting of the Board of manufacturers and exporters of ferrous metals of CIS countries was held at RUE «BMZ». Members of the Board discussed ferrous metal market opportunities, evaluated the outlooks for its development and worked out a forecast of the average level of export prices for main types of ferrous metals.

June 18, 2008 — A 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.

March, 2009 — modernization of rolling mill 320 finishing line in the Sections rolling shop.

July, 9, 2009 — presentation of new type of product developed at BMZ — steel fiber.

October, 9, 2009 — the enterprise was the first one in the country to submit for consideration of public and participants of UNO Global Compact its Corporate social report.

December, 6, 2009 — accomplishment of

large investment project concerning modernization of continuous casting machine №3.

December, 14, 2009 — General Director RUE «BMZ» was appointed as a Vice-president of International metallurgists union.

2009 — during crisis year the plant expanded geography of its supplies by 17 countries.

Strategy and mission

Since the start up in 1984 the plant had been successfully performed its infrastructure function, being an integral part of complicated system of social-economical relations in the region. RUE «BMZ» is one of the biggest enterprises of the Republic of Belarus according to volumes of sold products and purchasing activity. The plant is one of the biggest employers and tax-payers.

BMZ makes its contribution into development of the economy of the Republic of Belarus. In 2009 as well as previous years the plant invested its profits for maintaining and developing of stable production activity, efficient use of resources, creation of new jobs and wage payment to the employees. Generated cost was also distributed for payment of republican and regional taxes, financing of social-economical partnership programs and charity projects in the region. Timely allocations to budgets of all levels the plant consider as a part of its social responsibility and the basis for development of social projects (see Section «Economy»). The plant's share in gross domestic product (GDP) of the Republic of Belarus according to data for 2009, constitutes 2,2%, in industrial output of the Republic — 2,4%, in export — 4,1%. Export ratio of BMZ products in the volume of goods exported by all enterprises of the region constitutes more than 95%.

The plant strictly follows chosen course for improvement and modernization in all directions: continuous development management, economic activity, and work with personnel, in the questions relating to social activity of the enterprise in the region and cooperation with suppliers and consumers, policy for ecology and industrial safety.



Along with Minsk automotive plant and Minsk tractor plant BMZ constituted list of three biggest exporters and by the volume of output and investment into common money-box of our Motherland BMZ is the biggest producer.

*Minister of Industry
A.M. Radevich*

In 2009 new team of BMZ top management was formed.

Orienting at effectiveness top management pays great attention to implementations of principles and practices of continuous development covering all plant. Strategic target of BMZ is to be on the leading positions among metallurgical enterprises of the world in the area of continuous development. Questions of personnel support, ecology, and cooperation with region are associated with industrial and economic

CHARACTERISTICS OF DOMINANT INFLUENCES, RISKS AND OPPORTUNITIES

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Undoubtedly, we should understand role of BMZ in the region and in the Republic. Our region is characterized as the biggest industrial region of the country by industrial potential. 24% of industrial goods are produced in Gomel region. One sixth part of them is produced at BMZ. 74% of industrial products manufactured in the region are exported. Share of BMZ in total amount of currency sales proceeds coming to our country - 15%.

*Chairman of Gomel regional executive committee
A.S. Yakobson*

priorities.

Top management of RUE «BMZ» undertook obligations, determined common corporate policy and set target indices for the plant. Top management analyses fulfillment of targets every six months and annually and adjust them if necessary.

Republican Unitary Enterprise «Byelorussian

Steel Works» is a continuously developing and improving enterprise, which considers changes, tendencies and risks taking place in surroundings.

Mission – production of advanced technology products in order to increase profitability of the enterprise keeping safe employees' life and health, preserving environment, ensuring high standards of plant's employees living and satisfaction of all interested parties.

Vision – to be the best supplier of products satisfying requirements of domestic and foreign consumers in all developed segments of metallurgical products market due to implementation of advanced and ecologically safe technologies, efficient use of resources and optimal arrangement of production processes and management.

Valuables – personnel, environment and efficient use of natural and other types of resources, partners, quality, knowledge, society.

Strategy of the enterprise is directed towards satisfaction of all parties interested in:

- production of goods of required quality, quantity and product mix;
- ensuring of continuous development;
- maintaining and strengthening of positions in developed markets;
- improvement of the plant's staff well-being;
- preservation of health and life of each member of the staff;
- continuous decrease of impact on environment as a result of production activity;
- maintaining and further development of corporate management standards.

Principles of strategy realization

The plant sets itself measurable, reachable and reconcilable economic, social and ecological targets understanding its role and undertaking responsibility for the consequences of its decisions and actions.

Realization of Mission and Strategy lies in:

- Achievement of preset target indices of the plant's activity;
- Timely response for continuously changing external conditions using cycle P-D-C-A (planning – developing – checking – acting);
- Implementation of advanced technologies during designing, development of manufacturing processes for new competitive types of products in order to improve product quality, decrease danger and risks in manufacturing processes, prevent negative impact of production factors on the staff, decrease amount of pollutant emissions into atmosphere, pollution of water basin, formation of wastes and natural resources consumption;
- Continuous increase of effectiveness and management system efficiency, meeting requirements of international standards ISO 9001, ISO 14001, OHSAS 18001, SA-8000 and requirements of automotive and oil and gas industrial branches ISO/TS 16949, ISO/TS 29001 (API spec Q1), development and inclusion into management system such subsections as «Management of energy-saving» according to STB P1777, «Finance management» acc. to ISO 10014, «Information protection management system» acc. to ISO 27001;
- Prediction of risks related to the plant activity;
- Continuous control of risks relating to manufacturing processes, performance of preventive and corrective actions aiming to prevent occupational diseases and accidents during production;
- Prevention of environment pollution, prevention of injuries and occupational health problems of the staff during production activity;
- Activities in the area of quality, social responsibility, protection of information, finance, energy saving in accordance with requirements of international standards, legislation in use and other requirements;
- Activities in the area of labor protection and industrial safety, environment protection in accordance with requirements of international standards, legislation in use and other requirements related to ecological aspects of enterprise activity, products and services, danger in the field of staff health and labor safety;

- Regular monitoring of production processes and control;
- Product quality improving, ensuring of labor safety and health protection, environment protection, energy saving, including suppliers, contractors and customers of RUE «BMZ»;
- Carrying out purposeful professional training of the staff, creation of optimal conditions for high quality labor, demonstration of personal abilities and initiative if each plant employee, their interest in ensuring of high product quality, effective consumption of raw materials and power sources;
- Increase of industrial culture and ensuring personal moral and material responsibility for quality of work.

Management of the plant is interested in observance of corporate policy and continuously creates all required conditions in order to ensure adequate level of staff well-being and their confidence in the future.

Management and personnel of the plant carry out their activity in accordance with «Business ethic code» and introduce it to their partners. «Business ethic code» of RUE «BMZ» was developed considering such key values as: honesty, frankness and respect of interests. Consideration of mentioned values leads to mutual confidence, openness and transparency of relations. Confidence of interested parties is one of the major values of our plant.

Top management of RUE «BMZ» on the basis of forecasted development indices determined by Ministry of Industry of the Republic of Belarus, policy, goal-oriented orders and results of analysis every year fix common target indices for «BMZ». On the basis of common target indices, policy and goal-oriented orders managers of divisions specify targets for their divisions. Common target indices for the plant and targets for all divisions are communicated to employees of each division. Top management, managers of organization departments carry out analysis of target fulfillment every six months and correct them in case of necessity. Efficiency of targets fulfillment is checked during internal audits and analyzed by management. Mentioned procedure is described and regulated by the standard of

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corporate management system СТП 840-KCM-4.2.

Comparison of target indices fulfillment analysis of RUE «BMZ» activity in 2009 and similar period in 2008 is given in Appendix 1.

Strategy and targets of sustainable development

Following the policy management of the plant ensure development and implementation of technical, manufacturing and investment programs aiming to improve product quality and make contribution into continuous development of the plant.

Number of actions directed to satisfy high requirements of consumers to manufactured products is included into annual business plan; procedure of business plan development is regulated by STB 840-SMK-4.1.2.

In order to improve product quality and competitiveness, increase technical level of production process long-term plan has been developed at the plant «Plan for implementation of advanced technologies and new types of products for 2006-2010»; plan of research efforts and development project carried out on self-financing basis by own forces were approved.

Main activities for product quality improvement and production efficiency increase are included into annual goal-oriented orders of General Director with indication of term and responsible executives:

- №1 «Economical activity development and investment programs»;
- №2 «Measures for improvement of quality and competitiveness of commodity output»
- №3 «Measures ensuring safe work conditions»;
- №5 «Personnel development»;
- №6 «Progressive technologies, development of new types of products, rationalization and inventive activity»;
- №7 «Measures for environment protection»;
- №8 «Measures for production cost decrease».

The following target indices of social-economical development of the plant have been planned for the year 2010 (str 19)



Byelorussian Steel Works is the only enterprise on the territory of the former USSR countries, which was able not to decrease production volumes and managed to increase them by more than 330% compared to 1989.

*The President of International Union of Metallurgists
S.V. Kolpakov*

Chronology of new product types mastering

RUE «BMZ» - is one of a few enterprises of the Republic of Belarus which year by year increases production volume and invests significant means for reconstruction, modernization and technical re-equipment. Starting from 1984 volume of liquid steel



Personnel of the plant have always been known for its tendency to use modern and advanced techniques and equipment. Owing to technical policy of the plant management directed to development and continuous modernization of equipment and manufacturing processes new science intensive grades of steel and new types of high-quality competitive products were developed.

*Director of ferrous metals institute NAFU
G.P. Levchenko*

manufactured has increased from designed volume of 700 thousand tons per year by more than 3 times.

At the same time increase of production volume in natural terms goes along with growth of new types of product share in total production volume. Close cooperation with national scientific institutions, first of all with institutions of National Academy of

Science of the Republic of Belarus and educational institutions gives opportunity to master number of new types of high quality products every year.

List of important types of products which have been mastered for the last 5 years is given below:

2004:

- Steel reinforcing bars A_T500C №10 in four strands at rolling mill 320.

2005:

- Quality wire rod C70D, C76D
- Ordinary small-section steel rebars A500C
- Cold deformed reinforcing wire B500C, Bp-1 d 4 mm, d 5mm for concrete structures reinforcement.

2006:

- High-tensile steel cord 2+2x0,26 HT and super high tensile steel cord 4+3x0,41 ST
- 3-sided section reinforcing wire made of wire rod after mechanical de-scaling in accordance with DIN 488 d 5 - 12mm.
- Sectional round carbon quality and alloyed steel d 160mm.

2007:

- Carbon steel quality pipes
- Hose wire 0.33UHT (3050 – 3350 N/mm²)

2008:

- Reinforcing steel bars of steel grades A_T800, A500C, Y500, S500, RB500W and others, profile №10, manufactured by multi-strand rolling (5-strands, slitting process)
- Reinforcing steel bars of steel grades A_T880, A500C, Y500, S500, RB500W and others, profile №10, manufactured by multi-strand rolling (5-strands, slitting process)
- Carbon steel quality shell (6 sizes and 6 steel grades)
- Super high-tensile steel cord and high-tensile steel cord of different constructions
- Wavy steel fiber acc. to requirements of TY 14-1-5564-2008.

2009:

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

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TARGETS OF THE PLANT FOR MEDIUM-TERM OUTLOOK

1. Production, finance and economy

- growth rate of commodity output (in comparable prices), not less than,	%	110,0
- profitability of products sold, works and services rendered, not less than	%	5
- export of goods, not less than	%	132,8
- import of goods, not more than	%	117,0
- ratio of new types of products in industrial output, not less than	%	28,0
- figure on energy-saving	%	-12,5

2. Quality

- level of rejects as a result of production facilities fault, not more than	%	order 2
- level of non-conforming product, not more than	%	order 2
- level of rejected material cost for 1000 \$ of commodity output, not more than	%	3,7
- share of certified products in the total amount of industrial output, not less than	%	73
- customers' satisfaction level, not less than	%	89
- amount of claimed product compared to the amount in 2009 r.	%	10

3. Ecology

- specific volume of waste disposals in the environment per ton of melted steel compared to the volume in 2009 r.	%	2
- volume of water recycling compared to 2009 r.	%	3

4. Labor protection and industrial safety

- keep the level of industrial injuries lower than level in 2009.		
- improve work conditions and ensure industrial safety for workers of the shop	people	780

5. Social responsibility

- training of managers and specialists	people	1487
- professional training of workers	people	3551
- common satisfaction of personnel, not less than	%	72,0
- growth rate of salary, not less than	%	107,6
- employee turnover	%	2,5

Stages of production volumes increase

Considering tendencies of impetuous growth of demand for steel products in that period, management and technical specialists of the plant worked out and implemented number of actions aiming to increase volume of output.

Modernization of steel cord and wire shops carried out during the period 2003–2006 gave significant results. In 2006 growth of steel cord and wire volume of output was 112.2%, in 2007 – 122.6%. New pipe-rolling complex constructed in 2007 was equipped with integrated system for production process monitoring and control, that is why it had become possible to manufacture premium quality product meeting the requirements of existing and prospective standards and having stable demand in the market. As confirmation of above mentioned statement certificates of conformity to the requirements of European standard TUV NORD, and American standard API 5L for pipes were obtained.

Projects for steel melting process intensification with implementation of oxygen technologies were successfully realized on electric arc furnaces №2 and №3. Modernization of the furnaces allowed increasing annual output of each furnace to 1 mio t/y and at the same time electric energy consumption rate was decreased by 7.3%. Installation of series reactors on the furnaces allowed decreasing electrodes consumption.

Modernization of mini-block on wire rod mill 150 allowed increasing output of quality wire rod required for steel cord production, by more than 20%. The biggest project of 2009 – modernization of continuous casting machine №3 has been accomplished.

Methods of investment projects development

World financial crisis had negative effect on metallurgical branch production activity not only in CIS but also in foreign countries. Experts noticed



For production of the first 20 mio tons of steel we spent 20 years, but for production of the following 10 mio tons of steel we spent only 5 years. That was evident confirmation of BMZ potential.

*General Director RUE «BMZ»
A.N. Savenok*

significant decrease of production volumes in Russia and Ukraine; reduction of staff in Europe and USA.

On the one hand considering cyclic recurrence of the processes taking place in the world market it is clear that during recession period it is expedient to perform modernization of existing production facilities in order to create conditions for quick «start» during the phase of growth in the steel market. This is

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actual question for great number of enterprises in CIS as high percentage of their equipment is worn-out.

On the other hand led to significant decrease of steel products consumption in all world markets. Considering the fact that in 2008 RUE «BMZ» reached maximum possible in existing technical and technological conditions production volume, further development which foresees only production volume increase will be illogical and incorrect.

All mentioned facts evoke necessity of modernization. At the end of 2008 management of the plant started up new development of a new program for enterprise technical re-equipment, directed to establish closed production cycles permitting not selling semi-finished products with low added cost. Technical concept of the program was taken as the basis for business plan creation «Innovation development of Republican Unitary Enterprise «Byelorussian Steel Works» for 2010 – 2015» which determines development of principal business taking into account all aspects of responsibility. Business plan was approved by General Director and agreed with Ministry of Industry of the Republic of Belarus.

By the moment when world economy starts to recover we will be able to produce wide range of products and so will be capable to perform orders giving maximum profit to the enterprise. That is a powerful reserve for the future.

*General Director RUE «BMZ»
A.N. Savenok*

Business-plan foresees:

- complex, balanced development of production facilities;
- ensuring of industrial, fire and ecological safety and labor protection;
- implementation of advanced power and resource saving technologies;
- modernization of existing industrial objects;
- raising of competitiveness in the steel product markets.

Realization of the business-plan will bring RUE «BMZ» to the leading positions, give opportunity

to implement advanced and the most progressive at the present moment production technologies and in that way create preconditions for development of economy and social environment in the region.

Influence of the plant on social and economical development of production activity region

For ensuring of balanced development of the region and uniform raising of life level great importance besides efforts of governmental bodies has business initiative which can significantly influence social and economical situation in the region of its production activity. RUE «BMZ» is one of a few enterprises in the Republic of Belarus which demonstrates system approach solving this question.

Realizing measures of the investment program and investing money, RUE «BMZ» doesn't concentrate only on increase of production output and improvement of facilities effectiveness but also fulfils one of the main tasks in the field of social responsibility – creates favorable conditions for development of economic and social sphere in the region. Influence of the plant on social and economical development in the region within the sphere of economical, ecological and social activities of the plant are described in details in corresponding sections of the report.

One of the priority directions in the frameworks of social responsibility is development of human potential, which includes not only provision of favorable conditions for realization of capabilities of each person, improvement of living conditions and quality of social environment, but also increase of human resources competitiveness.

Providing social warranties and realizing programs in the field of improving ecological safety of industrial objects, labor protection and prevention of industrial injuries and developing sport RUE «BMZ» makes contribution to stabilization of population and creates conditions for population growth. The plant provides jobs for 30% of able-bodied citizens of Zhlobin. Every second citizen of the town in some way is related to the plant's activity. Actual number of employees at RUE «BMZ» is 12 132 people.

Being one of the biggest employers in the region the plant influences on the development of labor-market. Realizing investment program the enterprise creates additional jobs for citizens of region. Providing the employees with adequate salary and social warranties RUE «BMZ» contributes to formation of higher standards of population well-being and social stability in civil society.

The plant's system for personnel potential development proposes not only continuous occupational training of its employees but also the following:

- occupational training of young citizens of the town wishing to work at the plant or other enterprises of the region carried out by evening department of corporate training center;
- education of school graduates of the Republic of Belarus in Metallurgical technical school in Zhlobin, which activity is financed by Byelorussian Steel Works;
- cooperation with educational institutions of the country which allow to increase training level of the future specialists considering own requirements and due to organization of industrial practical works at the enterprises equipped with the up-to-date technologies and equipment;
- upbringing of the growing generation is carried out by pedagogic collective of branchy network of infant schools.
- formation of healthy way of living and development of creative abilities of region citizens is the priority direction of Palace of culture «Metallurg» and Physical training and sport center belonging to the plant.

Active participation of the plant in international exhibitions and forums, effective placement of product in the world market, creation of reliable business partner image have positive influence on the development of the region. That fact supposes expansion of competitive advantages in the markets and strengthening of foreign-economic position of the plant and country in general, helps to form stable diversified relations with foreign partners and ensure continuous development of economy in long-term outlook.

Developing non-financial sphere in



In 2009 number of scientific and technical works have been carried out and successfully accomplished also in the frameworks of «Government program for innovation development of the Republic of Belarus for 2007-2010», they determined future technical and scientific development of the plant.

*The First Deputy Chief Engineer
for New Equipment and Technologies –
Head of Technical Board - M.A. Murikov*

accordance with international standards, cooperating with other organizations in order to solve questions relating to social activity, participating and winning in republican and international competitions RUE «BMZ» assists formation of favorable image of the Republic of Belarus.

Targets and objectives of investment projects

Main target of RUE «BMZ» development for 2010-2015 is implementation of technical and

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Considering recession in the world economy during the current year instead of increasing of production output, more efficient will be performance of all planned investment activities, providing technical and technological basis for the development in the following years.

Chief of Planning and Economical Analysis Department - A.V. Volkov

technological modifications allowing eliminate imbalance of production facilities and create conditions to increase concast billets production up to 3 mio t/year. Main task is to perform complete reprocessing of concast billets into finished commodity product with high added cost; establishing of new power-consuming industries allowing in the end to decrease product cost value, improve ecological environment, decrease amount of contamination and emissions

of carbon dioxide into atmosphere, optimize water consumption and wastes disposal. To achieve set targets modernization of some existing objects of main and auxiliary production, construction and start-up of new equipment is foreseen. Required amount of skilled workers and technicians will be trained to work with advanced equipment and that will help to increase well-being of all employees of the plant, provide possibilities for professional and career development.

Before crisis and nowadays great attention in the process of technical re-equipment is paid to reduction of costs for production, energy saving and improvement of environmental conditions.

Metallurgical production

Project for steel melting process intensification on electric arc furnace №1, similar to the projects performed on the furnaces 2 and 3 will allow increase production of melted steel up to 1 mio tons per year and reduce consumption of electric energy and electrodes. Process of steel melting intensification includes two stages: implementation of oxygen technologies to increase productive capacity modernization of dust and gas cleaning installations. According to legislation in force increase of production capacities can't be realized without actions for ecological environment improving. In 2008 modernization of dust and gas cleaning installation was carried out on EAF-2. At the moment tender has been announced for supply of a set of equipment for modernization of dust and gas cleaning installation №1 and №3.

In order to maintain existing level of steel melting and make possible future increase of production output, technical investigation has been carried out and plan for realization of projects concerning procurement of the plant with fluxing materials and technical gases has been worked out. Start up of new production facilities for production of metallurgical lime and oxygen will permit to reduce significantly expenses for purchasing of imported materials and oxygen. Projects for construction

of new secondary treatment installations for both steel melting shops are being discussed now; their utilization will give opportunities for production of complicated and hence more expensive steel grades for domestic industry and export.

As soon as CCM-3 reaches planned production capacity and new product mix and steel grades are mastered, new technical concept for modernization of continuous casting machine №2 in ESMS-1 will be worked out.

Rolling production

Due to increase of production capacity of section rolling mills today we manufacture excessive amount of blooms 125x125 and 140x140, which are sold as a semi-finished product. At the same time during crisis period deficiency of quality high-carbon wire rod required for steel cord and wire production of RUE «BMZ» and RUE «Rechitsky hardware plant» has been noticed.

In this situation more rational solution is construction of light-section rolling mill for wire rod and rebars manufacturing. Mentioned rolling mill will allow process all volume of concast billets produced at RUE «BMZ» and provide own steel cord and wire shops with required quality products with high added cost. The plant has already performed technical study, worked out preliminary equipment layout. For successful realization of mentioned project BMZ has got wide experience and technology for quality high-carbon wire rod production which characteristics are equal or even higher than of foreign analogues.

Pipe-rolling production

Priority direction of the further development of pipe-rolling production of RUE «BMZ» is manufacturing of OSTG pipes in compliance with national and international standards. At the present moment production of oil and gas pipes according to API 5L standard has been mastered in the pipe-rolling mill of RUE «BMZ» as well as production of «green pipe», i.e. requiring further processing acc. to API

5CT (American Petroleum Institute), GOST 633-80 and GOST 632-80. End users of pipes manufactures in accordance with specified standards are oil producing companies. Requirements of end users include finishing treatment of pipes in conformity with mentioned standards, i.e. pipes shall have joints at their ends.

There are number of enterprises processing «green pipes» into oil and gas pipes. As a rule such enterprises are established on the basis of pipe-rolling mills or close to oil-producing regions. These enterprises produce different connecting parts and joints for casing and lifting pipes.

RUE «BMZ» is moving successfully on the market of «green pipes», but this segment of market is very narrow and demand for pipes is small. At the same time demand for oil and gas pipes manufactured in accordance with API 5CT, GOST 633-80 and GOST 632-80 is growing up as a consequence of exploration and production drilling in unexplored geologic layers, on shelf and offshore territories. Therefore, depending on the needs of the world oil and gas industry demand for OSTG pipes with tight threaded joints and improved service properties is growing up. In the pipe-rolling mill of RUE «BMZ» it is possible to produce any type and size of pipes from shells of different steel grades in accordance with requirements of API 5CT, GOST 632-80 and GOST 633-80. Maximum diameter of shells will not exceed 168,3mm, wall thickness 24,0mm. Project foresees establishing of production facility with annual output of 100 000 tons of finished product.

Complex for production of oil and gas pipes according to API 5CT, GOST 632-80, GOST 633-80 will allow produce finished products, master manufacturing of new advanced technology products and expand sales markets. Above listed standards apply to steel seamless casing and lifting pipes and joints to them, used for operation of oil and gas wells.

Casing pipes are used for fastening of oil and gas wells in the process of their construction and operation. Casing pipes are connected between each other by means of coupled or streamlined threaded joints which shall have strength equal to the strength

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of pipe body and shall ensure tightness of the stand of pipes.

Lifting pipes are used for oil and gas well operation for liquids and gases transportation inside of the casing pipes and for repair and tripping operations. Lifting pipes are connected between each other by means of threaded coupling joints which shall have strength equal to the strength of pipe body and shall ensure tightness of the columns.

Construction of oil and gas pipes finishing shop in accordance with API 5CT, GOST 633-80 and GOST 632-80 will permit expand sales markets, manufacture new type of products and provide existing pipe-rolling mill with economically profitable orders.

Short description of influence on the environment: facility will be the source of contaminating substances emission. At the same time implemented technology will make possible complete elimination of harmful influence for the environment in conformity with standard documents in force.

Possible obstacles (problems), degree of risk: efficiency and profitability of oil and gas seamless pipes production will depend on conditions in the main markets of steel products. Monitoring of tendencies and their development will permit react in a good time to the market fluctuations, such as: protective measures in a form of taxes and quotas, rise of competitiveness, price variations, demand, increase of requirements to manufactured product quality.

Sheet-rolling

On the instructions of the President from July, 2, 2009, № 09/124-795 П967 positive decision was made relating to announcing of international tender for selection of an investor for a project «Construction of sheet-rolling plant».

On the 1st of October, 2009, tender committee consisting of representatives of Ministry of Industry, National Academy of Science of Belarus and PA «BMZ» officially announced open international tender for selection of an investor for the project.

Planned production facility represents

metallurgical plant of incomplete cycle with annual output up to 1.2mio tons of hot-rolled coiled stock. Prospective product mix of finished product: hot-rolled sheet with width 800 to 1 850mm, thickness in the range of 0.8 to 25mm.

Hot-rolled sheets manufactured on the new complex will be designated for production of:

- welded steel structures for industrial and civil engineering;
- welded pipes of different profile;
- vessels and boilers working under pressure;
- pressed parts for different application.

Potential sales markets for coiled stock will be:

- domestic market of the Republic of Belarus, which at the moment requires 600-700 thousand tons per year;
- Western and Eastern Europe;
- CIS countries;
- Baltic countries;
- Middle East and North Africa.

Large manufacturers of welded pipes are located in mentioned regions and they are main consumers of hot-rolled coiled stock.

It is planned to realize the project together with one of the leading companies which has wide experience and capable to invest funds in the project. General concept of the project will be adjusted at the project development stage with consideration of interests of all partners.

Legal position of established enterprise is a joint venture as joint-stock company with investor share (partner) from 50 to 100 percents. Construction of a new plant with 100% participation of foreign capital and total ownership of foreign company investor is also possible.

Risk management

Potential risks have significant influence on continuous development. Their detection, analysis, systematization and management are the parts of the plant activity on the way to continuous development. Top management forms strategy of the plant and

performs its actions on the basis of analysis of external risks and risks related to the enterprise activity. Financial and non-financial risks management allows decrease potential loss and provides additional guaranties for achieving of strategic targets. Continuous development of the plant is subjected to the following risks:

- Decrease of demand and prices for steel products;
- Increase of prices in the raw materials markets;
- Dependency of raw materials sources;
- Changes of political and economical conditions in Belarus;
- Changes of legislation of Belarus;
- Natural monopoly rates growth: for electric energy, natural gas, railway transportation;
- Foreign currency fluctuations, interest rates;
- Emergency situations at the plant;
- Accidents;
- Manpower problems.

Risk management measures are integrated into corporate management system of the plant. RUE «BMZ» takes complex of measures to reduce risks:

- accounting of expenses by their location;
- improvement of material and technical procurement;
- development of systems for internal auditing and control;
- cost reduction;
- improvement of ecological management system;
- expansion of product mix;
- improvement of product quality;
- development of commodity distribution network;
- reorientation of production for the types of products being in high demand;
- development and implementation of new technologies and products;
- monitoring of raw materials market;
- establishment of long-term relations with suppliers and customers;
- monitoring of tariff and quota limitations on major and prospective sales markets;
- cooperation with governmental bodies and establishing of balanced development and support policy for RUE «BMZ».

Significant result for risk management had

implementation of corporate system of standards, provisions, regulations, procedures and unified approach for their realization.

Providing availability and transparency of information about risks BMZ efficiently determines its reaction strategy, works out measures for risk management and monitors effectiveness of their realization.



Destiny of every enterprise and business are determined by ability of the management and their teams quickly understand essence of changes in the environment, determine tendencies and risks.

*Quality Director
E.A. Peretyagina*



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General information

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

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

Legal address (postal address) of the enterprise, head office address:
 Promyshlennaya St., 37, Zhlobin, Gomel region, 247210, Republic of Belarus.

Not only is RUE “BMZ” the largest enterprise in the Republic of Belarus, but also in Europe. It is the base enterprise for the metallurgy industry of the Republic. For the two decades past it is among reputable metal products manufacturers. Design, construction and fitting of the works with newest equipment and advanced technology with further putting production capacities for guarantee maintenance were based on the European firms contracting principles involving hand-over of industrial facilities and technologies on the turnkey

basis. Using advanced world experience and newest technologies during the works construction and further development allowed to create a unique industrial complex in the Republic of Belarus.

Description of the major structural divisions

The enterprise structure includes two main industries: metallurgical (steel-smelting and milling) and hardware, infrastructure plants and departments for the works activity management. The steel-smelting industry includes: drop-hammer plant, two arc-furnace plants and technological motor transport plant. The rolling industry is represented by a circular shapes rolling plant having three rolling mills of various shapes and a tube-rolling plant. The hardware industry consists of three wire cable plants, powder metallurgy and die block plant, tare and packing plant. The works infrastructure is represented by the plants for repairing metallurgical, energy, electric and mechanical equipment, plants for industry supplying with media and electric power, transportation plant and other subdivisions. The works product catalog includes such components as sections and hot-rolled blanks; rolled, bar, reinforcing bar sections for

concrete components; pipe shells, iron rods, metal cords, hot-deformed seamless pipes; steel anchoring fiber and microfiber, multipurpose steel wire.

Republican Unitary Enterprise “Byelorussian Steel Works” is a high-technology metallurgical complex of cyclical turnaround. The overall production is fulfilled at the single production site in the Republic of Belarus that allows to economize on scale and manufacture low-expenses products. The vast choice of the productive capacities allows flexible production flows formation taking into account market conditions and sustain stable long-term sales quantities.

Organizational management structure

The organizational framework is based on hierarchical principle. The works is headed by Director General that acts in conformity with the republican legislation and the Articles of the enterprise, sets objectives and policies, allocates responsibility and authority to the works subdivisions managers. The total number of employees as of December 31, 2009 is 12 132.

Competitive advantages of RUE “BMZ”

Basic competitive advantages:

- strong positions on global metal products markets;
- favorable geographical location of the works;
- professional personnel;
- highly competitive products;
- up-to-date investment program;
- high reputation among customers as far as product quality is concerned.

Approaches allowing to ensure stable development

Severe situation on the metals market, resulting from the world economic crisis effect, was a characteristic of the entire year 2009, its first half specifically. These circumstances induced a new look on the established sales policy system as well as significance of the sales and marketing department of the works. Metal

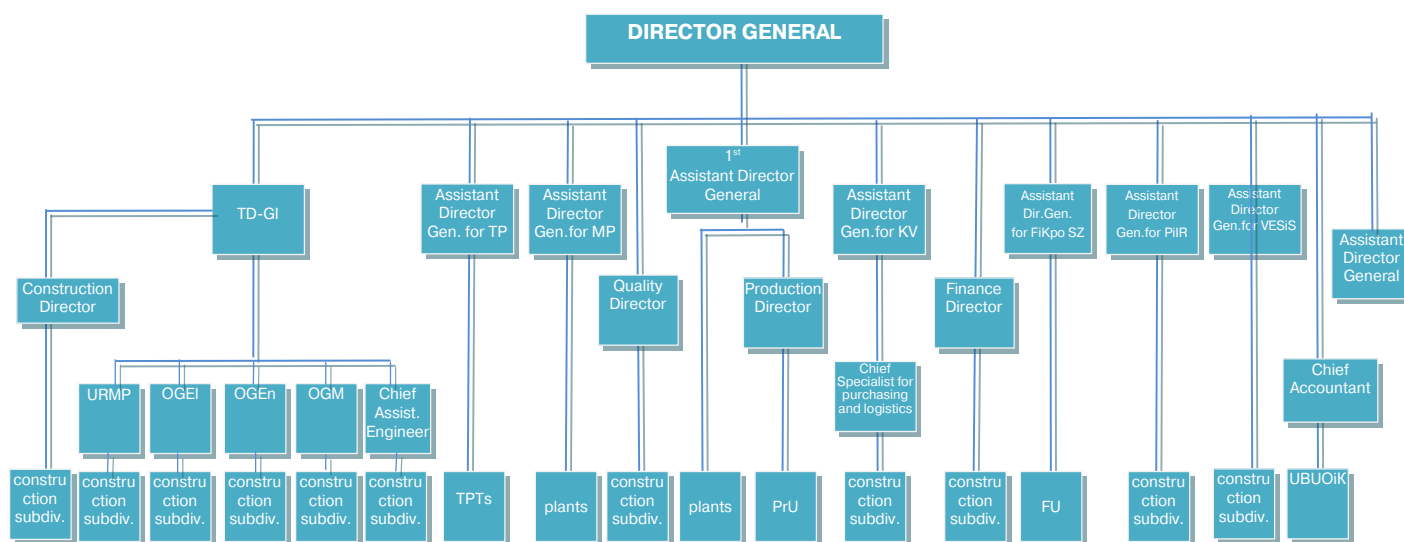


The production of mills 150 and 320, where the production volume to be not reduced, remains the most actual in the period of the global market decline. At the moment the works have the objective of maximum steel making increase.

*Production Director
V.V. Starkov*

products manufacturers were forced to learn working in new conditions, change the product realization approaches.

RUE “BMZ” is an export orientated enterprise: the sale market diversification allowed substantial expansion of the metal products delivery geography in 2009. The promising regions for exporting RUE “BMZ” products are Asia-Pacific Region, Latin America, North America, Africa. In 2010–2012 the works need to establish itself on the Middle East market. The metal production of the plant for 2009 was delivered to more



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than 70 countries of the world and its trademark is widely known on the metal goods market. RUE "BMZ" strategy was aimed at preservation and active buildup of its presence on the existing sales markets as well as search for new cost-effective regions.

In the result, the share of new countries in the existing sales geography makes about 28%. There were tapped new markets in such countries as Cote d'Ivoire (Ivory Coast), Iraq, Iran, Israel, Senegal, Tunisia, China, Gambia, Ghana, Nigeria, Sudan, Bosnia-Herzegovina, Philippines, Afghanistan, Morocco, Burkina-Faso, Switzerland, Albania, Cameroon, Kongo, Mauritania, Mali, Morocco, etc.

Belonging of the products delivered to the countries of five world continents, its high quality is confirmed by RUE "BMZ" trademark that is registered in 60 countries of the world. In the short term the works is planning to obtain registration statements for 18 more countries. Efforts of the management and entire enterprise personnel aimed at enhancing the products competition capacity and creating positive enterprise image was distinguished by the award in the nomination "Best trademark of the year" of V Republican Competition "TECHNOSPHERA-2009".

Outside the Republic of Belarus the interests of RUE "BMZ" are represented by 8 joint enterprises in Germany, Austria, USA, China, Lithuania, Czechia and Russian Federation.

The joint enterprises render logistics services that include: insuring export-import freights, organization and performance of the export freights transportation from the works to the client, document customs clearance, organization of intermediate and consignment warehouses, coordination of the deliveries between the customer and seller, control over the payment for deliveries, etc.:

- JSC "BELASTAHL Aubenhandel GmbH", Germany, Berlin;
- JSC "BELMET Handelgesellschaft m.b.H.", Austria, Linz;
- JSC "BEL-KAP-STEEL, LLC", USA, Miami;
- JSC "BELMET (Shanghai) Trading Co., Ltd", P.R.C., Shanghai;
- JSC "BMZ Trading House", RF, St. Petersburg;

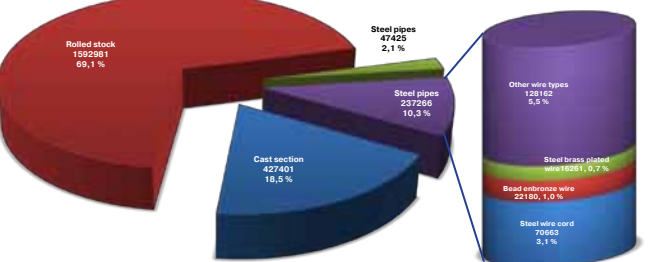
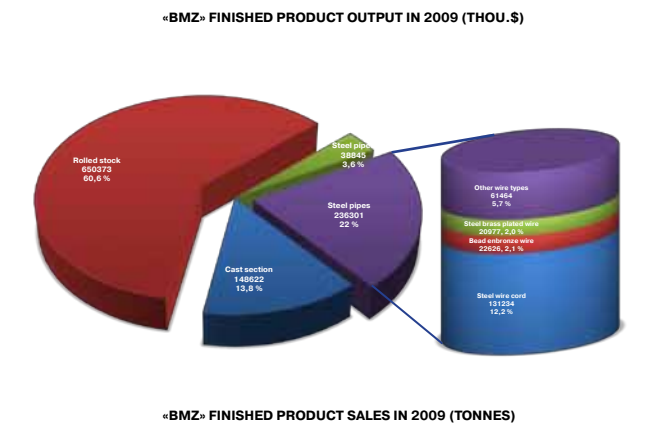
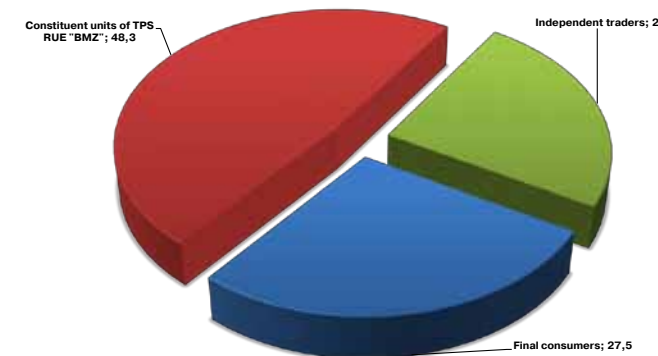
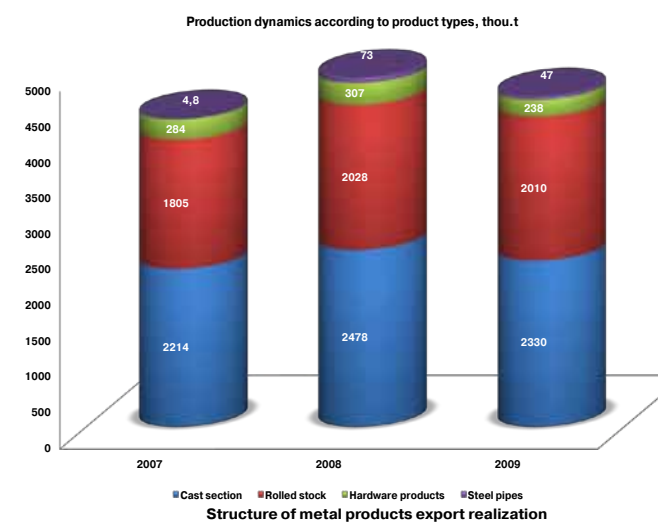
- JSC "BMZ Trading House", RF, Moscow;
- CJSC "BMZ-Baltia Trading House", Lithuania, Shaulyai;
- JSC "BELORUSSIAN STEEL WORKS TRADING CZECH, s.r.o.", Czechia, Prague.

To enhance the share of export realization of the works metal products via the distribution network the emphasis is primarily put on increasing the amount of the joint ventures and distributors. Thus, there was taken the decision on RUE "BMZ" participation in the authorized capital of JSC "BELORUSSIAN STEEL WORKS TRADING CZECH, s.r.o." with the share of 51 percent. On February 10, 2009 Ministry of Industry No.11-1-13/166-VES authorizes establishment of the joint enterprise with "Stemcor MESA DMCC" company in the United Arab Emirates, Dubai with the authorized capital of 200 000 AED (UAE dirhams). The share of RUE "BMZ" shall make 51%, and 49% shall belong to "Stemcor MESA DMCC". The joint enterprise named "Belstem DMCC", JCS shall be established on the territory of "FZ LLC" free zone in the centre of metals and consumer goods.

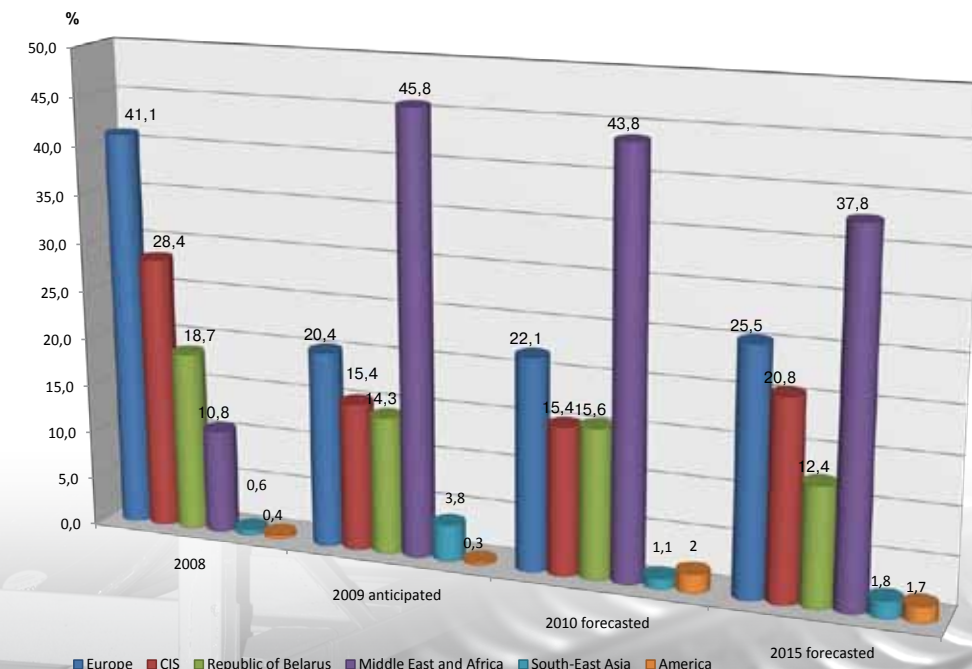
The main objective of this RUE "BMZ" strategy for 2011–2015 is ensuring the stable enterprise development due to aggressive export policy, export potential activation and enhancing the growth of the external economic activity efficiency, enhancing the competitive ability of the produced goods as well as absolute ensuring of the positive growth dynamics with reference to the external economic activity parameters according to the priorities and program parameters stipulated by the National Export Development Program of the Republic of Belarus for 2010–2015.

Production and sales dynamics

After the riot growth period that occurred during 2007–2008 the world metallurgy faced a decline accompanied by both price quotation and demand decline. The main reason of the situation is the global economic crises that has a negative impact on the real sector of economy. At present, the world metal production markets face the stabilization in



Metal products supply geography according to regions, %



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The product sales strategy was revised in 2009 for the purpose of prompt reaction to all the changes occurring on the world markets. This allowed to retain every single market, which were traditionally supplied with our works product for 25 years, as well as open up a new market outlet.

*The Head of USP
S.V. Batan*

the metal-consuming industries. The structure of the export metal RUE "BMZ" products realization is represented on the diagram.

The European and CIS markets have always been traditionally considered the main sales markets for RUE "BMZ" metal products. In the current situation the altered market condition resulted in the

reorientation in favor of the Middle East and Africa countries markets. Besides, the delivery geography comprises such regions as South-East Asia, North America. Besides, the issue of the products delivery to South America, particularly to Venezuela, Brasil and Ecuador, has been efficiently worked through. The metal works delivery geography is shown in the diagram.

Perspective directions of sales activity

Taking into account advantageous geographical location of the works and ideally upbuilt product delivery transportational logistics, in 2010 the countries of the Middle East and Africa, Europe and CIS will be the most interesting for the business.

Considering these regions development perspectives, the Marketing Department has been constantly monitoring prices and participating in exhibitions in order to strengthen the positions of RUE "BMZ" in these regions and increasing the volumes of the metal products delivery volumes.

From the point of view of demand and product pricing the most attractive markets, as far as the Middle East and Africa countries are concerned, are the oil-producing countries markets. Absence of any restrictions on pipe production delivery, constant oil rate growth in these regions, significant need in quality seamless pipes unsatisfied by the local manufacturers predetermined the development of BMZ distribution network in these countries. We associate the prospective sales increase with the observed investment volumes growth in the industry connected with the recovery, processing, transportation of oil and gas.

Chronicle of dates and events in the year 2009

February 5 – a forum with participation of heads of government institutions for work with the young people of Chernigov, Bryansk, Orel, Mogilev and Gomel regions.

March – for professional skill and attaining high

manufacturing parameters a group of the works employees was conferred state rewards of the Republic of Belarus.

April – the works employees took active participation in voluntary campaign "Forest Week-2009". 4300 trees and bushes were planted within a week.

April – the pilot batch of ultra high-strength steel wire cord for "Goodyear" company was released.

May 22 – the work of the works employees "Electrode Control System Implementation" was acknowledged the winner of VI International Competition for Energy-efficient and Resource-saving Technologies and Equipment (2009) in nomination "Energy-efficient Resource-saving Technologies in Metallurgy".

May – mill 320 performance record was achieved. 93 578 tonnes were rolled during a week.

June – 30-millionth tonnes of steel were melted at the works.

July 8 – the tube-rolling complex released the milestone tonne of product – 100 000 tonnes.

July 9 – the presentation of the new type of BMZ product – steel fiber – took place.

August – at MNLZ-1, 2 an all-time amount of tones of steel was ladled within a month.

October 9 – the enterprise was the first in the country to submit a corporate social report for consideration to the public and the participants of the UN Global Compact.

October 15 – 25th anniversary of RUE "BMZ".

November – central laboratory of the works obtained accreditation in international accreditation authority "Deutsche Gesellschaft fur Akkreditierung mdH" (DGA).

November – a new production border-line was reached in arc-furnace plant No.1. The section production of at MNLZ-1,2 made up 161 108 tonnes.

December 10 – mill 320 showed the uppermost working rate for 25 years – one million tonnes of rolled stock per year.

December 6 – a major investment project – reconstruction of continuous casting machine No.3 – was accomplished.

December – mill 850 reconstruction was accomplished.

December – 20th anniversary of the works sport and recreation center and Racing Amateurs' Club.

General information about achievements and awards

- Winner of the Competition for the RB Government Award for Quality Achievements (2001, 2004, 2007);

- Winner of the Competition for the RB Ministry of Industry Award for Quality Achievements (2001, 2004, 2007);

- Winner of competition "Best products of the Republic of Belarus" in nomination "Technical Industrial Products" (2002-2009);

- Winner of competition "Best products of the Republic of Belarus on the Russian Federation Market" in nomination "Technical Industrial Products" (2001, 2003-2009);

- Winner of Badge of Honor Award "Commonwealth Star" in nomination "Best CIS Company" (2006);

- Winner of the 3rd International Quality Tournament among CEE countries, holder of EFQM certificate "5 Star Excellence Acknowledgment in Europe" (2007);

- Winner of the Competition for CIS Award for Production and Services Quality Achievements (2006/2007);

- Winner of republican competition "Best Exporter-2007" in nomination "Machine Building, Metallurgy and Metal Finishing";

- Winner of republican competition "Best Quality Manager" (2008-2009) (participants – RUE "BMZ" employees);

- Winner of the 4th International Quality Tournament among CEE countries (2008);

- According to the results of European competition "Excellence Award", European Fund for Quality Management (EFQM) assigned "5 Star Excellence Acknowledgment in Europe" to RUE "BMZ".

- According to the results of XIII International Specialized Exhibition "Mass Media in Belarus", RUE

CHARACTERISTICS OF THE PLANT

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*BMZ steel footstep's strong!
The metal furnaces still burning!
Our BMZ is known throughout the world!
The rating height is yet preserved!*

*All goals attained by us,
And everything that time could not conceal with dust...
All that was ones in just a drawing...
We made it real for twenty years past.*

*Today we stand by brand new border-line...
And didn't we gave up with our hands down lowered!
And irrespective all the slumps occurred,
We our working pace still well reserved!*

*Leading engineer of UPIR
V.A. Zhelezko*

"BMZ" was awarded Diploma for Loyalty and Active Promotion of the Industry Achievements in Mass Media (2009).

- Winner of competition "Best Investor of the Region-2009"
- The assembly volleyball team of the works became champion of Zhlobin Region Championship (2009).
- The work of the works employees "Electrode Control System Implementation" was acknowledged the winner of VI International Competition for Energy-efficient and Resource-saving Technologies and Equipment (2009) in nomination "Energy-efficient Resource-saving Technologies in Metallurgy".
- The sport and recreation center of the works took 3rd place in republican review competition "Best

organization of mass sport-recreational work" (2009).

- Winner of V Republican Competition "Technosphaera-2009" in nomination "Best trademark of the year" (during 2009 the works expanded its export geography by more than 17 countries).

- Winner of national competition "Brand of the Year-2009" in nominations:

- "Socially Responsible Brand" in categories "Best employer" (gold medal) and "Active Social Position" (gold medal);

- "Professional Nomination, products and services B2B" in category "Brand-Export" (gold medal).



MANAGEMENT, RESPONSIBILITIES, INTERACTION WITH INTERESTED PARTIES

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Corporate management

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

From the perspective of the current situation, we are facing increased significance of the already existing controls for in-plant processes and experiencing a need for their improvement as well as for new searches in connection therewith. Daily expenditure monitoring is also of growing significance as it provides for timely management decisions.

*A.V. Volkov,
Head of the Department for
Planning and Economic Analysis*

Improved results in the field of sustainable development are due to an efficient corporate management system. In their activities, the enterprise's top management are guided by the following principles of corporate management:

- compliance with legislation and statutory norms of the Republic of Belarus as well as with international legal acts validated in the RB;
- enhancing management quality;
- involving the total of business process units and participants;
- improving the system of effectiveness evaluation;
- providing for efficient profit distribution;
- updating technologies employed for production processes;
- expanding production facilities with minimization of energy and raw material consumption levels;
- providing for complete and reliable disclosures on the plant's performance;

- making the plant an attraction as an investment;
- enhancing responsibilities;
- keeping up an open dialogue with interested parties;
- providing for the best possible output/expenditures ratio;
- ensuring a reasonable balance between the plant's and public interests.

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

- transparency – prompt availability of reliable information;
- accountability;
- justice – equal attitudes;
- responsibility – recognizing rights and obligations.

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

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

To achieve high indices of long-term social and economic efficiency BMZ strives to maintain a reasonable balance of interests by accounting for the total of interested parties, distribution of responsibilities and involvement of employees in accordance with the enterprise's organizational structure (see section 6), the Articles (as approved by the Ministry of Industry of the Republic of Belarus), Provisions on Structural Divisions of the plant and other local regulations.

Strategic and operational management of the plant is the responsibility of the Director General of RUE "BMZ."

From 03.03.2003 to 10.07.2009, duties of

the Director General were performed by Andrianov Nikolai Viktorovich.

From 14.10.2009, as established in the Order of the Ministry of Industry of the Republic of Belarus No. 232к, Savenok Anatoliy Nikolayevich was appointed Director General of the plant.

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

- decisions taken within his competence;
- establishing policies and specifying objectives to be recorded in respective documentation, such as business plans of RUE "BMZ", "Corporate Policies", "Target Indices of RUE "BMZ", "Objectives of Divisions";
- identifying resources (labour, infrastructure and production environment) as required for planning and carrying out activities to achieve established tasks;
- identifying corporate management system procedures and providing for their efficient implementation.

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

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

To ensure awareness of the top management of economic efficiency, performance in the fields of environmental protection, occupational safety, production quality control and to provide for interaction with employees and operational decision-making the plant arranges monthly meetings of management executives and heads of structural divisions.

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

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

To provide for continuous evaluation of applicability, adequacy, and efficiency of the system and updating of documentation the top management is to carry out an analysis of the plant's CMS performance. The performance analysis is carried out once a year and once a half-year based on requirements identified in the Enterprise Standard STP 840-KSM-5.6 "Evaluation by the management. Self-rating for the corporate management system." The results of the analysis are presented as a Report on CMS Performance and a Report on CMS Self-Rating. Based on the analysis results, corrective measures and preventive actions to avoid unwanted events are identified so as to improve efficiency of the CMS. The procedure for identifying actions as above shall be governed by STP 840-KSM-8.5 "Continuous improvements. Data analysis. Preventive and corrective actions."

The corporate management system implemented within the plant comprises documentation regulating processes, distribution of rights and obligations within the staff, interaction of performers with all interested parties, responsibilities and powers of employees. CMS processes were determined with the use of IDEFO method, which ensures their proper sequence and interaction:

- A11 Marketing;
- A12 Evaluation by the management;
- A21 Human resources management;
- A22 Maintenance and repairs;
- A23 Infrastructure and production environment management;
- A31 Interaction with consumers (contract evaluation);
- A32 Design and development:
 - A32/1 Design and development of new

MANAGEMENT, RESPONSIBILITIES, INTERACTION WITH INTERESTED PARTIES

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types of production;

- A32/2 Equipment design and development;
- A33 Procurement;
- A34 Production planning and preproduction activities;
- A35 Manufacture and supplies of sections;
- A36 Manufacture and supplies of profiles;
- A37 Manufacture and supplies of piping;
- A38 Manufacture and supplies of steel wire cords, wires and hard fibers;
- A41 Internal audits;
- A42 Process flows and production monitoring.

Self-rating in terms of corporate management system efficiency for the year 2009 was carried out based on EFQM Efficiency Model with the use of evaluation criteria as follows:

- management's leadership;
- organization's policy and strategy;
- human resources;
- partnership and resources available;
- processes;
- external consumers;
- internal consumers;
- benefits for the society;
- basic performance indices.

So, according to the self-rating, the total enterprise rate for the year 2009 amounted to 71.1% against 79.0% for the same period of the previous year, which corresponds to the "acceptable" rating evaluation. Based on the self-rating results, there were identified corrective actions to improve the situation.

Based on the comprehensive social and psychological climate study carried out by the plant's social service, the participating employees rated top management efficiency quite high (satisfaction index was 0.76 as compared to 0.74 in 2008).

Communication

Approaches in the field of communications formation

Corporate management is maintained by ensuring high levels of employees' awareness.

Communications formation rests on the following principles:

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

Quality information services provide for:

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

Information exchange is ensured by:

- meetings with schedules established in accordance with local regulations;
- weekly receptions on personal issues arranged by the top management and heads of divisions;
- meetings and gatherings with participation of the top management and the plant's employees in accordance with approved information activities schedules;
- negotiations and consultations;
- discussions and "round tables";
- use of corporate newspaper "Metallurg" resources;
- interviews;
- maintaining correspondence;
- providing information to put on the stands located in various structural divisions, representing performance of the division and the plant as a whole as well as dynamics of their activities;
- data transfers within the local network;
- use of "Info-BMZ" informational system covering over 3000 computerized work stations;
- use of electronic displays with roller captions.

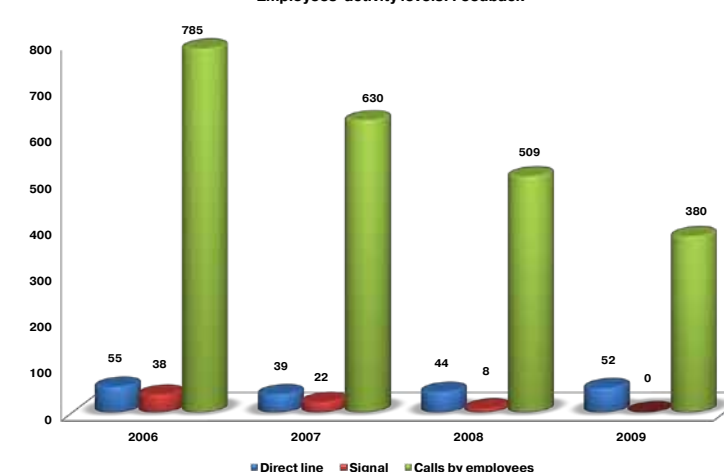
Exchange of information and consultations on issues concerned with quality control, occupational safety and environmental protection, industrial safety and sanitation, data security, energy and material resources saving, involving representatives of various management levels, employees and other interested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

- understanding of one's role and responsibility;
- improving awareness;
- engaging in efficiency enhancement activities;
- illustrating management's obligations;
- saving of energy and material resources;
- ensuring proper interaction of all management levels;
- arranging reporting activities;
- operational decision-making on current issues.

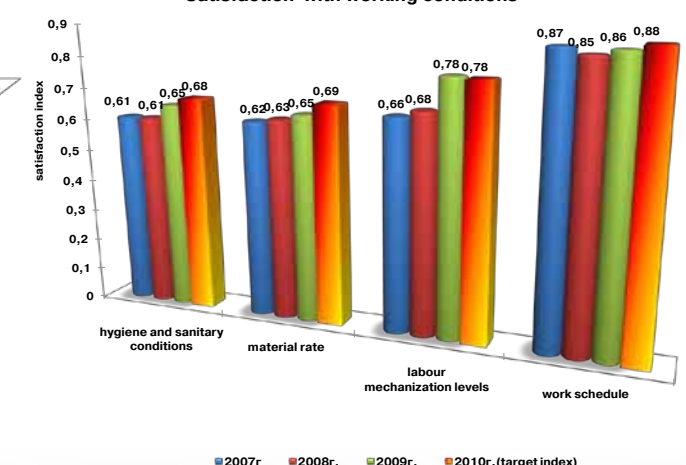
Approach implementation

The plant's management is developing internal communications, using them as one of its major tools to encourage social partnership, maintain favorable social climates among working employees and to ensure efficient information exchange between the enterprise's management and its employees. Acting with due account for the Global UN Treaty

Employees' activity levels. Feedback



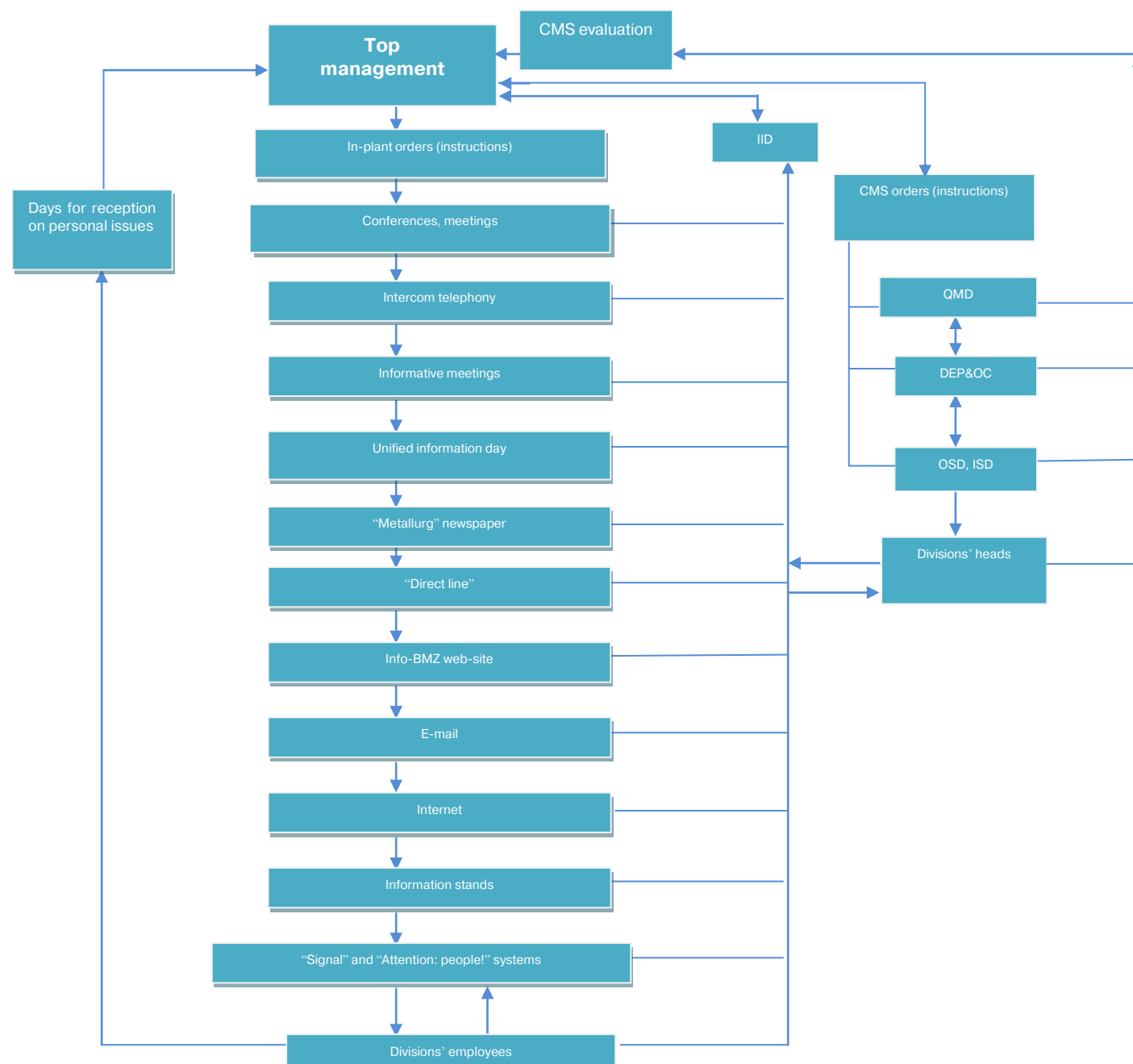
Satisfaction with working conditions



MANAGEMENT, RESPONSIBILITIES, INTERACTION WITH INTERESTED PARTIES

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INTERNAL COMMUNICATIONS STRUCTURE



by the plant's employees there was introduced an automated "Signal" system, which is active 24 hours a day. Every person who has anything to say could make a phone call and state their request, make a comment, a proposal, and those will be considered on a daily basis with response communicated either directly to the requesting person or through the plant's local newspaper "Metallurg."

The enterprise's development level is determined not only by its financial, economic and production indices but also by outcome of social studies, which make it possible to obtain a realistic picture of social and psychological climate and working environments and are part and parcel of self-consistent internal communications. Knowledge of the psychological background existing within the enterprise is of essential significance when it comes to the need for no-conflict upgrading activities.

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

For this year, research fields in terms of plant's employees' opinions were identified as follows: attitudes of young specialists towards their working careers at the enterprise, towards implementation of the plant's youth programme, towards their personal development and professional growth perspectives; attitudes of people living in the town and the surrounding region towards RUE "BMZ" and its employees; general social and psychological climates within the enterprise; attitudes of employees towards conditions, nature and scope of works, their satisfaction with working environments, promotion opportunities, employees' career aspirations,

satisfaction with the wage system and reward schemes existing at the plant. The research activities also covered issues, such as satisfaction of BMZ's employees with healthcare services provided by the plant and the quality of the latter, and provided for recommendations on some improvements to be made in connection with healthcare activities, and etc.

An important part in the internal and external communications system is attributed to the corporate newspaper "Metallurg." Its main tasks include ensuring a comprehensive representation of events and activities within the enterprise and consolidation of the staff working at RUE "BMZ" for the purpose of achieving objectives set for the plant. Events and activities on both the in-plant and regional scales are represented in columns, such as "For strong Belarus!", "Economies and Saving", "Professionals", "People of the Plant", "In Public Organizations", "Meetings with Employees", "The Best in Profession", "Creative Young Generation", and other. The first issue of "Metallurg" was published in 1985 with circulation of 2000 copies. At present, its printing office increased the circulation to over 9 500 copies, which means that almost every single family of specialists employed at RUE "BMZ" is able to get its own copy of the newspaper. The distribution area for the newspaper covers not only the plant's production region, but also Rogachyov and Svetlogorsk districts. Among its readers one can mention the plant's old-timers. For their benefit, the plant's trade union committee takes out, at its own cost, an annual subscription for the newspaper.

The editorial staff includes a TV-news team. Every week, local town TV channel "Nuans" broadcasts a programme "BMZ News." Some stories about the Byelorussian Steel Works are also shown in "Region" TV programme, with broadcast covering the whole of Gomel region.

In 2009, there were prepared and issued three newsletters:

- "We are striving for active use of civil initiatives";
- "Informational work: sharing experience";
- "Implementation of the state youth policy at RUE "BMZ.""

MANAGEMENT, RESPONSIBILITIES, INTERACTION WITH INTERESTED PARTIES

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

The plant's "Info-BMZ" informational system is a distributed in-plant computer network, comprising over 3000 working stations. It is of significant importance in forming a unified information and communication space within the enterprise. It provides an opportunity for the people working at the plant to efficiently use the accumulated corporate knowledge and promptly respond to any on-going events. At the plant's site one can find over 20 000 reference sources containing technical and normative data and official records. On the average, the system is daily visited by 3 445 users. The "Info-BMZ" system is used to conduct social "on-line" polls among the plant's employees, which contributes greatly to promptness of response. Here, one can also find "Topical issues" section, where each of the plant's employees is entitled to share their opinions, proposals and ideas on the most important issues under discussion and their views of plant's perspectives.

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

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

In the museum, one can learn about all of the BMZ's and region's development stages. There are numerous biographical resources telling about

famous people of the plant, specimen products, prizes and gifts.

Research and outreach activities carried out by the museum are also constantly improving. Major activities include excursions, exhibitions and shows of films about the plant's history. In 2009, more than 3 thousand employees and guests of RUE "BMZ" visited the museum.

A key role both in human resources and internal communications development belongs to the plant's information and training centre – the technical research library. The library is mainly intended for support of the enterprise's research activities and providing the plant's innovative activities with appropriate information resources, ensuring access of the plant's employees to all kinds of information of public significance (legal, cultural), rendering information services to the plant's employees, representatives of various communities and encounter groups. The technical research library of RUE "BMZ" has a reading and an Internet hall. The library stock comprises 36 250 issues.

Since the earliest stages of its activities, the plant has been paying a lot of attention to issues concerned with communications development and enhancing employees' awareness. Actions to improve efficiency of the above activities are determined based on evaluation and analysis of their current states. Every year, the plant's social service conducts a comprehensive study of social and psychological climates in different structural divisions. In the study conducted in 2009 with participation of over one thousand employees, information awareness levels were rated quite high (satisfaction index was 0.72 as compared to 0.74 in 2008).

Participation in external initiatives

RUE "BMZ" has its representatives in various national-scale organizations, including all levels of legislative bodies, which makes it possible for the plant to take part in lawmaking, influence decisions concerned with regional economic development, establish open relationships with authorities, thus

providing for a steady reduction of risks associated with its activities.

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

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

- Byelorussian Association of Foundries and Steel Works;
- International Union of Steelmakers;
- International Union of Millmen.

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

Interaction with interested parties

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

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

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

- setting a strategic interaction task;
- identifying interaction parties;
- setting objectives and limits of interaction;
- process design and involving in interaction;
- analysis and planning;
- evolving competence to encourage interaction;

- evaluation of results, corrective actions and reporting;
- ensuring awareness of interaction parties.

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

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

External communications structure

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

Awareness of interested parties' opinions and due account for those contribute greatly to the plant's stability.

Striving for a more informed decision-making, RUE "BMZ" receives feedback from its employees, the government, public authorities, public organizations and communities. In 2009, the plant's information services conducted a number of social studies involving the plant's employees and people living in the region of the plant's production activities.

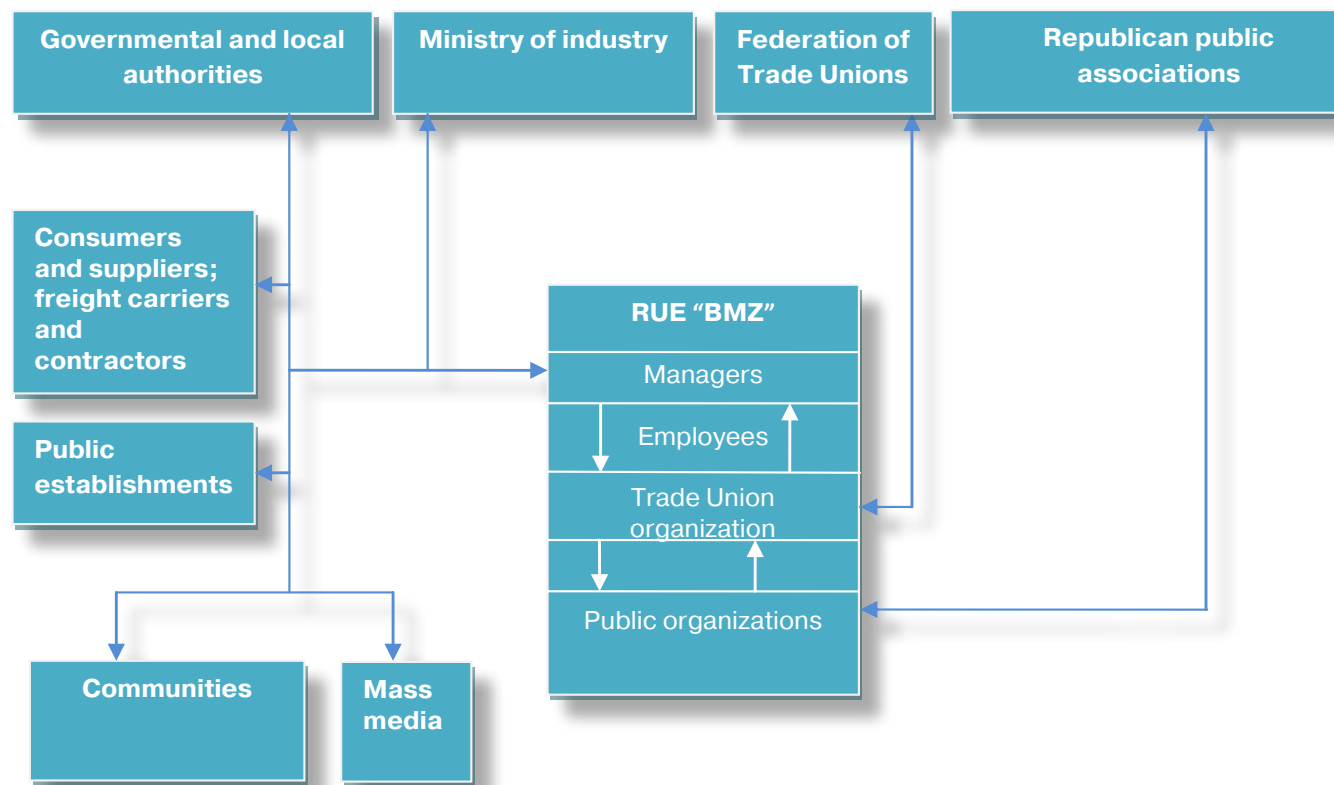
Within the frames of public consultations arranged for the purposes of social reporting, there was conducted a poll with participation of an extensive number of interested parties (public authorities, suppliers and consumers, supervision agencies, public organizations and representatives of communities).

To provide for awareness of public opinions shared by people living in the region of the plant's direct influence in connection with the plant's production and social activities, its Corporate policy,

MANAGEMENT, RESPONSIBILITIES, INTERACTION WITH INTERESTED PARTIES

SOCIAL REPORT 2009

EXTERNAL COMMUNICATIONS STRUCTURE



ways it affects the surrounding communities and for a more efficient interaction with interested parties there was conducted a special social study under the title "External influences exerted by the enterprise on general public; town-scale image of the enterprise." Representatives of public communities rated actions taken by the plant in social responsibility field quite high. The study results show that the enterprise enjoys favorable and respectful attitudes in terms of its activities proper, it has succeeded in forming a high prestige value of being employed at the enterprise and a scaled-up social status of BMZ's employees as viewed by other people living in the region.

A major event of 2009 in terms of establishing

interaction with interested parties was preparation and public discussion of the Corporate social report for the year 2008. This event involved representatives of public authorities, local communities, the owner, suppliers and consumers, public organizations and mass media. The preparatory work in connection with the above report was an opportunity for the plant to check its system of interaction with stakeholders, made it possible to reveal its weaknesses and strengths and to identify perspectives for its further development. The report was presented to the total of interested parties of actual or prospective influence on BMZ's activities or development, which was an important step towards enhanced information



We are really pleased that our republic witnessed the appearance of an enterprise where the social responsibility standard is one of the highest priorities. This raises BMZ to the level of the world's biggest businesses, which ensure the widest scale of such activities. The public consultations proper are also an important landmark. Not all enterprises present their reports so readily to the general public. In Belarus, this was a first, and we hope it could become a good tradition.

*Liudmila Istomina,
Coordinator for Economic and Social Development
Projects under the UN Development Programme*

transparency. The Russian version of the report was also made available through the corporate site (www.belsteel.com) and its English variant – though the UN Global Treaty site. Public discussions on the reported data arranged as public consultations provided for a

proper feedback and awareness of interested parties' opinions concerned with plant's activities, its strategic intents and its social responsibility system.

Outcome of interaction with interested parties, key topics and concerns together with respective response by various organizations can be found in sections 8.3, 8.4 and 8.5.

Social safety and discipline

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

In accordance with recognized international principles of unhindered economic activities established by the UN Global Treaty, RUE "BMZ" considers fair competition a prerequisite to provide for exercising of the right to entrepreneurial freedom. No legal sanctions have ever been imposed on the enterprise in connection with actions violating the fair competition principle.

In 2009, the plant continued to implement Executive Order No. 1 On Measures to Enhance Public Safety and Discipline. It was not once that issues of labour and administrative discipline and occupational safety were raised at administrative meetings, regular conferences and head of divisions made reports in connection therewith. In 2009, the total number of such issues considered amounted to 45. In pursuance of Executive Order No. 1, indices of labour and administrative discipline and occupational safety were included into the list of criteria used for evaluation of management efficiency. Violation of the above criteria is strictly punished, up to early termination of labour contracts.

Guided by the Executive Order on Measures to Enhance Public Safety and Discipline, the law of the Republic of Belarus On Corrupt Practices Counteractions and in support of the UN Global Treaty principles, the plant formed a department intended for prevention of corrupt practices and abuse, risk optimization in connection with choice of suppliers and consumers of goods under severe competition



MANAGEMENT, RESPONSIBILITIES, INTERACTION WITH INTERESTED PARTIES

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observed at the trading markets, and preservation of state-owned property managed by the enterprise.

The active economic security department excludes any possibilities of unlawful acts at the enterprise, including those involving corrupt practices with regard to both newly employed personnel and current employees of RUE "BMZ." Over 90% of the security department staff are people with higher education. In 2009, over 50% of the security department staff completed training courses on policies and procedures concerned with human rights.

The plant elaborated and is now implementing the Programme on Corrupt Practices Counteraction. In accordance with this Programme, each of the plant's divisions is engaged in comprehensive activities aimed at prevention of corrupt practices and law infringements. Implementation of the Programme is monitored by the committee for prevention of corrupt practices, which, in 2009, held 8 meetings.

Open dialogue, transparency, partnership and mutual consideration of interests of all interested parties made it possible in the year 2009 to prevent corrupt practices in the immediate business environment and inside the enterprise proper. In 2009, no fines or sanctions were imposed on the plant in connection with violation of laws or statutory requirements.

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



All good undertakings are bound to result in a failure if the society tolerates corrupt practices, abuse of administrative powers and bureaucracy. We need to openly discuss any problems existing and seek for possible solutions, involving public organizations, governmental authorities and representatives of businesses.

Gorkusha N.R.,
Deputy Director General
for Human Resources



EFFECTIVENESS INDICES IN THE FIELD OF SOCIAL RESPONSIBILITY

SOCIAL REPORT 2009

Corporate social responsibility

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

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

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

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

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



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

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

- availability of information, open dialogues and transparency.

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



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



• ECONOMIC ACTIVITY

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

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

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

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

In its economic activity, the plant implements approaches as follows:

- compliance with the legislation and statutory norms of the Republic of Belarus;
- involvement of all production segments and business process participants;
- complete and reliable disclosures on the plant's performance;
- enhanced responsibility;
- ensuring the best possible expenditure/economic

To neutralize negative macroeconomic factors the enterprise has to be tough in implementation of its policy, providing for mobilization of its internal resources, constant reduction of non-production expenses and taking measures as required to reduce production self-costs.

*Chief Economic Specialist,
V.M. Machulin*

performance ratios;

- maintaining the plant's interests in reasonable balance with those of the community.

An overall increase in production rates, operational intensity and production quality, technical sophistication of production processes and sped up decision-making set up enhanced requirements to personnel, irrespective of their departments. The plant's commercial team is composed of skilled specialists with highest qualifications. They are regularly trained to understand policies and procedures concerned with issues of production efficiency and business processes effectiveness.

Financial-economic activity

One of the key factors, which provided for a sustainable financial-economic stance of the enterprise in 2009, was the ability of the enterprise to swiftly reduce production self-costs. The reduction was possible due to implementation of the adopted anti-crisis Cost-Saving Programme and, to a certain extent, due to currency depreciation, which enabled the enterprise to cut back on expenditures denominated in the national currency. Owing to the above, RUE "BMZ" was able to restore its status as a market player.

The challenges of the year 2010 are sure to cause fewer difficulties for RUE "BMZ" than those of 2009. In such circumstances, the plant's major competitive advantage is availability of modern production equipment which is in the process of constant upgrading. Alongside with implementation of investment projects, there are also plans to work out comprehensive solutions for issues, such as employment, employees' training and re-training, quality management systems upgrades, certification and qualification testing at all of the production stages. Respective costs are included in general running costs and general production expenses items.

To obtain a substantiated expert opinion concerning reliability of financial representations RUE "BMZ" annually requests an internationally recognized independent audit organization to carry

out an audit in accordance with the International Accounting Standards (IAS).

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

For the purposes of communications development and expanding opportunities of interaction with interested parties, employees' professional advancement and exchange of experience, RUE "BMZ" arranges annual international scientific conference "Metal." Besides participants from the CIS countries, the "Economics and Finance" section of the conference includes specialists from the plant's financial, economic and marketing departments. During the conference, its participants make reports on current issues and exchange their experience in implementation of strategic objectives and introduction of recent engineering solutions in the field of stable production development and corporate social responsibility.

Economic effectiveness Main indices

Production rate growth based on results of the year 2009 made up 89.6% in comparable prices against the set 89.0 per cent. Dramatic drops of metal products prices in 2009, unstable exchange rates for major world's currencies, credit freeze-ups both inside and beyond the borders of the country caused a significant reduction in sales proceeds and, consequently, lowered cost-efficiency of sold products. Proceeds from marketable output sales amounted to 3 trillion 144.6 bln. roubles, or 1 bln. 126.1 mln. US dollars, which made up 72.6% of total proceeds for 2008.

Self-cost of sold products, works and services went down by 15.3% and amounted to 2 924.3 bln roubles. This was due to a 10.4% reduction in production and metal products sales rates.

Other types of business activities (financial and non-operational transactions) resulted in losses, which accounts for a reduction in profitability of

primary activities. However, irrespective of the above, the enterprise's total financial and economic activities for the period under consideration turned out to be profitable.

Profit

Sales proceeds made up 93.6 bln. roubles, which is by 86.1% less than in 2008. Cost-efficiency of sold products equaled 3.2%, which is by 16.4% less than in 2008.

Net profit of RUE "BMZ" for 2009 amounted to 7.2 bln. roubles, which is by 98% less than in 2008. Net returns on sales reduced from 8.5% in 2008 to 0.2% in 2009. Profit allocation for 2008 and 2009 was as shown in Figure 1 and 2 (st 53).

In 2009, RUE "BMZ", in its sponsor capacity, provided support for the Republican Subsidiary Unitary Agricultural Enterprise "Paporotnoye", State Environmental Protection Establishment "Pripiatsky" National Park and some other republican enterprises at the amount of 12.2 bln. roubles.

In 2009, the enterprise made all required payments to its employees, including payments for labour products, as well as compensation, motivational and social ones at the total amount of 7.2 bln. roubles.

Payment to the owner

The plant's management strives for a more efficient administration to ensure fair and competitive capital gains for the owner's benefit. Owner's confidence is one of our key values. As stipulated by effective legislation, the enterprise contributed to the state budget a share of its profit (the so-called dividends) at the amount of 605 mln. roubles.

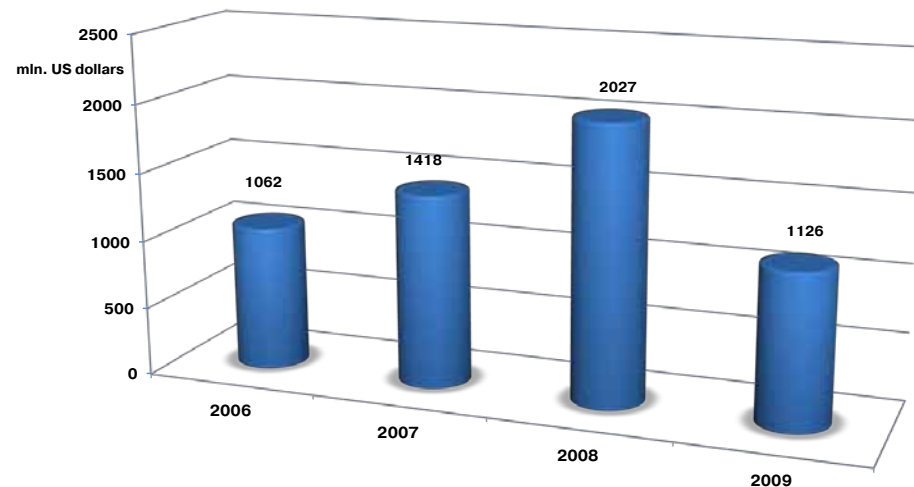
Taxes and compulsory payments

RUE "BMZ" is a responsible taxpayer and provides for consolidation of the state's financial foundation by regular tax payments made into budgets of various levels. Timely and correct tax payments by the plant in favor of the state determine economic stability in the region of its active production activities

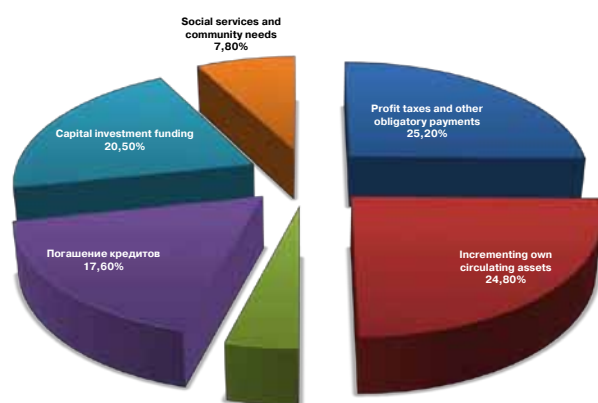
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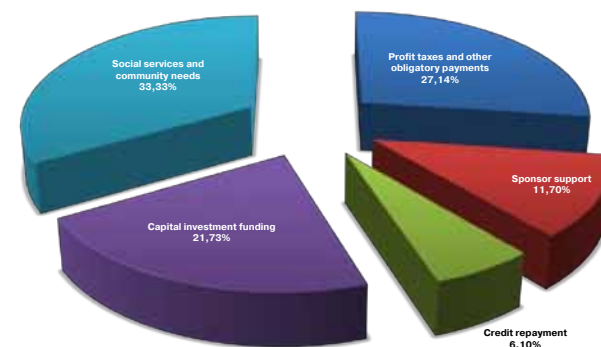
Dynamics of proceeds from sales of production, works and services



Use of profits in 2008



Use of profits in 2009



and, in particular, opportunities of infrastructure development by regional and local authorities. Tax payments made by RUE "BMZ" are of significant influence in terms of the region's economy as those are key funding sources forming local budgets: the plant's share in the total budget revenues in Zhlobin district makes up about 80%; on the regional budget scale, RUE "BMZ" accounts for 2.2% of total revenues; as for the republican budget, revenues from the plant make up 0.3 per cent.

The total share of taxes and profit-based levies in 2009 amounted to 27.6%, and, as compared to 2008, the above share increased by 2.4 per cent. This is due to disproportional reductions in reported profit and tax amounts: profit dropped by 82.4% and taxes – by 80.8 per cent.

Enterprise's risks Investment risks

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

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

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

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

- selling price as a factor, which is most susceptible to changes due to metal market variations;
- manufacturing costs, which depend on prices for melting stock, energy resources and other materials

and services essential to production processes;

- investment amounts, which largely depend on contractual prices for equipment;
- debt to equity ratios.

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

Branch risks

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

Besides the price variations, metallurgy, on a global scale, faces risks of excessive production capacities. Currently, a whole bunch of new large enterprises appeared all around the world, while a great number of leading producers have plans for a substantial expansion of their production capacities, particularly, those associated with manufacture of reinforcement bars. With a view to advances in steel production technologies and transition from blast-furnace and open-hearth furnace melting of cast irons and steels to electric furnace melting, giving steels of enhanced quality, scrap metal acquires still more significance. Alongside with that, resource-saving technologies introduced at



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

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

So, it is possible to minimize the above risks by developing a scrap-producing network of one's own. Branch risk management should be based on establishing long-term and mutually beneficial relations with major suppliers and optimization of procurement and resource management processes. The fact that metal production is partly intended for in-country supplies, where prices are regulated by the state, accounts for respective risks, which, just

like at foreign markets, are associated with possible negative effects due to price variations. And this could produce a certain effect on the enterprise's activities. However, with a view to gradual transition to market-controlled price setting observed in the republic, it is possible to consider this risk as negligible.

Country and regional risks

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

Besides, geographical position of the Republic of Belarus will contribute to minimization of regional economic risks and possible effects on the enterprise's activities resulting from them. Priorities will include flexible supply geography, ensuring prompt response to the environment's challenges and protection against possible regional crises. Winter supplies of major raw materials can be affected by weather conditions. To minimize risks associated with interrupted raw materials supplies it is essential to provide for availability of "winter buffer" reserves of such raw materials.

Legal risks

Exchange regulations of the Republic of Belarus have lately been substantially liberalized, which is reflected in the Law of the Republic of Belarus On Foreign Exchange Regulation and Foreign Exchange Controls. This liberalization combined with the state policy of rouble stabilization makes it possible to rate risks associated with foreign exchange controls severization as negligible.

Notwithstanding the state implemented policy aimed at reduction of tax burden assumed

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

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

Industrial safety, labour protection and ecological risks

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

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

Financial support provided by the Government

As specified in the Decree of the President of the Republic of Belarus No. 525 On Measures for State Support of Certain Organizations dated 24.08.2006, RUE "BMZ" was provided with the state support in the form of remission of charges into the republican fund for support of agrarian science producers of agricultural products and food as well as of duties paid by highway users. This was done for the purposes of enhancement of production cooperation and stabilization of the enterprise's financial and economic state. Money saved due to the support scheme in the amount of 1 118.7 mln. rouble was used for reconstruction and modernization of the primary production: reconstruction of the continuous casting machine.

In 2009, RUE "BMZ" met state support requirements as established in the Resolution by the Council of Ministers of the Republic of Belarus No. 1060-16 On Some Measures to Provide for Partial Compensation of Interests on Bank Credits Used by Certain Organizations dated August 11, 2009 r. (the state subsidy amounted to 22 483.6 mln roubles), released funds were used for reconstruction and modernization of primary production, technical reequipment, incrementing own circulating assets. Based on the Resolution of the Council of Ministers of the Republic of Belarus No. 139 On Partial Compensations to Legal Entities of Interests on Bank Credits dated February 2, 2009, the enterprise received a state subsidy in the amount of 7 432.0 mln. roubles, the released funds were used to increment own circulating assets.

RUE "BMZ" is on the list of high-tech organizations included into the Register of High-Tech Plants and Enterprises, with proceeds from sales of the enterprises' own high-tech products (works, services) (except for those associated with trading and trading-purchasing activities) liable to profit taxes at the rate reduced to 50% (as established in the Decree of the President of Belarus No. 662 On Taxation of High-Tech Organizations dated December

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4, 2008). Based on the Decree, in 2009 RUE "Byelorussian Steel Works" received state subsidies in the form of remission of the 50% profit taxes to the extent of proceeds from sales of its own high-tech products, with total amount of the subsidy making up 5 311.933 mln. roubles. The above funds were used for technical reequipment (a stripping machine, a crushing machine).

Based on the Resolution by the Council of Ministers of the Republic of Belarus No. 132 On Reduction of Prices (Tariff rates) for Natural Gas, Electric and Thermal Power for Certain Legal Entities in 2009 dated February 2, 2009 (as amended by the Resolution of the Council of Ministers of the Republic of Belarus No. 568 dated May 2, 2009), tariff rates for electric power consumed by RUE "BMZ" were reduced by 10 per cent, starting from April 1, 2009. Total amounts subsidized by the state under the Resolution in April-December this year made up 28 806.4 mln. roubles, the released funds were used to increment the enterprise's own circulating funds.

Based on the Law of the Republic of Belarus No. 1330-XII On Income and Profit Taxes dated 22.12.1991 (as amended on 29.12.2006), the enterprise's profit tax privilege amounted to 5 000 mln. roubles.

For the year 2010, activities of RUE "BMZ" fall within the following legal acts on state support: Decree of the President of the Republic of Belarus No. 662 On Taxation of High-Tech Organizations dated December 4, 2008 and the Resolution of the Council of Ministers of the Republic of Belarus No. 296 Reduction of Prices (Tariff rates) for Natural Gas, Electric and Thermal Power for Certain Legal Entities in 2010. In accordance with the Resolution of the RB Council of Ministers, starting from February 15, 2010, electrical power tariff rates for RUE "BMZ" were reduced by 5 per cent.

Presence in the markets

In 2009, the situation at the markets of metal products was such that special attention was given to possibilities for intensifying foreign market activities

and implementing a seriously invasive marketing policy to ensure better sales conditions for the plant's metal products and to provide for alternative consumers and suppliers. The plant's export strategy was revised with due account for changing global market trends. To maintain production exports at the same levels there were taken certain steps to provide for new market channels. Previously planned scopes of sales on the Russian, the CIS and European markets were changed with account for prospective sales on other markets, such as African and the Middle East. This made it possible to increase scopes of metal products sales. The enterprise also entered new markets: Cote d'Ivoire (Ivory Coast), Iraq, Iran, Israel, Senegal, Tunisia, China, Gambia, Ghana, Nigeria, Sudan, Bosnia-Herzegovina, the Philippines, Afghanistan, Morocco, Burkina Faso and others. Supply geography was updated and now includes 22 countries, with total numbers of export partners amounting to 70 countries all around the world. Share of new markets in the total export supply scopes made up about 30%. Due to prompt measures taken to mitigate negative effects of the global financial and economic crisis, RUE "BMZ" won back its status as a major market player at foreign markets.

The procurement process is governed by the following legal acts: "Provisions on Procedures for Selection of Suppliers (contractors, executors) for State Procurements on the RB territory" approved by Decree No. 618 of the RB President dated 17.11.2008; Resolution No. 1987 of the RB CM On Some Issues Concerned with State Procurement Procedures dated 20.12.2008, Order No. 85 of the Director General On Forming a Procurement Committee dated 30.01.2009.

The total of the plant's activities include production areas, such as metallurgic, milling and tube-rolling and metalware (manufacture of metal cords and wires), which require appropriate distribution of raw materials, consumables and power resources based on particular needs of each of the production areas. Most resources are consumed by electric-furnace shops (EFS-1,2) which manufacture cast sections and blooms as ready-for-sale products

and for their further use within the enterprise (semifinished rolled stock). Major raw materials required for metalware production include rolled wire and rolling mill 150. All of the plant's production areas also consume significant quantities of auxiliary and intrusion agents.

The plant's production activities require availability of over 250 types of core raw materials (import supplies account for 80%) and consumables and a wide range of parts and components. Geographically, vending activities cover quite a large area, including Russia, Ukraine, the Baltic Sea States, China, Germany, Austria, and etc.

To mitigate negative macroeconomic effects (due to the global crisis) the enterprise pursues a tough policy intended for internal resources mobilization, non-productive expenses reduction and takes certain actions so as to lower production self-costs. However, the global crisis scale impairs efficiency of the above actions as they only provide for partial compensation of losses due to sales proceeds reduction. In these circumstances, the total of sales proceeds was used to cover expenses in connection with production and sales activities, tax and non-tax payments, interest payments on short-term credits, bank services and commission fees. Capital investment amounts for

2009 made up 230 003 mln. roubles, out of it 8 460 mln. roubles was spent on non-productive activities, which is 2.1 times more than in 2008.

Total capital investment amounts (fixed capital expenditure) for 2010 are expected to make up 90 877 mln. roubles, including funds as follows:

- own funds, particularly - 90 877 mln. roubles;
- depreciation - 86 600 mln. roubles;
- innovation funds - 4 277 mln. roubles.

Targets of the plant for medium-term outlook

To mitigate negative macroeconomic effects, the plant is going to continue in 2010 its tough policy aimed at internal resources mobilization, non-productive expenses and production self-costs reduction and will take actions so as to ensure strict financial discipline by means of close supervision of execution.

Major target indices of the plant's social and economic development for the year 2010 (for production, financial and economic activities) are expected to be as follows:

marketable output growth rates (in comparable prices), not less than, %	110,0
cost-efficiency of sold products, services and works, not less than, %	5,0
production export, not less than, %	132,8
production import, not more than, %	117,0
share of new production in the total production volumes not less than, %	28,0
energy saving, %	-12,5

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Ecological policy

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

Byelorussian Steel Works is a state enterprise, which in its activities relies on one of the priority state policy strands – that of ecological safety. Implementation of the state policy is ensured by an efficient Environmental Management System (EMS).

Inspired by technological progress, our ancestors gave themselves the notorious "Lord of Nature" status and have been using it so far since the far away times when a human first learnt how to light a fire, make metal alloys and change river directions. But centuries of the Lords' rule have put it all into perspective: a human being is not Nature's master but rather its child, and Nature needs to be protected from their unreasonable ways.

The EMS system is a part of the unified enterprise management system, which is responsible for working out a systematic approach to environmental protection within all of the plant's production activities and is integrated into quality management, labour safety and social responsibility processes. The EMS is a tool, enabling the enterprise to ensure regular monitoring and minimize ecological impacts concerned with production activities in the region of its location.

Within the frames of the current Environmental Management System, the enterprise identified a number of ecological factors of environmental influence and evaluated them by their significance.

To minimize environmental impacts concerned with production activities of RUE "BMZ" the enterprise annually introduces new environmental protection measures aimed at reducing development pressures on the environment.

Efficiency of the ecological management system adopted by RUE "BMZ" is ensured with the assistance and under guidance of the top management. Official managerial views on ecological and environmental issues are presented in the enterprise's Corporate Policy and other regulatory documentation of the corporate management system. BMZ intends to increase the share of products complying with quality management system standards, provide its production with ecological quality and safety data and appropriate marking.

Main principles and approaches

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

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

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



To take care of nature and to ensure ecological safety are our common tasks. We need to understand what we are leaving behind us and what we are handing over to future generations.

Head of DEP& OC,
A.I. Pankovets

- compliance with legislation and statutory norms of the Republic of Belarus;
- involvement of all business process segments and participants;
- EMS upgrading;
- minimizing impacts in connection with expanding production activities;
- complete and reliable disclosures on the plant's performance;

- responsibility enhancement;
- providing for optimal expenditure/performance ratios;
- maintaining reasonable balance between the plant's interests and those of the community.

The EMS system adopted by RUE "BMZ" was certified for compliance with requirements of ISO 14001:2004, STB ISO 14001-2005 standards and covers activities, such as production of sections, rolled sections and structural shapes, rolled wires, seamless tubes, metal cords, wire and steel hard fiber, which is the evidence of the systematic approach implemented to reduce ecological risk probability, minimize ecological payments, represent RUE "BMZ" as an ecologically responsible enterprise and improve interaction with interested parties on issues of ensuring compliance with ecological norms and requirements.

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

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

Implementation of ecological strategy Minimizing the plant's impact on the region's vital activities

In its production activities, RUE "BMZ" accounts for its environmental impact and strives to minimize its consequences as stipulated by international legal provisions on ecology and the environmental legislation of the Republic of Belarus. For the purposes of minimizing its impact on the region's population, the plant was located in the south-eastern part of the city with due account for wind rose diagram. The established sanitary zone has the radius of 1000 m and its area together with

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adjacent industrial site makes up 674.1 ha. At that, 55% of areas between the enterprise's territorial borders and those of the sanitary zone are taken up by cultivated coniferous and hardwood forests and scrub vegetation. The nearest settlement (the village of Solonoye) is 1.75 km away from the enterprise's territorial borders. Residential houses and living quarters of Zhlobin are 3-3.5 km away from the plant. The industrial site is located on plain surface lands, neutral in terms of smoke contents and spread of smoke jets towards residential areas. Every year, the plant carries out certain actions to ensure air and water basin protection and reduction of land-buried industrial wastes.

Minimizing the plant's impact on flora and fauna

Zhlobin district areas are situated within the Dnieper Lowlands and are actually a Dnieper glaciation plain. The climate within the district is moderately continental; soils are mostly sabulous or sand. As for vegetation, the district is within the subzone of coniferous and hardwood forests. Meadows are of bottomland (flood), upland and swamped types.

On the territory of Zhlobin district one can find separate small populations of certain plants and animals under the threat of extinction, which are, therefore, included into the Red Book of the Republic of Belarus. Protection of these flora and fauna species, first of all, requires favorable hydrological and phytocenotic conditions, i.e. proper security administration, which would be similar to that of a forest reserve. Species listed in the Red Book belong to various protection categories: ranging from species under the threat of extinction which require special emergency actions for their preservation to restored species which, due to protection measures taken, arise no concern but are still prohibited from industrial use and require population quantities control only. The list of animals and plants under protection comprises 44 sites.

The existing network of sites under special protection, which are of republican significance,

covers only a small portion of the district's area – 0.039 per cent only.

The plant's premises proper are a sort of green park. At present, green spaces and lawns take up about 21% of the plant's sites used for sporadic buildings. For the most part, green spaces within the industrial site are represented by conifers and hardwood trees. Besides, the plant's premises include some flower beds. Total green space area within the industrial site amounts to 51.5 ha.

On the initiative of the President of the Republic of Belarus, the year 2009 was proclaimed the Year of Motherland. The initiative was intended for preservation and enrichment of the country's national spiritual and cultural heritage, original Belarusian folk traditions and bringing up youth to care about their Motherland. To support the initiative, RUE "BMZ" developed an Action Plan, which stipulated the following implementation activities:

- equipment upgrade and modernization;
- educational arrangements for the plant's employees and population in the region of its location;
- comprehensive redevelopment of the plant's premises and the town itself;
- overhaul repairs of the hostel for 153 small-sized families;

Actions under the Plan:

- the plant's employees' took part in redevelopment and cleaning activities at the camping site, recreation centre premises, in Metalurgov avenue, at town's traffic areas and on the river Dnieper embankment, at Virskiy artificial lake and at a great number of other sites;
- the plant purchased and installed modern equipment at the industrial waste disposal site and in the laboratory for occupational sanitation and environmental protection;
- the enterprise prepared design and estimate documentation for and began the construction of a greenhouse complex to cultivate flower seedlings and planting stock to be used in redevelopment of the plant's premises and other sites within the region;
- the plant arranged events, such as "From Younger BMZ Generation to its Veterans," "Mercy," "For Clean

Environment";

- there were also organized instructional activities in the form of panel discussions and informative auditoriums for the plant's employees, the youth and people living in the region of the plant's production.

The course of execution of the Action Plan was represented in the corporate newspaper "Metallurg" under the "Year of Motherland" column and in other regional mass media as well.

During the Year of Motherland, the plant's specialists grew and planted out a great number of plants and executed a large scope of land improvement works.

Total amounts spent on land improvement in 2009 made up 920 mln. roubles.

To encourage and expand land improvement

and amenity planting activities, to motivate the plant's employees, both morally and materially, to implement the Land Improvement Programme, to involve the personnel in activities connected with aesthetic improvement of the plant's appearance and that of the pre-school establishments run by the plant, the enterprise arranged a land improvement competition among the plant's shops with bi-annually cast-ups. The competition involves more than 70% of employees.

Description of works	Units	Q-ty
Flower seedlings purchased from third parties for land improvement activities within the plant's premises	pcs	11660
Flower seedlings cultivated:		
- annual plants	pcs	93250
- biennial and perennial plants	pcs	10300
Flower seedlings planted out for land improvement purposes (taking into account replanting to replace withered and deflorated plants):		
- annual flower crops	pcs	104910
- biennial and perennial flower crops	pcs	10300
Tree seedlings planted out at the plant's and production office premises:		
- conifers	pcs	34
- hardwood	pcs	39
Overhaul works at lawns within the plant's premises	ha	0,5
Installed for land development purposes with regard to new architectural forms	pcs	20
Flower crops seeds prepared	kg	3,6
Mixed soil components prepared for growing flower crops seedlings	m³	6
Organic fertilizers prepared for land development works	t	30
Low -density fertile soil prepared for the stationary winter greenhouse used to grow flower crops seedlings for land improvement works at the plant's premises	m³	150

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Efficient use of natural resources

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

Major raw materials used for steel production in 2008-2009 were as follows.

BMZ used raw materials which were obtained from recycled or reclaimed wastes. Share of recycled materials in the total amount of raw materials in 2008-2009 was as follows.

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

Material	Units	Quantity	
		2008	2009
Metal stock	t	2 793 213,5	2 672 873,5
Ferroalloys	t	36 006,5	30 573,4
Electrodes	t	5 182,5	5078,5
Slag-forming, deoxidizing and purifying mixtures	t	130 843,8	133 769,4
Carbonizers	t	19 175,1	27 699
Heat insulating materials	t	2 941,2	2489,9
Refractory materials	t	32 305,6	27 617,3

Material	Units	Quantity	
		2008	2009
Refractory scrap	%	8,4	9,9
Electrodes	%	1,2	0,9

Efficient use of energy resources

Managerial and investment decisions at RUE "BMZ" are taken based on multi-variant development scenarios with due account to ecological priorities which include energy saving, efficient use of natural and energy resources.

In accordance with the state's strategy of energy saving and energy security, the plant developed an Energy Saving Action Plan, setting energy policy priorities and approaches. The Plan comprises:

provide for efficient energy use.

Traditional energy-saving measures include:

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

To encourage employees to take part in energy and resource saving activities RUE "BMZ"

developed and is actively implementing:

- Provisions On the Contest among employees of RUE "BMZ" for Best Energy Saving Ideas;
 - Provisions On the Contest for the Best Energy-Saving Division;
 - active on-line window "Proposals on Energy-Saving" in the Info-BMZ informational system.
- In 2009, there were implemented 36 projects. Major energy-saving actions comprise:
- reconstruction of CCM-3 and EFS-2;
 - mounting variable frequency drives for fine drawing mills at SWS-1,2;
 - use of No.10 5 bar thread roll stock at 320 SWS rolling mills;
 - modernization of EFS-1 drying and heating plant for laddles;
 - introduction of slag monitoring system for ASMF-3 at EFS-2;
 - application of general-purpose electrical triggers for lighting fixtures within the plant's divisions;
 - introduction of an energy-efficient technology for wire production at SWS-3 coarse drawing mills.
- Thanks to actions implemented under the Action Plan, fuel and power resources consumption rates went down by 10.2%, total energy/output ratios – by 5.2% and gas consumption rates – by 11.2%, as compared to 2008.

Saving fuel and power resources, the enterprise not only relieves its financial burden, but also provides for a reduction of negative environmental impacts.

DIRECT USE OF ENERGY FROM PRIMARY SOURCES IN 2008-2009

Source	Units	Quantity	
		2008	2009
Thermal power	Gcal	189 800	183 700
Natural gas	thou. m ³	135 373,7	120 232,3
Diesel fuel	t	3 343,2	3 298,4
Lead-free gasoline	t	263,6	255,1

Due to actions implemented under the Action Plan, saved energy resources for 2009 amounted to 234 421 GJ, including secondary thermal power resources – 106 008 GJ.

Based on the plant's general energy consumption rates with regard to principal production activities resulting from the 2009 analysis, it should be noted that all specific consumption rates established by the Energy Efficiency Department and the plant's owner (Ministry of Industry of the Republic of Belarus) were complied with and even reduced as compared to 2008. In 2009, the enterprise was able to retain the positive dynamics achieved in the recent years with regard to specific fuel and energy resources consumption rates at the plant's major energy-consuming production areas.

For its energy-saving activities in 2009, the enterprise was awarded a Winner's Diploma at the 6th contest of energy-efficient and resource-saving technologies held under the auspices of the Belarusian Industrial Forum and a Diploma of the XIVth Belarusian Energy Forum.

Air basin protection

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

• ECOLOGICAL ACTIVITY

SOCIAL REPORT 2009

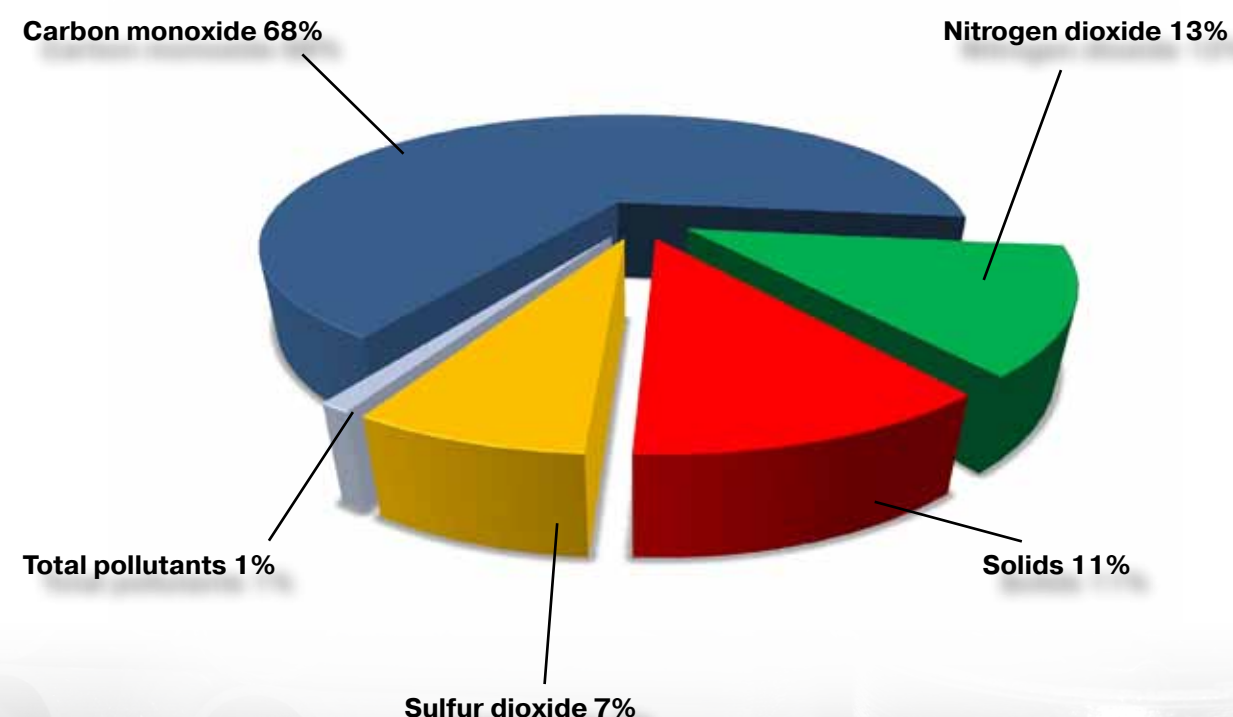
INTERMEDIATE ENERGY QUANTITIES OBTAINED AND CONSUMED FROM NON-RENEWABLE POWER SOURCES IN 2008-2009

Source	Units	Quantity	
		2008	2009
Electric power	MWt/h (GJ)	1 869 466 (6 730 078)	1 670 894 (6 015 219)

ENERGY SAVED DUE TO MEASURES ON CONSUMPTION RATES REDUCTION AND EFFICIENCY ENHANCEMENT TAKEN IN 2008-2009

Energy resource	Units	Quantity	
		2008	2009
Electric power	MWt/h (GJ)	92 257 (332 124)	41 029 (147 704,4)
Natural gas	thou. m ³ (GJ)	4 909,649 (133 817,7)	5 036,842 (137 284,5)

SHARE OF POLLUTANTS IN GROSS EMISSIONS FOR 2009



Vehicles owned by RUE "BMZ" include 125 units using various fuel types, out of which 68 vehicles run on diesel fuel, 55 – on gasoline and 2 – on liquefied gas.

Railroad transport includes 6 locomotives running on diesel fuel.

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

When analyzing air emissions of pollutants, it should be noted that gross air emission rates of pollutants in 2009 were by 2.8% lower as compared to the previous year, which was due to reduced process equipment operating times. At that, nitrogen and sulfur emission rates increased by 17.8% and 37.3% respectively, which was accounted for by use of mazout as a fuel source during the heating season.

Being a major greenhouse gases emitter, the plant is constantly monitoring their air emission rates.

Substance	Actual emissions, [t/year]		Specific pollutant generation rates, [kg/t of melted steel]	
	2008 г.	2009 г.	2008 г.	2009 г.
Carbon monoxide	3330,123	3239,167	1,3	1,37
Nitrogen dioxide	521,364	613,965	0,2	0,26
Sulfur dioxide	253,288	347,760	0,10	0,14
Solids	601,780	535,997	0,24	0,22
Total pollutants	4905,914	4768,144	1,95	2,02

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

AIR EMISSIONS OF POLLUTANTS FROM MOBILE SOURCES FOR 2008-2009

Substance	Units	2008 г.	2009 г.
Carbon monoxide	t	538,435	524,544
Nitrogen dioxide	t	126,038	121,822
Sulfur dioxide	t	67,390	66,478
Hydrocarbons	t	212,761	201,820
Soot	t	50,305	49,629
Benzpyrene	t	0,0011	0,00108
Total	t	994,9301	964,29408

In pursuance of the Montreal Protocol on Substances that Deplete the Ozone Layer, the enterprise is stage-by-stage reducing consumption rates of such substances in accordance with Appendix C of the above document. The planned reduction results are expected to be achieved by 2020. RUE "BMZ"

• ECOLOGICAL ACTIVITY

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provides for compliance with state requirements on reduction of consumption rates of ozone-depleting substances (ODS). ODS quantities used within the enterprise are constantly decreasing.

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

DATA ON ODS HANDLING ACTIVITIES FOR 2008-2009

ODS	Residuals in the beginning of the year, kg		Purchased, kg		Collected for reclamation, kg		Reclaimed (recycled), kg		Quantities used, kg		Residuals in the end of the year, kg	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
R-22	165,0	0	136,0	272,0	164,0	-	164,0	-	465,0	176,8	0	95,2
R-12	0	0	0	0	0	-	0	-	0	-	0	0
R-401A (R22-53% R153-13% R124-34%)	109,6	67,6	0	0	11,0	0	11,0	0	53,0	12,6	67,6	55,0
R-114B2	1321,1	1117,1	0	0	0	0	0	0	204,0	408,0	1117,1	709,1

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

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

The plant is developing and implementing projects on mitigation of environmental impacts and

contracting scales of damage effects, providing for a stable development in the field of social responsibility. To ensure implementation of the Kyoto protocol mechanisms, which take the form of joint projects, RUE "BMZ" prepared draft PIN (Project Idea Note) proposals on actions as follows:

1. Providing the electric furnace shop with a water-cooled gas duct with waste-heat recovered in the space heating system of RUE "BMZ."

Expected saved amounts of fuel and energy resources – 3 147 t.e.f./year

Expected reduction in CO₂-equivalents discharge rates – 7 777 t/year

RUE "BMZ" received a letter from the RB Ministry of Nature, supporting this project incentive.

2. Installing a boiler for waste-heat recovery of gases discharged by the heating furnace in the tube-rolling shop.

Cost of implementation – 835 000 US dollars

Expected saved amounts of fuel and energy resources – 7 274 t.e.f./year

Expected reduction in CO₂-equivalents discharge rates – 17 975 t/year

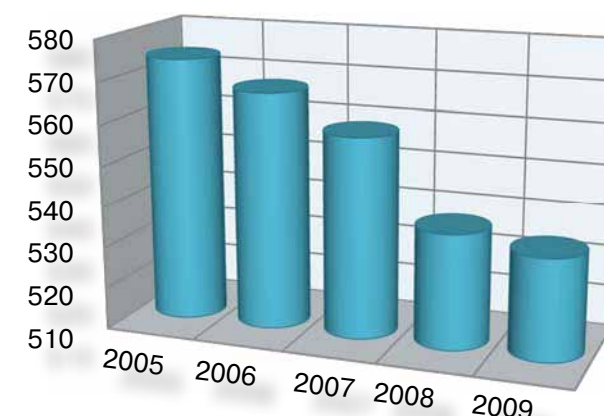
RUE "BMZ" received a letter from the RB Ministry of Nature, supporting this project incentive.

3. Installing a series reactor for ASMF-1.

Cost of implementation – 905 000 US dollars

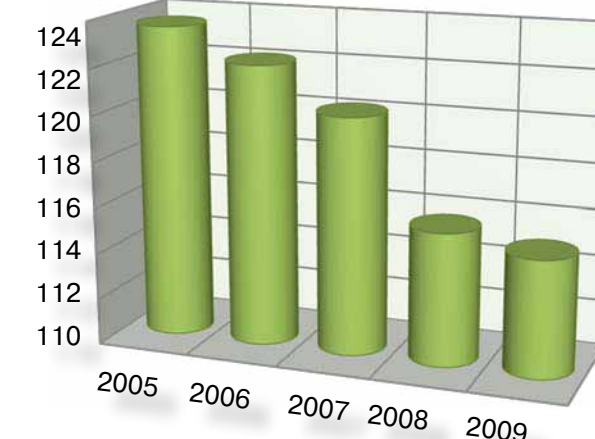
Expected saved amounts of fuel and energy resources – 1 705 t.e.f./year

SPECIFIC ENERGY CONSUMPTION RATES PER TON OF MELTED STEEL



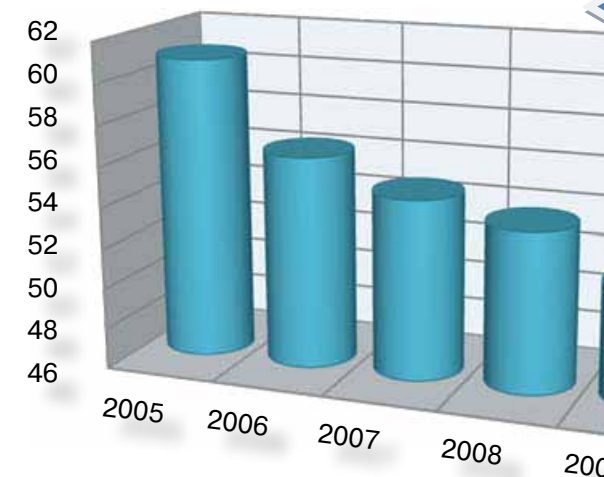
Electric energy, kWt·h/t	574,2	567,6	558,9	537,9	534,6
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SPECIFIC CO₂ DISCHARGE RATES PER TON OF MELTED STEEL



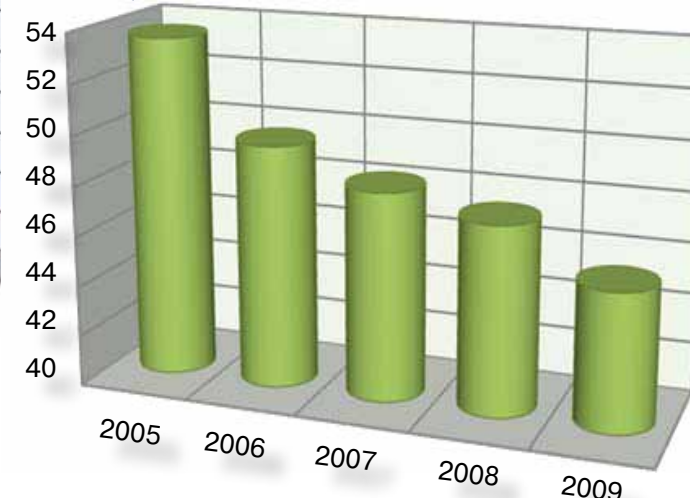
Specific CO ₂ discharge rates, kg/t	123,6	122,2	120,3	115,8	115,09
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SPECIFIC NATURAL GAS CONSUMPTION RATES PER TON OF MELTED STEEL



Natural gas, m ³ /t	60,86	56,48	54,90	53,90	51,6
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SPECIFIC CO₂ DISCHARGE RATES PER TON OF MELTED STEEL



Specific CO ₂ discharge rates, kg/t	53,6	49,7	48,3	47,5	45,5
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• ECOLOGICAL ACTIVITY

Expected reduction in CO₂-equivalents discharge rates – 6 864 t/year

4. Installing a series reactor for ASMF-3.

Cost of implementation – 656 000 US dollars

Expected saved amounts of fuel and energy resources – 1 302 t.e.f./year

Expected reduction in CO₂-equivalents discharge rates – 13 773 t/year

5. Providing a slag monitoring system for ASMF-3.

Cost of implementation – 310 000 US dollars

Expected saved amounts of fuel and energy resources – 896 t.e.f./year

Expected reduction in CO₂-equivalents discharge rates – 3 798 t/year

As established by the effective legislation and international ecological statutory norms, including international treaties and agreements validated by the Republic of Belarus, RUE “BMZ” provides for a constant environmental monitoring at its production sites aimed at protection of health of its employees and people living in the region of the plant’s location.

Water basin protection

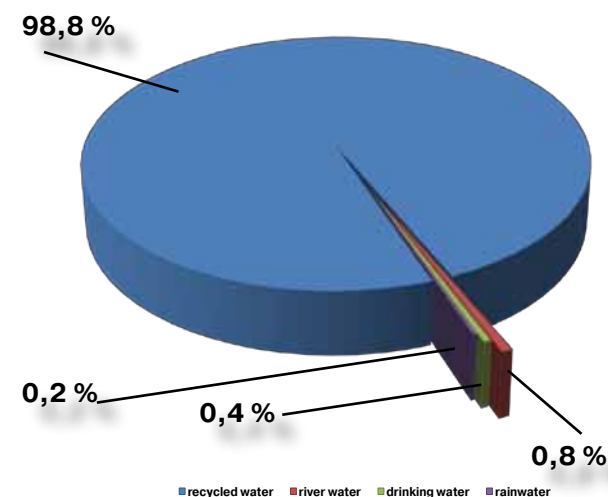
As an ecologically responsible entity, the plant provides for efficient use of energy and water resources for its own needs and strives to reduce consumption of those as much as possible.

Water for process needs is drawn off from the river Dnieper, which is one of the main rivers of the Republic of Belarus. Its length from its source to mouth is 1 182 kilometers. Annual runoff into the river Dnieper is 1 261 440 000 m³. Annual water amounts drawn off from RUE “BMZ” make up 0.12% of the river

runoff.

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

WATER CONSUMPTION AT THE PLANT



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

Description	2007	2008	2009
Process water, [thou. m ³ /year]	1 880,302	1 581,047	944, 793
Drinking water consumption, [thou. m ³ /year]	1 053,7	932,5	784,124
Circulating water, [thou. m ³ /year]	213 220,5	236 239,96	234 791,569
Rainwater use, [thou. m ³ /year]	34,1	443,017	535,119

Measures taken by the enterprise in 2009 to provide for efficient use of water resources resulted in indices as follows:

- water draw-off from surface water sources reduced by – 636.254 thou. m³/year or 40.2%;
- drinking quality water consumption reduced by – 148.376 thou. m³/year or 15.9%.

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

The plant’s utility fluids are drained off into the treatment facilities maintained by the town of Zhlobin. In 2009, utility fluids drain-off to the treatment facilities was 2 times reduced as compared to 2008, with total volumes amounting to 691.5 thou. m³. Pollutant contents in the discharged fluids were within established limit concentrations.

There are no water bodies significantly affected by production activities of RUE “BMZ.”

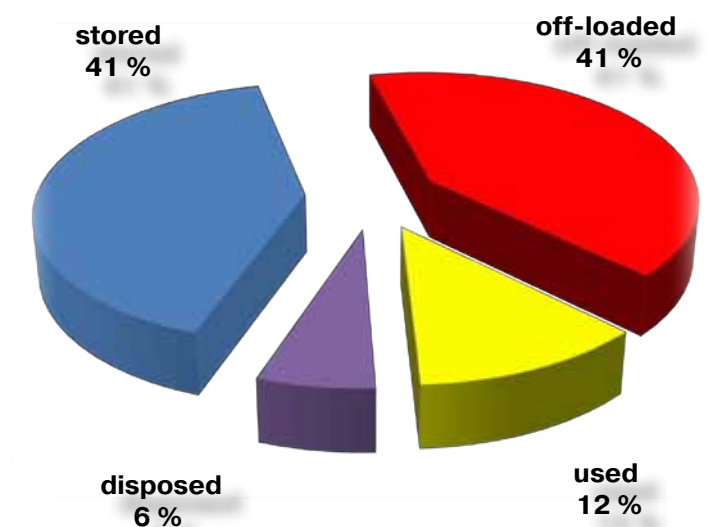
Utilization of industrial wastes

Current technologies of metal production are inevitably associated with generation of various wastes which belong to different hazard classes. This is a major aspect contributing to environmental pollution. The plant provides for strict compliance with all requirements associated with waste utilization and disposal and seeks to limit pollutant discharges, ensure re-use of natural resources and waste reclamation. Depending on the hazard class of wastes and their physical properties, the enterprise defined stringent requirements on each of the industrial waste utilization stages (generation, collection, transportation, storage, handling and neutralization), minimizing possible environmental impacts.

As it’s evident from the above diagram, industrial waste generation went down by 107 997.3 t as compared to 2008, which is due to the 2009 rundown. Waste disposal amounts in 2009 were by 9 666.4 tons (19.8%) less than in 2009, which was achieved by installation of truck scales at the industrial waste disposal site and by severization of ecological

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UTILIZATION OF INDUSTRIAL WASTE, 2009



off-loaded, t	used, t
278 886,5	83 055,119
disposed, t	stored, t
39 116,163	281 418,3

supervision at production areas. Industrial waste off-load reduced by 111 333.2 tons due to decline in the road-building industry in the Republic of Belarus and decrease in consumption of crushed and non-crushed steel-making slag resulting from the global economic crisis. Share of wastes to be disposed of amounted to 4%, which is by 2% less as compared to 2007-2008.

In 2009, there were registered no spillages of chemicals, oils and fuels which could have an adverse effect on the environment and present a potential hazard to the soil, water, air, biodiversity and human health.

Production activities of RUE “BMZ” are associated with generation of the following wastes,



• ECOLOGICAL ACTIVITY

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corresponding to waste groups as set out in Basil Convention:

Y1 Medical wastes resulting from patients' care provided by hospitals, health centers and clinics;
Y8 Waste mineral oils unsuitable for designated use;
Y9 Waste oil (water) and hydrocarbon (water) based mixtures emulsions;
Y16 Wastes associated with production, recovery and application of photo chemicals and consumables used for film development;
Y17 Waste generated from metal and plastic surface machining;
Y31 Lead, lead compounds;
Y34 Acid solutions and solid acids;
Y36 Asbestos (powder and fibre).

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

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

Training

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

Training, retraining and advanced training activities arranged for managers, technicians and

operational personnel on issues of ecological safety and environmental protection are as established in annual vocational training plans and programs.

To ensure compliance with legal and other ecological requirements the enterprise provided for each of its employee free access to the current legal reference system "Consultant Plus: Belarus Network" and information search systems, such as "Stroidocument" and "Standard."

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

Improvement of ecological culture of the personnel

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

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

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

To evaluate environmental impacts the

enterprise holds public consultations, inviting to participate in those representatives of supervision authorities, general public and the plant's employees.

The plant takes part in environmental actions and has not once initiated such actions itself.

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

- Provisions on tear tags and prevention of violations with regard to environmental protection and occupational sanitary, which are introduced to enhance preventive work on precautionary, recommendatory and control functions for the purposes of environmental protection. Activities to prevent environmental law infringements are carried out with use of notice tear tags;
- Provisions on encouraging environmental activities. This regulatory document was introduced to motivate the plant's employees to abide by the environmental requirements set out in the legislation of the Republic of Belarus, the plant's ecological standards and other regulations and was intended for enhancement of violators' responsibility and encouragement of the plant's employees, engineers and technicians to provide for compliance with regulatory requirements.

Development and implementation of resource-saving, low-waste and environmentally safe technologies

The plant takes actual steps so as to provide for environmental protection and by implementing environmentally safe technologies as well. To mitigate environmental impacts RUE "BMZ" annually introduces new environmental actions. Under the ecological program for 2009, the plant provided for the following:

- introduction of automated systems monitoring air emissions of pollutants by reheating furnaces at 850 steelmaking rolling mills. Total expenses amounted to 150 591 000 roubles;
- reconstruction of the dust and gas treatment plant for ASMF-2 at EFS-1. Total expenses amounted to 1535 375 000 roubles;

- mounting a water-cooled gas duct for ASMF-2 at EFS-1. Total expenses amounted to 3 502 213 000 roubles;
- reconstruction of the utility sewage piping at the power shop. Total expenses amounted to 2 390 680 000 roubles;
- installation of truck scales at the "Proskurny" industrial waste disposal site for the RSPS. Total expenses amounted to 100 474 000 рублей

Expenses for environmental protection and monitoring Ecological payments

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

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

Targets of the plant for medium-term outlook

Besides production facilities expansion, the plant also plans to modernize its equipment to enhance ecological safety and mitigate negative environmental impacts. Investment projects to be implemented by RUE "BMZ" include not only new production facilities but also introduction of the world's best practices in the field of ecological safety. Within the framework of the investment program, the plant also identified a number of actions aimed at improvement of ecological situation and mitigation of negative environmental impacts associated with BMZ's production activities.

Major actions aimed at mitigation of negative environmental impacts include:

- reconstruction of dust and gas treatment plants for steel-making arc furnaces;

• ECOLOGICAL ACTIVITY

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CURRENT EXPENSES

Current environmental expenses	Total, thou. roubles (at own costs)		
	2007 г.	2008 г.	2009 г.
Total including:	41 760 167,6	53 150 799,3	42 730 800,0
- protection and efficient use of water resources	20 757 044,8	25 369 242,0	13 864 800,0
- air basin protection, ozone layer and climate preservation	15 162 721,8	19 873 292,0	22 132 600,0
- protection of the environment from pollution with industrial wastes	5 734 924,4	7 682 416,0	5 927 500,0
-ecological certification, ecological rating, ecological audits, ecological insurance, ecological standardization	105 476,6	156 100,1	214 800,0

EXPENSES FOR OVERHAUL REPAIRS OF FIXED ASSETS INTENDED FOR ENVIRONMENTAL PROTECTION AND THEIR INCURRENCE AS OF THE END OF THE 2009 REPORTING YEAR

Item	Overhaul repairs expenses	Total, mln. roubles	
		Incurrence as of the end of the reporting year	
		in terms of replacement costs	in terms of depreciated costs
Fixed assets intended for environmental protection, total, including::	66,5	210 534,8	92 722,7
-collection, transportation, sewage treatment, circulating and recycling water supply systems	38,2	135 523,3	57 025,6
- treatment, neutralization and disposal of air emitted pollutants	28,3	49 648,0	22 591,2
- collection, classification (sorting), allocation, disposal and(or) utilization of industrial wastes	-	24 777,1	12 960,6
- all kinds of monitoring, environmental analytical control, control of ozone depleting substances, air emitted pollutants, sewage discharges and land pollution	-	586,4	145,3

ECOLOGICAL PAYMENTS IN 2008-2009

Item No.	Description	2008 payment, mln. roubles	2009 payment, mln. roubles
1.	Drinking and service water consumption	105,374	93,227
2.	Sewage discharges	37,1	0
3.	Excessive MPC in sewage discharges	7 249,07	945,695
4.	Air emissions from stationary and mobile sources	1 733,271	2130,243
5.	Waste disposal	4 732,126	4366,308
6.	Waste storage	1 461,179	2612,844
7.	Packing materials production and import	88,23	73,201
8.	Claims	9,87	8,27
9.	TOTAL	15 416,22	10 229,79

- introduction of the second stage of automated air emissions control;

- construction of a line for metal scrap sorting.

For 2010, there are plans to achieve the next level of the plant's target social and economic development (in the ecological field):

- specific industrial waste disposal quantities per ton of melted steel as compared to 2009, % to be reduced by 2

- circulating water supplies as compared to 2009, % to be reduced by 3



200 meters to the building of the steel wire shop

• SOCIAL ACTIVITY

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

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

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

Carrying out its social activity the works adheres to the approaches as follows:

- conformity with the legislation and legal norms of the Republic of Belarus;
- involving all the units and business processes participants;
- discovering full and precise information regarding the results of the social activity;
- enhancing responsibility as referred to the assumed responsibilities and their performance;
- ensuring the optimum ratio of the social activity expenses and achieved deliverables;
- sustaining reasonable balance of the works interests and the community including the employees.

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

Employees' loyalty and satisfaction is the crucial factor that influences the business stability. The personnel relations priorities are improving employees' social well-being, building up clear communication channels, enhancing the degree of

personnel awareness and the most important thing – creating strong corporate culture.

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

Labor relations and adequate labor

Personnel management policy

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

Long-term strategic targets of RUE "BMZ" corporate policy for personnel management stipulate as follows:

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

climate in the working teams;

- development of corporate social programs.

Main principles and approaches

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

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

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

The world economic crisis, reduction of the demand and prices for metal products lead to the cardinal changes of the production programs. In order to minimize the economic influence of the crisis the works prepared and realized a number of measures connected to human resources:

- the work of multifunctional groups for development and realization of anti-recessionary activities was organized;
- explanatory work regarding anti-recessionary events overcoming was conducted with the personnel;
- production management structures optimization was conducted;
- due to temporary cease of new staff recruitment (excluding newcomer specialists) the optimization of the personnel amount optimization took place;
- forward-looking personnel training was organized in order to increase social security and labor force redistribution;

- the program for stimulating retirement of the pensioners with paying monetary compensation was realized;

- other short-term measures were realized.

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

High efficiency of "Personnel Management" process was confirmed by the successfully passed in 2009 certification audits of Management System for conformity with the requirements of ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 held by firms "BelGISS" (Minsk), "Veritas" bureau (Great Britain), "CARES" (Great Britain), "TUV International" (Czech Republic), American Petroleum Institute API and according to the evaluation of the experts following the results of European competition "Excellence Award" of the European Fund for Quality Management (EFQM).

Description of the personnel

RUE "BMZ" is the largest employer in the productive activity region and it is aware of its economic and social obligation to the society affecting it by creating high level of social security and favorable working conditions for its employees, realization of efficient social and ecological programs, projects and activities in the personnel management sphere.

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

RUE "BMZ" is responsible in its approach to solving employment issues, collaborates with state institutions, employees unions and other organizations in the sphere of regulating labor and related relations.

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Contributing to disclosure of professional and personal capabilities of its employees, RUE "BMZ" creates the conditions for their professional and career progress.

Total amount of personnel as of 31.12.2009 makes 12132 and dropped by 313 persons as compared to the corresponding period of the last year.

year	2006	2007	2008	2009
amount	12 891	12 409	12 445	12 132

Substantially, decrease of the amount was due to dismissal of the employees in view of their requirements.

The personnel structure as far as the workers categories are concerned underwent minor changes towards lessening the amount of the specialists and workers under the general concept of the organizational structure optimization and redistribution of human resources within the works conducted at the works.

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

Gender composition of the workers hasn't changed as compared with 2008. As of 31.12.2009 RUE "BMZ" employed:

- 67.8 % of men;
- 32.2 % of women.

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

The manpower turnover for 2009 made 1.63%.

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

In the reference year the amount of the employees with higher education increased by 29 persons as compared to year 2008. The amount of the employees with specialized secondary education decreased by 87 persons. There is a tendency for

lowering the share of the employees with secondary education.

The image of strong and continuously working enterprise makes RUE "BMZ" attractive for potential workers and solves the issue of the prospective human resource provision.

In 2009 in order to satisfy the demand for employees 168 workers, including 139 men and 29 women, were selected among the region residents and recruited according to the candidates' experience level.

The enterprise put great emphasis on recruitment and adaptation of young specialists. Despite the crisis and cost optimization policy in 2009 the works employed 85 young specialists.

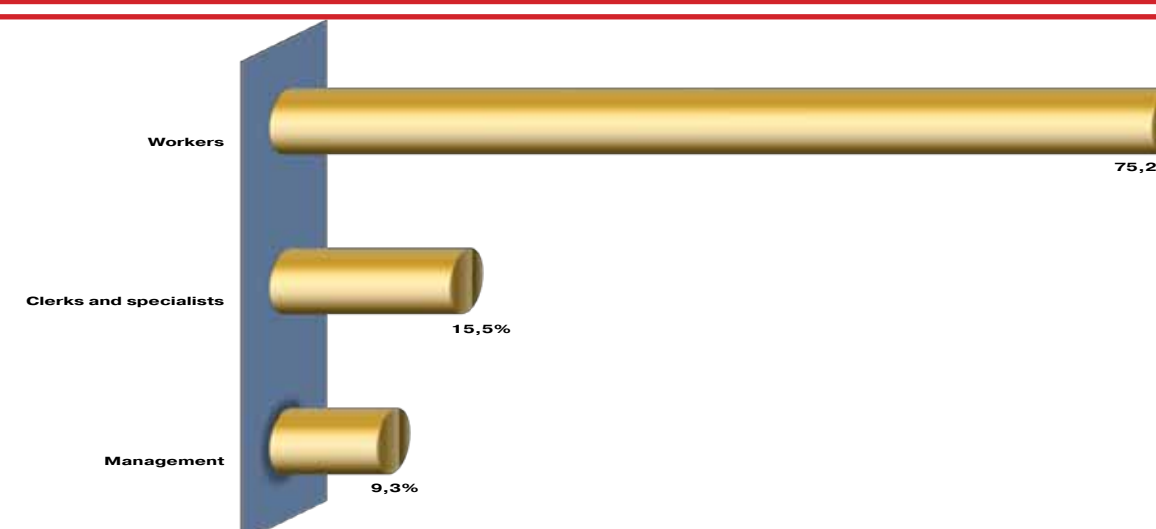
Year	2006	2007	2008 г.	2009 г.
Number of YS	121	107	188	85

Organization of methodical work with young specialists is one of the priority directions of the enterprise personnel policy. Availability of constantly developing personnel potential in the face of young specialists is the most important condition of the management succession, enhancement of management efficiency, ensuring stable social-economic development of the works. 2009 became the year of implementation and development of the System for Working with Young Specialists that determines the stages of the adaptative period, evaluation of their results and creating conditions for professional development and growth. One of the significant events under the System for Working with Young Specialists is the scientific and technical conference. A two-stage conference is scheduled to be held at the works in 2010:

- first stage (internal) – for determining winners among the works employees in 11 sessions;
- second stage (international) – for winners of the first stage and representatives of the organizations of the Republic of Belarus and other countries.

The policy of RUE "BMZ" concerning

Category naming	2007	2008	2009	Dev.
Total amount, pers.	12 409	12445	12132	-313
Managers, pers.	1 153 (9,3%)	1127 (9,1%)	1126 (9,3%)	-1
Specialists, pers.	1 784 (14,4%)	1773 (14,2%)	1717 (14,2%)	-56
Employees, pers.	167 (1,3%)	167 (1,3%)	164 (1,4%)	-3
Workers, pers.	9305 (75,0%)	9378 (75,4%)	9125 (75,2%)	-253



Category naming	2006	2007	2008	2009
Employees' middle age, years	39,0	39,30	39,34	39,8

Year:	2006	2007	2008	2009
Manpower turnover, %	1,49	1,87	1,92	1,63

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

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

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

In 2009 2180 specialists of the works were assessed according to the fulfillment of the set targets and 344 employees passed certification for compliance with the taken position using "360 degrees" method.

In its practical activity BMZ recognizes inviolability of human rights and takes all the required measures for inviolability of human rights, their assurance and protection. Guided by the approaches of the Global UN Treaty in the human rights sphere, RUE "BMZ" seeks to prevent possible interests conflicts of the employees, managers and works. Principles of non-admission and the interests conflicts settlement are given in the works Code of Ethics. Preventing the interests conflicts RUE "BMZ" seeks to enhance the efficiency of its activity, create the atmosphere of trust and openness in the relationships with the persons concerned, enhancing business image and reputation of the works. The working tools for preventing possible conflicts are direct telephone line with the works upper management and representatives of the state authorities, helpline of "Signal" system and other, the work of which is performed on confidential basis. In order to ensure the feedback the works appointed the responsible persons, who review the employees' appeals concerning various issues including the safety and labor protection issues, environment and professional ethics. Transparency and openness of

the works becomes one of the leading management principles that allows to create confidential relations with all the concerned parties including the works employees.

The works activity concerning the principles of realizing the socially responsible business conduct in human resources area, creating new working places, ensuring occupation of the region population was distinguished with a gold medal of "Brand of the Year-2009" national competition in nomination "Best Employer".

Professional and career development

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

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

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

In order to implement the long-term enterprise development strategy RUE "BMZ" formed a multi-layered personnel reserve of the management. The reserve is meant for providing the demand for management employees having a range of basic administrative competence. In order to develop the competence necessary for a manager

and creating a real perspective for professional and career promotion of the workers the attainment of the human resources by stages was organized according to the existing System. The training programs stipulate education of the reserve from the master to top-manager level considering the specific character of the fulfilled works ("Young Manager School" and "Management School"). The programs and trainings for developing corporate and manager competence were aimed at the personnel reserve as a priority category of human resources. Young specialists of the leading educational establishments of the Republic of Belarus are engaged in the training process under the concluded bilateral contracts. For the accounting period over 90% of management appointments were issued from among the employees included into the works Personnel Register, who passed the designated training.

Realizing the personnel potential development programs and enhancing the efficiency of the structural subdivisions activity, RUE "BMZ" annually organizes the specialists rotation. The personnel rotation is used as a method of decreasing labor monotony, conventionalism, enrichment the work activity content due to a greater variety of the functions and as one of the labor motivation factors. Besides, the rotation contributes to acquiring more diverse practical experience required for being promoted to one or another management position.

In 2009 the personnel rotation was organized in order to increase the specialists' qualification, determination of their potential abilities for putting into the personnel reserve as well as for the purpose of promoting careers of the young workers with higher education:

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

The future of the works are the young, clever, talented, strong and united. Our youth policy is aimed at solidarity, so that every single young man could find his career and realize his professional qualities, skill and knowledge. And, disregarding anything conducted at the works in the area of youth policy realization, first and foremost we see a young man, we see his dream, his aspirations, wishes and future.

Deputy Personnel Director
N.R. Gorkusha

During the annual integrated study of the social-psychological climate in structural subdivision teams held by the works Sociologic Service the respondents give an average estimate regarding the promotion and career opportunities (the satisfaction index made 0.59 against 0.59 in 2008).

Training and education

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

In modern conditions of severe competition RUE "BMZ" is aimed at the search of current sales markets, technologies of the future, cost-saving reserves and other optimization possibilities.

The personnel quality became the determinant factor of the works competitive ability.

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

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

- providing the works subdivisions with professional staff of the required qualification level;
- providing the personnel support of innovative processes;
- retaining and development of the professional potential and staff competitive ability;
- providing the subdivisions with the management staff reserve with developed corporate and management competence;
- organizing training of the specialists, management staff and their reserve;
- creating the system of mentoring and transfer of knowledge;
- creating the personnel reserve of the required qualification with regard to nonprofessional occupations from among the region residents.

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

Education and development of the personnel

is carried-out in conformity with the current and perspective demands of the works.

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

The continuous education is ensured by rational combination of professional education in educational establishments, systematic self-education as well as studying in the Training Center and on working places. In 2009 6593 employees of the works, or 54.3% of the total personnel amount, took varied types of education, which is by 0.4% higher figure than that of 2008.

In recent years each employee took one type of education. Average number of education hours per one employee in 2009 made 38.

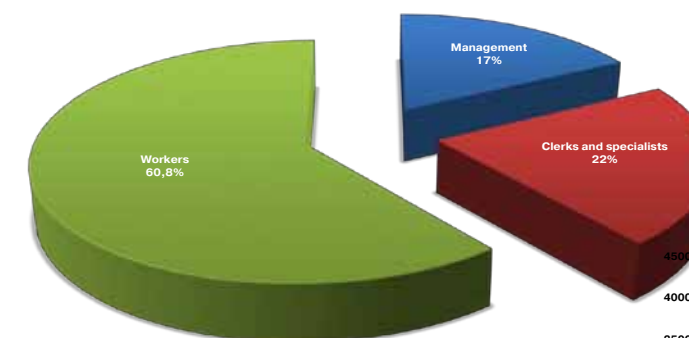
Despite lowering the investments in the professional education, achievement of the target values in 2009 was reached due to volume reduction of cost intensive education at outer sites and fuller usage of the works internal potential for organizing in-service training.

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

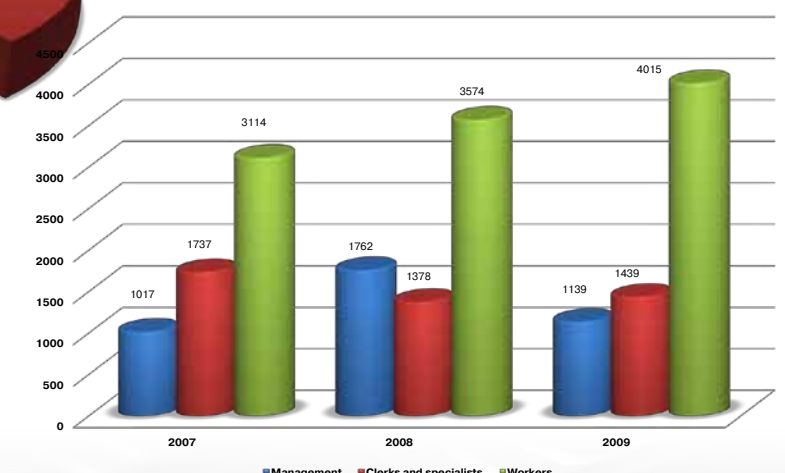
Category of the educated workers	Amount of the educated, pers.				% of the total amount of the educated				% of the total amount of this category employees			
	2007	2008	2009	changes	2007	2008	2009	changes	2007	2008	2009	changes
Management	1017	1762	1139	-623	18,3	26,2	17,3	-8,9	88,2	156,3	101,2	-55,1
Specialists	1735	1354	1434	+80	29,6	20,2	21,8	+1,6	97,3	76,4	83,5	+7,1
Clerks	2	24	5	-19	0,03	0,4	0,08	-0,32	1,2	14,4	3,0	-11,4
Workers	3114	3574	4015	+441	53,07	53,2	60,9	7,7	33,5	38,1	44	+5,9
Total	5868	6714	6593	-121	100,0	100	100	-	47,3	53,9	54,3	0,4

Year	2006	2007	2008	2009
Average number of hours	38	40	43	38
Investments, US dollars	450,75	450,00	338,30	283,3

Personnel training in % from the total amount of the trained in 2009



Amount of the trained for 2007-2009, pers.



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sphere of development and realization of the personnel training programs in 2010-2011 RUE "BMZ" plans to create a branch of Gomel State Technical University named after P.O. Sukhoy.

RUE "BMZ" continues active development of international cooperation in the area of preparation and enhancement of qualification of its employees. In connection with its one major investment program the works expands training of the employees able to operate modern world-level equipment. Education and training in educational centers and enterprises of Austria, Italy, Germany, China, USA and other countries for obtaining progressive experience was organized.

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

Solving medium-term strategic goals in the sphere of preparation highly-professional personnel is connected with State Educational Establishment "Zhlobin Metallurgical College", which conducts its activity at the expense of RUE "BMZ" investments. For organizing the college activity in 2009 the works sent 1673.24 mln roubles consumption means. The college conducts preparation of technologists for basic production subdivisions according to the educational programs coordination with the works from among the best representatives of the region young generation, who passed competitive selection. At all times corporate social development and social investments remain the source of enhancing the

works competitive abilities. Possessing modern educational base and highly-qualified specialists, RUE "BMZ" makes its contribution to the development of community helping in training the qualified personnel in nonprofessional occupations for the industrial enterprises of the town, region, country.

Forming the reputation of the most appealing employer in the essential condition for involvement in the works operation creative, active and technically competent personnel. By rendering assistance to the younger generation in receiving modern education and strengthening the material and technical foundation of the region educational establishments the works creates own promising personnel reserve. For these purposes the corresponding means were sent to pre-school educational institutions, schools, creativity centers for the kids and a boarding-school. Special emphasis is placed on the work regarding pupils and students vocational guidance that is carried-out on a regular basis with direct participation of RUE "BMZ" employees. Within this course a range of programs is realized as follows:

- pupils participation in "Doors Open Day" feast in basic educational establishments;
- excursions to the works museum;
- organizing youth competitions, cultural events engaging school and specialized educational establishments students.

RUE "BMZ" ensure the right of the employees for education and deems intellectual potential and professionalism of its employees the essential factor required for own development. 255 employees take extra-mural courses in higher educational establishments on the contract basis regarding the works line, about four hundred workers receive higher education independently.

According to the results of the integrated study of social and psychological climate in the subdivisions the satisfaction of the perspective for qualification enhancement, professional and educational level obtained average assessment value (the satisfaction index made 0.67 against 0.69 in 2008).

Motivation system Material stimulation

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

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

One of the most precise indicators of the works social policy effectiveness is the salary level. The salary is the major income source for the workers and the main factor for ensuring a certain standard of well-being. In order to achieve the unity of all categories workers' interests in insuring high final results of the works production and commercial operations. The enterprise developed the bonus scheme for labor stimulation based on accounting and stimulation of the labor contribution of each subdivision and particular workers was developed at the enterprise.

Nowadays in the current economic situation compliance with the lowest salary limit with reference for poorly-protected worker groups has become particularly actual.

In 2009 the annual average salary at the enterprise made 1901.1 roubles. In 2009 the average salary of the workers and clerks in the Republic of Belarus made 998.3 thou. roubles, which is lower than RUE "BMZ" salary by 1.9 times.

The policy of RUE "BMZ" regarding personnel reward, including top-management of the works and its subdivisions, stipulates the coordination of salary with collective and individual key efficiency factor.

Salary accounting is made according to the legislation established in the Republic of Belarus. The enterprise realizes the following principle: the accrued salary for a worker, who fully completed the labor hours and working norms, cannot be lower than the established amount of the minimal salary in the Republic of Belarus that made 229.7 thou. roubles in 2009.

RUE "BMZ" carries out the work of improving the normative base in the labor relationship sphere and informing every single employee of the applied salary conditions. According to the principles of the UN Global Treaty the enterprise realizes the principle of equable award for equally valuable labor.

The enterprise ensure the works tariffication and awarding qualification to the workers, specialists and clerks according to the existing uniform tariff-qualifying guide of works and professions as well as qualifying guide of management, specialists and clerks positions. This approach allows to avoid biased and subjective attitude to workers in the process of their career promotion and contributes to inadmissibility of the workers discrimination of any kind.

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

- as far as the workers are concerned, it is determined by multiplying the first tariff rate by the tariff multiplier of the corresponding tariff rate established for a worker in compliance with the general provisions of the Uniform Wage-Rates and Skills Handbook based on the tariff-qualifying characteristics of the workers professions;
- as far as the clerks are concerned, it is calculated by multiplying the first tariff rate by the tariff multiplier of the corresponding tariff rate of the unified wage tariff system established for a worker with reference to its position;
- as far as men and women are concerned, according to the performed operations or position held in conformity with the unified wage tariff system and



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collective agreement.

The average salary of the enterprise clerks is higher than that of the workers by 26.3%. The average salary of the management is higher than the average salary of the workers by 58.9%. This correlation is explained by the complexity of the performed obligations stipulated by the job descriptions as well as the organization (separate structural subdivisions) activity efficiency, quality of the performed works (services), efficiency of the set targets and objectives fulfillment.

The stimulating payments for the top-management are set (fulfilled) depending on the efficiency factor of the enterprise and reaching the works social-economic development factors.

The women have the same salaries and tariff rates as compared to men, if they hold equal positions (professions). The women are given and guaranteed the same rights as the men as well as fringe benefits and guarantees that are aimed at their health and maternity protection.

Thus women' labor is prohibited:

- with reference to heavy operations and operations with harmful and (or) hazardous labor conditions;
- with reference to the works related with lifting and manual handling of weights;
- with reference to the works fulfilled regarding separate professions and positions (steelmaker, steelmaker assistant, striker, battery assembler, etc.). Pregnant women are given other jobs – easier and excluding the impact of harmful and (or) hazardous labor factors with retaining average salary as compared to the previous salary.

A mother (farther) of two or more children aged under 16 (disabled child aged under 18) on a monthly basis by her/his request are given one extra day-off in a week with payment in the amount of the average daily payment.

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

is prohibited.

The salary cost planning is based on the reached salary level and performance with regard to one employee. Alongside with the labor productivity growth, the average salary increase is accordingly planned.

It should be noted that the labor productivity with reference to the near abroad enterprises per one worker saw a general decline to the level of year 2008. The decrease of the labor productivity is explained by lowering the production volumes due to the world economic crisis effect.

It is noteworthy that at the labor productivity growth rates in the existing prices in 2009 of 92.7%, the salary rate made 98.7%.

So, the upper management took significant efforts for restricting the drop of the enterprise employees' well-being.

In is important that in these challenging times the enterprise conducted the works for decreasing the labor coefficient of the manufactured products. In 2009 the realization of this approach lead to the decrease of the fulfilled operations labor coefficient in basic and supplementary plants by 81.7 thou. per hour. The economic efficiency made over 344.75 mln roubles.

As far as the salary level is concerned, the plant takes a decent place among the gross-making enterprises of the Ministry of Industry of the Republic of Belarus, which is shown on the diagram.

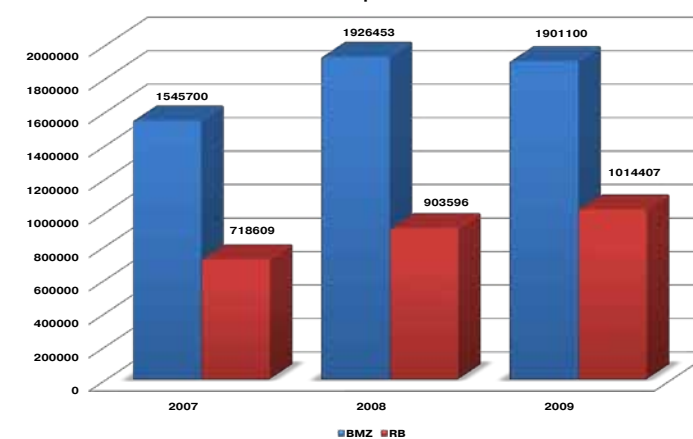
All the enterprise technical-economic development programs are created with regard for a year and are reported to the personnel. Their completion results are summarized monthly during a year and are reported to the employees during forums, meetings and in a works newspaper.

Immaterial stimulation

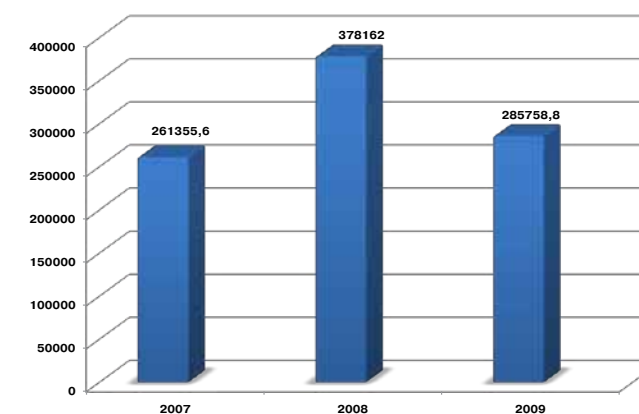
A significant element of the enterprise corporate culture is the system of immaterial stimulation of the employees that comprises social-psychological, staff and professional aspects.

Byelorussian Steel Works puts particular

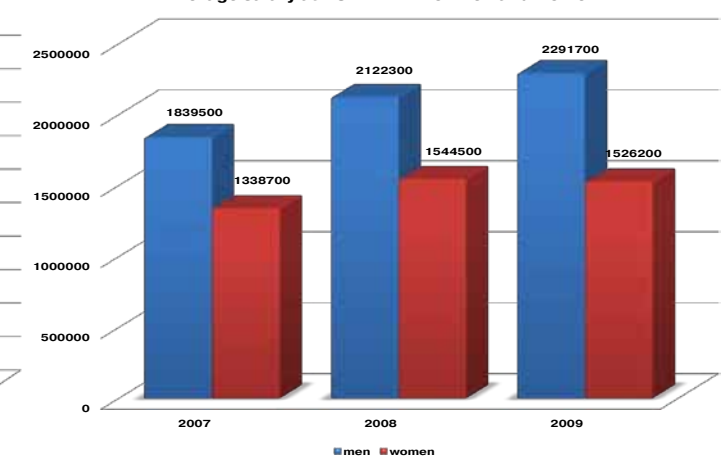
Average salary at RUE "BMZ" as compared to the average salary of workers and clerks in the Republic of Belarus



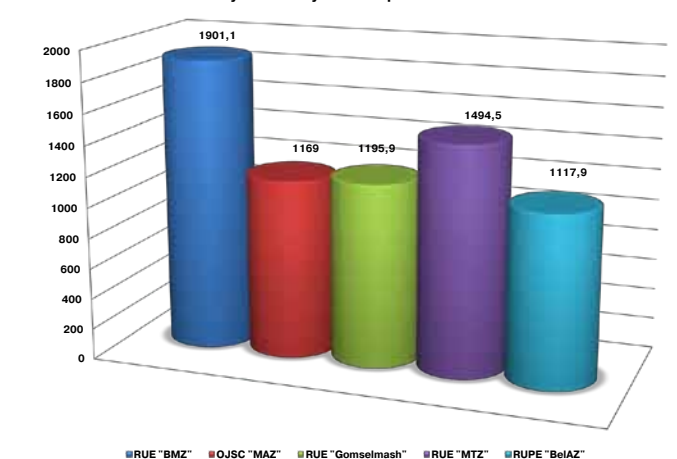
Dynamics of the personnel productivity at RUE "BMZ" in existing prices for 2007-2009, thou. roub.



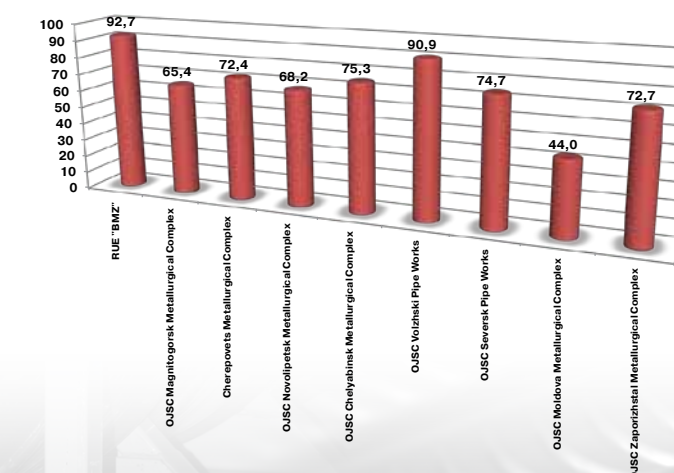
Average salary at RUE "BMZ" for men and women



Monthly average salary at RUE "BMZ" as compared to GDP-producing enterprises of the Ministry of Industry of the Republic of Belarus for 2009



Labor productivity rate for metallurgy industry enterprises of the near abroad countries, 2009 compared to 2008 in %



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The enterprise takes care of its employees and understands the importance of the social responsibility.

*The Head of the Export Group of the European Foundation for Quality Management
Guy Major*

emphasis on stimulating and involvement of the personnel into saving material and energy resources, enhancement of the labor productivity, increasing the responsibility for the quality of the manufactured products, raising the production efficiency as well as development of the creative incentives by holding production competitions. 29 types of the production competitions and contests are held in individual and collective forms ("Best in profession", "Best plant", "Professional Olympus", "Best rationalizer of the

year", "Best young specialist", "Contest of plant teams and structural subdivisions of the works in conformity with "BE AWARE OF A HUMAN!").

One of the main constituents of the corporate culture and efficient way of enhancing the workers motivation is corporate awarding. For the purpose of moral stimulation, strengthening glorious labor traditions, increasing the role and strengthening of a Man of Labor the works conducts festive events dedicated to initiation into young metallurgist, entering in the works Book of Honor or putting on the Honors Board, honoring the winners of the productive competitions at the annual Labor Festival "Professional Olympus". All categories of the works employees, who attained better results in production activity, showing active participation in the enterprise social life, having authority and respect of the working team, are granted the honor to have their pictures posted on the Honors Board of RUE "BMZ". All structural subdivisions of the works have "Alleys of Glory", "Foremost Workers" stands with the pictures of best plant workers.

In 2009 419 workers of the enterprise received the award; 16 of them were given state awards, mainly: 14 persons – "For Working Achievements" medals, 2 persons – honorary titles "Honored Metallurgist of the Republic of Belarus". As compared to year 2008 the awards amount have increased by 25% that is mainly explained by the 25-anniversary of the works.

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

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

- production-economic (the competitive ability growth, enhancing the quality of duty performance and manufactured products);
- administrative (providing with qualified personnel, its formation, reproduction, adaptation and personnel

development);

- social-cultural (personality socialization, providing occupation, social confidence, offering equal opportunities for professional and career growth).

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

Short-term targets in the field of social responsibility

Achievement of the following level of the main target values with reference to the works social-economic development is scheduled for 2010:

training of the executive employees and specialists, pers.	1487
employees professional training, pers.	3551
general satisfaction of the personnel, not less, %	72
salary growth rate, not less, %	107,6
personnel turnover, not more, %	2,5

Labor protection and ensuring of industrial safety

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

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

Creating the labor protection control system never has a zero starting point. RUE "BMZ" has already had a certain experience in labor protection control: conducted the required events, developed and used the labor protection control documentation in the operation. One of the trends in the labor protection control system improvement (LPCS) of RUE "BMZ" was its coordination with the requirements of international standard OHSAS 18001 and state standard STB 18001.

A significant effort was taken in order to coordinate the existing labor protection control system with the requirements of OHSAS 18001 and STB 18001. The enterprise developed guidelines, company standards, carried-out the full-scale

hazards and risks identification. In parallel with that, the enterprise subdivisions performed the work for coordinating the working documentation, working places with the requirements of rules and regulations for labor protection, which, in its turn, increased the level of personnel safety, competence and awareness. The management and specialists for implementation and certification of the enterprise regarding the correspondence with OHSAS 18001 and STB 18001 requirements. In the result of the training internal LPCS auditors were educated. There was also the enhancement of the management awareness regarding the aspects of the implementation and

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advantages of observing OHSAS 18001 and STB 18001 requirements.

In 2009 RUE "BMZ" successfully passed reaccreditation audits for compliance with the requirements of international standard OHSAS 18001:2007 "Professional safety and health management systems" and state standard STB 18001-2009 "Labor protection control systems. Requirements".

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

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

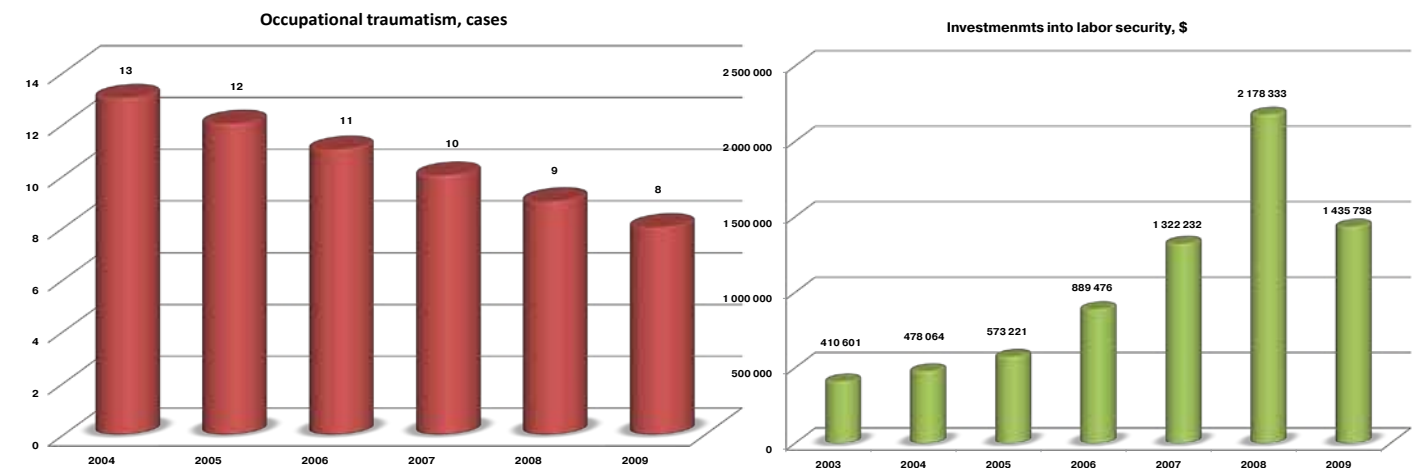
OCCUPATIONAL TRAUMATISM FACTORS

№	Factors	2008	2009
1	Number of accounting accidents	9	8
2	Number of the injured including:	9	8
	mortal	2	1
	severe	4	0
	group	0	0
3	Frequency coefficient, Fc	0,73	0,7
4	Seriousness coefficient, Sc	54	21,5
5	Lost days of working ability	486	172

Implementation of this system allowed our works to:

- lessen the costs due to more efficient use of labor recourses; diminish the expenses related with traumatism and morbidity;
- increase legal safety, guarantees of correspondence to the changing legislative labor safety requirements;
- minimize the risk of judicial punishment;
- respect the interests of the parties – the employer and working team in the process of the enterprise productive activity;
- improve the enterprise image on product and labor markets as well as in the eyes of government authorities as a socially responsible organization;
- aim the management echelon at disclosing and decreasing the basic risk types related with the negative impact of production activity and released products on the employees', population's and consumers' health;
- to simplify the system approach to problem-solving, achieve greater responsibility, more distinct responsibility distribution;
- enhance the labor productivity due to improving the conditions and lowering the overhead costs for time and labor.

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



illnesses, emergencies and fires.

In 2009 investments into the labor protection made 1 422.5 mln of US dollars. The occupational traumatism level depends on several factors; one of them is the volume of investments into labor protection. During recent years considerable means were invested into the labor protection measures that allowed to decrease the traumatism level from 13 in 2004 to 8 in 2009.

Improvement of work conditions

Under the Technical Rearmament Program multiple operations for decommissioning out-dated equipment and commissioning modern one compliant with all the international labor safety requirements are being carried-out.

These measures allowed to considerably improve the employees' labor conditions and diminish the health impact of harmful and hazardous production factors.

The enterprise annually develops "Plan of measures for ensuring labor safety and improving labor protection conditions". In 2009 86 measures for ensuring labor safety and improving labor protection conditions, stipulated by the plan, were scheduled; there were fulfilled 74 measures, 12 of them were cancelled. After the measures had been realized, the

workplace labor conditions were improved for 1 353 (in 2008 – 1 331) workers.

The enterprise aspires to continuous improvement of its labor protection factors due to increasing the production process safety, personnel motivation and employees' commitment regarding the conformity with the labor protection requirements. The employer's liabilities with reference to ensuring safe and healthy labor conditions are documented in "Labor Protection" section of the Enterprise Collective Agreement. According to the items of the Collective Agreement the workers are fully and promptly provided with quality certified specialized clothing and footwear, personal protective and hygiene equipment, undertake periodical medical examination. Particular categories of the employees are provided with milk.

Training and competence evaluation

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

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certification regarding safe operation.

In order to fulfill the educational activity for training of the personnel that service and operates high-risk facilities the corporate Training Center was audited in conformity with the republican legislation and received the consent of the Department for Supervision of Safe Operation in Industrial and Atomic Energetics of the Emergency Situations Ministry of the Republic of Belarus for the right to train employees

authorities regarding the control of compliance with the labor protection legislation are specified by the Decree of the Ministry of Labor and Social Security of the Republic of Belarus as of 28.11.2008 No.179 "On the procedure of public control regarding the control of compliance with the labor protection legislation carried-out by the persons authorized to control an organization employees' labor protection and the Articles of the Belarusian Federation of Trade Unions.

Activity	2009 r.		
	Plan	Fact	% fullf.
1. Enhancement of the administrative employees' and specialists qualification, total:	1 021	1 064	104,2
– PAN RB	421	439	104,3
– Designated OHSAS courses	600	625	104,2
2. Professional training of the workers:	3 452	4 015	116,3
– training of new employees	0	96	
– retraining	588	768	130,6
– qualification enhancement	655	690	105,3
– Designated courses	2209	2461	111,4

for the needs of the works and other organizations.

Social control for observance of human rights in the field of labor protection

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

On the first stage the daily control on each working place regarding observing the legislation of the Republic of Belarus in the sphere of labor protection, ensuring the employees right for safe labor and health maintenance fulfills the public service of health and safety executives. The service of public executives in the amount of 404 persons consists of the reputable employees selected by the working team members using open voting. The executives' activities and their

The executives proceed to individual work after taking special training course in private unitary enterprise "Educational-Methodic Center of Gomel Regional Trade Union".

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

During 2009 public labor safety formations carried-out 51435 inspections. 73086 discrepancies were identified and 221 presentations were issued to the management.

During the annual integrated research of social-psychological climate in the structural

subdivisions working teams the respondents give a high estimate to the employees' labor safety level (the satisfaction index made 0.74 vs 0.76 in 2008) and an average estimate to on-site sanitary-hygienic conditions (the satisfaction index made 0.65 vs 0.61 in 2008).

Reaching the following level of the basic target values regarding the works social-economic development (in the sphere of labor protection and industrial safety) is scheduled for 2010:

- prevent the occupational traumatism growth to the level of 2009
- improvement of labor conditions and ensuring labor safety for plants workers, pers. - 780

SOCIAL PROGRAMS

Contributing to the workers social development and local community are among the principles of the responsible business practice formulated in the UN Global Agreement and other international acts.

RUE "BMZ" understands that nowadays the enterprise stability is determined by both economic efficiency factors and parameters of the corporate social policy effectiveness, degree of its involvement into the general business development strategy. The right choice of priorities, modes of operation, used technologies, quality of social programs development is greatly determined by the overall successes of social activity, its compliance with the enterprise development objectives.

Personnel is the major society resource for obtaining competitive advantages.

RUE "BMZ" makes considerable investments into creation of motivated, responsible personnel, labor condition improvement, ensuring employees social protection, participates in solving socially significant problems in the region, considering this activity as a constituent part of its business, social investments and the integral element of social responsibility.

The policy of cost-saving and anti-recessionary programs held by the works in 2008-

Your contribution into the social sphere development, construction of various objects is, first and foremost, in people's demand. The traditions established at your enterprise must be retained. A director's authority is assessed both by production factors and, may be to a greater extent, by what he is doing for the people in the domain of constructing sport, cultural buildings, landscaping, etc. Byelorussian Steel Works was instructed in this respect by our Head of State. The works team has always honorably fulfilled its obligations. I want to be sure that this tendency will continue in the future. Certainly, BMZ team will solve all the issues it faces. I don't have any doubts in this respect.

Chairman of Gomel region executive committee
A.S.YAKOBSON

2009 didn't have an impact on the social programs implementation that was carried-out in conformity with the Collective Agreement and budget on social sphere. In 2009 36.5 bln roubles was assigned for financing social programs.

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

- creating favorable conditions for the workers and their families for solving all the welfare issues: treatment and medical service, saving reproductive health, health improvement and vacations, promoting healthy lifestyle standards, improving living conditions and cultural service;
- rendering social and voluntary support for pensioners, the disabled, children, the works employees having large families;
- offering sponsorship and beneficent aid for sport organizations and organizations representing other spheres of public life;
- offering a wide scope of quality services for the town and surrounding area inhabitants by the social sites.

Social package of benefits and guarantees for the staff

RUE "BMZ" makes considerable investments into education and personnel qualification enhancement, labor conditions improvement,

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ensuring employees social security, participates in solving socially significant issues in the region considering this activity as a constituent part of its business, as social investments into the inherent element of corporate responsibility. In order to stimulate labor productivity enhancement and personnel management cost optimization in addition to salary the works uses the social package that in 2009 made over 1 428 520 roubles per each employee.

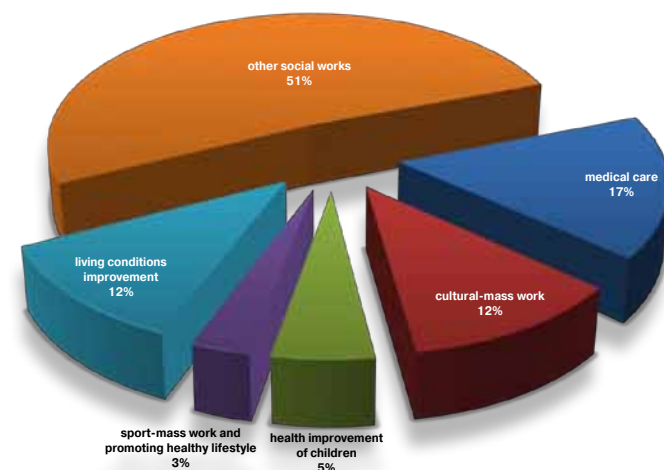
The social programs will not be called back. We choose their content more thoughtfully. We live in diverse times now, the profits have dropped, so we have to economize but without detriment to the social guarantees ensured by the works to its employees on a high level.

RUE "BMZ" Director General
A.N. Savenok

- physical culture and sport development;
- the works employees' cultural life;
- solving the living conditions issues of the employees;
- support of large families;
- social support of unemployed pensioners, invalids and other categories of lower-income citizens;
- child care.

Health protection

One of RUE "BMZ" social policy constituent is the enterprise employees' health protection acting owing to the established preventative medicine system. The works preventative medicine system perform the tasks of the employees health protection, medical-sanitary monitoring of the industrial production, disease prevention and health rehabilitation ensuring the collaboration of the enterprise subdivisions in solving the issues of labor and personnel health protection.



The social package includes:

medical care	16,7%,
living conditions improvement	11,8 %,
cultural-mass work	11,6 %,
children health promotion	5,3 %,
sport-mass work and promoting healthy life style	3,1 %,
other social payments (supporting 9 preschool institutions, 8 works canteens, a recreation center, etc.)	51,5 %

The works realizes its social policy in the following priority lines:

- labor protection;
- rest and health promotion of the employees and their family members;

In order to improve the quality and increasing the accessibility of the medical programs for the works employees and Zhlobin residents the works develops own network of health institutions.

The integrated approach to forming the strategy and tactics in the working team health protection has been realized by "HEALTH-2009" program that coordinates the interaction of management, medical workers, industrial safety department, social complex subdivisions, the trade union for disease prevention, traumatism, healthy life promotion. The major lines of the works social policy and "HEALTH 2009" program are:

- enhancing the preventive medical aid level;
- orientating the medical aid system at increasing the ambulatory segment efficiency;
- coordinating the on-site working places with technological and sanitary-hygienic norms;
- improvement of ecological events and environmental protection norms;
- creating living quality improvement conditions;
- development of the works personnel's strong orientation at healthy lifestyle.

Despite of the unstable economic situation in 2009 the works sent 2.8 bln roubles only for realization of medical part of the program.

The clinic of RUE "BMZ" is the largest of the town enterprises and includes a polyclinic for 250 visits per a shift, plant aid posts, plant recreation centers and is the medical care base for the employees and pensioners retired at RUE "BMZ". In 2009 over 193 500 people visited the clinic.

The works fulfills the financing of the clinic and sent for its activity over 2893 mln roubles in 2009. Clinical and biochemical laboratory, functional diagnostics cabinet, X-ray cabinet, ultrasound investigation cabinet, day hospital and physiotherapeutic department function in the clinic. Highly-qualified specialists for 12 medical specialties work in the clinic. The equipment allows to perform the following research: electrocardiogram, reovazogram, bicycle exercise, daily monitoring (Holter), rheoencephalography, clinical blood analysis, general urine analysis, biochemical blood analysis, ultrasonography of abdominal cavity organs, thyroid gland, heart, X-ray photography. Owing to efficient collaboration of the clinic management with the works administration and trade union committee



In order to reach good results a good doctor uses all kinds of means: word, personal charisma, knowledge, professionalism.

Head Physician,
V.I. Miroevsky

the in-service employees treatment has been implemented since 2001 that gave the opportunity to sustain the labor productivity level and save the social fund means. Implementing the method of in-service treatment and prevention allowed to lower the labor loss by 2.2%.

The basic mechanism of the employees health conditions control are periodical medical examinations. The medical examinations allow to instantly disclose the presence of harmful and

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hazardous production factors and take measures for their elimination that permits to prevent the development of professional illnesses and contributes to occupational traumatism prevention. For the employees working with harmful and hazardous factors the profound medical examinations are carried-out. They include instrumental-laboratory studies and consultations by functional specialists taking into account the sectorial specificity and employees' profession. Under this project in 2009 the profound medical examinations were undertaken by over 5800 workers for an overall amount of 166.4 mln roubles.

The form of treatment procedures with temporary working activity termination is applied. In 2009 it was used by over 200 people.

Effectiveness of medical and sanitary programs

The means invested in the works employees health, efficient disease prevention system, medical service quality enhancement and implementing modern treatment methods, successful realization of the employees health promotion program in sanatoriums and vacation houses allows to sustain the positive dynamics of lowering the employees disease incidence. Nevertheless, in view of two influenza epidemic in 2009, the figures somewhat degenerated with reference to the acute respiratory viral infections and influenza.

In 2009 the works continued overall health examination for prevention and early detection of the employees' disease. In the result of the conducted works policy the employees' health figures at the enterprise improved.

RUE "BMZ" participates in the realization of the National Demographic Safety Program aimed

at improving the conditions of pregnant women and the female employees of the works, who gave birth to a child, for preparation for birth-giving and child upbringing.

Sanitation and rest time for employees and their families

RUE "BMZ" strives to improve the conditions for health promotion and rest of its employees as well as all the volunteers in Zhlobin. At present the works offers the high-quality services that can satisfy any client. "Dneprovskye Zori" recreation center is located on a picturesque bank of the Dnieper river in a pine forest, has the houses for accommodating 24 people and is meant for organizing sport and cultural events.

Annually over 1 600 employees of the works and their family members spent holidays in the sanatoriums and vacation houses of the Republic of Belarus. Financing of health improvement programs and sanatorium-resort therapy is fulfilled on the principles of solidary participation at the expense of the works budget, state social insurance and employees' means. In 2009 over 912 mln roubles were directed to compensate the trip tickets for the employees and their family members.

For organizing the vacations of the employees' children RUE "BMZ" compensates the major part of expenses. In 2009 1 173 children spent their vacations in the children's health centers of the republic. Health improvement of more than 1350 children is scheduled for 2010.

Besides, in 2009 the works used the children's health improvement possibilities under the program of children's trip tickets distribution by the social insurance fund. The health-improving services of the republican sanatoriums were used by 154 children.

Factors	units	2007	2008	2009
Temporary incapacity (illnesses and traumas)	cases	11 739	10 898	12745
	days	113 672	107 986	128 945

Physical culture and sport development

Physical culture and sport is one of the constituent parts of healthy lifestyle, hence forming the demand in regular sport activities with workers is a priority direction of RUE "BMZ" social policy. At present, the works offers its sport and recreation center for the employees and the town residents to do sports and conduct outdoor activities. The realization of the works social mandate regarding the development of the mass physical culture and sport and following healthy lifestyle are assigned to this complex having three gyms: for exercising, playing games and tennis. This type of activity is specified by the corresponding provisions and clauses of the Collective agreement with direct participation and financial support by RUE "BMZ" trade union committee.

The priority work directions of the sport and recreation center are:

- organizing sport and health-improvement as well as sport-mass work at RUE "BMZ";
- strengthening the works employees' health, enhancing their working efficiency, stress resistance, healthy lifestyle promotion;
- satisfying the works employees' needs of systematic sport and physical culture activities, the works employees' health promotion, formation of physically developed and healthy citizens;
- engaging children and teenagers in regular sport activities.

In 2009 the works spent over 288 mln roubles for maintenance of the sport and recreation center. The allocated funds are directed to:

- conducting sport-mass activities: under the annual all-the-year-around Olympics of RUE "BMZ" employees the competitions were held in 15 kinds of sport, 41 sport events were organized with participation of 34 teams;
- physical-health-improving work among the employees and their family-members: 8 amateur clubs and 9 sporting sections for varied kinds of sport were created and successfully function, where over 760 people were engaged in regular physical culture

and sport activities;

- sport-mass activities according to the schedule established for 2009 in collaboration with RUE "BMZ" Trade Union: over 600 workers and their family members took part in 12 traditional sport activities.

57 sport activities visited by over 47.9 thou. people including 22.6 thou. children were held in the sport and recreation center in 2009. Apart from the competitions of the Olympics the sport and recreation center organized the traditional children's' New Year's mini-football tournament, ice hockey tournament, "Motherland Defender" Olympics for 7 kinds of sport, 20th international field-and-track race and others.

The level of conducting health-improving and sport-mass work in RUE "BMZ" sport and recreation center allowed the center working team to take honorable III place in the republican review competition held by the Ministry of sport and tourism.

The works employees support the honor of the enterprise at the competitions of various level; some of them are acting participants of the Championship of the Republic of Belarus in major league in mini-football team "MFK Zhlobin" and are participants of Gomel region assembly teams.

Efficiency of healthy lifestyle policy realization at the works is confirmed by sport achievements of the assembly teams consisting of RUE "BMZ" employees:

- 1st place in the all-the-year-around regional Olympics;
- 1st place in the regional summer Olympics of the Belarusian Industry Workers Union;
- 1st place in volleyball in the republican Olympics of the Belarusian Industry Workers Union;
- 3rd place in the Powerlifting Cup of the Republic of Belarus;
- 1st place in the Gomel Region Taekwondo Championship.

In order to organize the workers' leisure time and promoting healthy lifestyle the works implemented the program of collective visiting the town-located sport and recreation center, Ice Palace, swimming pool and water park, sport complexes and facilities of the republic: Silichi, Raubichi and others.



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One of the major lines of the sport and recreation center activity is engaging the works employees and their families in sport activities. 8 amateur clubs and 9 sport sections for diverse kinds of sport were created and successfully function for this purpose. Engaging the works employees into sport activities contribute to both their health-improvement and forming specific corporate spirit of the enterprise that helps to solve the most challenging production issues. The sport and recreation center services are demanded by the region population.

RUE "BMZ" takes active participation in solving issues on the territories of the presence carrying-out the financial support the sport of records: "Metallurgist" volleyball team, "Metallurgist-Zhlobin" hockey-club. The total amount of 12 639.8 mln roubles was transferred in 2009. This year "Metallurgist-Zhlobin" team took its first bronze medals of the 17th Open Championship of the Republic of Belarus in Ice Hockey.

Cultural life of the plant employees

The criteria of the social facilities operation assessment is performance of the obligatory functions regarding rendering services for the employees and region citizens. One of the its main objectives RUE "BMZ" sees the formation, satisfaction of cultural and spiritual need of all the categories of employees and region citizens, supporting socially significant initiatives, development and realization of their creative potential. During 18 years the key role in organizing cultural life of the works and region belonged to the Culture Center of Metallurgists.

The Culture Center conducts various cultural-mass events of educating, aesthetic, entertaining character for all the categories of population. The range of the events is very diverse: evening parties, discotheques, dramatic performances and plays, concerts dedicated to festive and anniversary dates, contests, amateur talent groups reviews. In 2009 the Culture Center organized 270 events visited by over 36.4 thou. people. In 2009 the works sent for financing the activity of the Culture Center of Metallurgists

activity over 1153 mln roubles.

The Culture Center both cheers the people up and develops talents, gives the opportunity to be engaged in favorite activity, makes the leisure time of metallurgists and town residents more spiritual and exiting. More than 500 people including over 400 children attend amateur clubs and creative teams. In 2009 new theatre club "Argo" and aesthetic development studio "Ostrovok" for the children of 3–4 were established.

The Culture Center hosts 20 creative teams and amateur associations – among them 8 adult and 12 children's. 5 creative teams bear honorable name "Peoples" and "Exemplary" of the Republic of Belarus. In 2009 by the decision of the Republican Certification Committee vocal studio "Assorti" was awarded title "Exemplary Amateur Team".

The great emphasis of its activity the Culture Center puts on the professional level enhancement. The Culture Center creative teams continuously participate in prestigious festivals and contests:

- Anna Donets took part in the international exhibition of author's dolls "Silk Heart". Her work is recognized as one of the best and included into the catalogue of Moscow Exhibition Company "Mak";
- Anastasia Logvinenko (soloist of vocal studio "Assorti") was given the Diploma of the second degree for participation in competition "Spring Star Shower-2009" and Diploma of the third degree for participation in III open regional festival of creative youth "Under White Wings";
- Viktor Lapin was given the Diploma of the first degree for participation in town competition "Song in a Military Greatcoat".

One of the important activity lines of the Culture Center is the younger generation upbringing. Almost all the work is directed at prevention of the youth asocial behavior, struggle against drugs, promoting healthy lifestyle and AIDS prevention. On a regular basis the Culture Center holds varied youth discotheques, evening parties, festivals, particularly, "Molodo-zeleno" festival having the main idea: "Creativity is the alternative to drugs and alcohol".

Realizing social programs in the local

community the Culture Center team closely cooperates with Zhlobin regional organization of "Belarusian Board of Officers" public association, "Belarusian Republican Youth Association" public association. RUE "BMZ" Veterans' Board, Women's Council and other public organizations of the enterprise working teams hold their activities under the roof of RUE "BMZ" Culture Center. The are joint events – concerts, meetings, gala nights and honorings.

The joint projects of the Belarusian Republican Youth Association and the Culture Center of Metallurgists enjoy particular popularity with the city youth – competitive programs "Miss Zhlobinchanka", "BMZ Superman", "Perfect Lady", "Business Lady". Supporting the initiatives of Belarusian president A.G. Lukashenko in state youth policy, the Culture Center of Metallurgists actively implements new projects, such as "Sport – Health! Beauty!", youth festivals "If you are young – Go for it!", "Everything starts with the family" and others.

The Culture Center activity is aimed at improving social climate and environment. The creative teams of the Culture Center constantly participate in town and region festive events, annual republican festival-fair "Dazhynki", gala concerts devoted to professional feasts. The Culture Center teams also participate in regional and republican events. The brass band of the Culture Center of Metallurgists is the adornment of key festivals in the cultural life of the town. The high estimate of its creative activity was given by the chairman of Zhlobin regional executive committee L.N. Apanasiuk after the festive concert dedicated to 65-anniversary of Belarus liberation of Nazi invaders: "The brass band is the patrimony of our town. The music of the band gives a specific, elevated mood to our life".

Important line in the Culture Center activity is conducting the activities strengthening the connection with production, raising pride for the enterprise.

In the center of all the activities is the man of labor, demonstration of the importance of every single team member, establishing and support of the corporate spirit for the efficient activity of the entire enterprise. The work modes are: annual ceremonial

presentation of professional premium "Professional Olympus", "Miss Zavodchanka", "Initiation into Metallurgists", "Youth Ball", cultural-sport feasts, the events dedicated to the Metallurgist's Day, the works birthday, competition of the teams of Club for the Lightheaded and Quick-witted "The Entire Works and Every Plant will be Made Friend by the Humor, Joke, Laughter".

The Culture Center of Metallurgists activity is organized in such a way that allows the majority of the workers to disclose their abilities and talents, contact with the beauty, the highly spiritual. It is proved by the annual works the amateur talent groups review competition. This creative work unites people, raises their spirits, creates the mood for successful and productive work.

The Metallurgist's Day is the main feast both of RUE "BMZ" working team and the entire town. As far as importance, attendance, impressions brightness impression are concerned, it is equal to festive events of the republican scale. Belarusian and Russian entertainment stars can be seen performing during the feast.

Solving of employees' housing problems

The important part of the social policy realized at RUE "BMZ" is engaging and promoting young highly-professional production staff.

For this purpose the works develops and realizes the designated housing program allowing the employees to obtain accommodation at the expense of the works means on favorable terms. In 2009 241 employees of the works improved their housing conditions. 807.3 mln roubles were used for this purpose.

RUE "BMZ" offers six dormitories for the workers' family members, where 714 families (or 2085 people) reside, and one dormitory for 340 beds provided for single employees. In 2009 the works sent 1.2 bln roubles for maintenance of the housing and public facilities.



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Support of families possessing many children

Based on the state policy principles proclaiming the children's rights for special care and aid, that the family, as the major social unit and natural environment for growth and well-being of all its members, must be provided with the required protection and assistance, with a view to further development of the lines supporting the maternity and childhood RUE "BMZ" conducts the activities for supporting full and incomplete families as well as the families with four and more children under 18. The aim of the activities is increasing the status of families and improving their life quality. According to the provision regarding health-improvement and sanatorium-resort therapy at RUE "BMZ" the families are provided privileged and partially paid trip tickets to sanatoriums and vacation houses. One of the events for the workers' families social support are annual payments for obtaining school uniforms and monthly provision of paid day-off for mothers of more than three children.

REALIZATION OF THE EVENTS FOR THE WORKERS' FAMILIES SUPPORT

Lines of support	2007 год	2008 год	2009 год
Payments for birth of a child (nonrecurrent)	177 women 226.8 mln roub.	177 women 226.8 mln roub.	160 women 235.3 mln roub.
Child under 3 care payment	551 women 1010.4 mln roub.	562 women 1010.4 mln roub.	546 women 1148 mln roub.
Payments for obtaining school uniform	31.6 mln roub.	31.6 mln roub.	30.5 mln roub.
Providing one day-off	51.8 mln roub.	51.8 mln roub.	63.1 mln roub.
The means aimed at children's health improvement	824.5 mln roub.	824.5 mln roub.	912.3 mln roub.
Payments for the families raising the disabled children under		100 children 10.1 mln roub.	100 children 10.0 mln roub.

Social support of unemployed pensioners, invalids and other categories of people not sufficiently provided for

Business initiatives have great impact on the processes of social development in the country and their results change the public ideas of the living quality norms. A pensioner, who receives the corporate pension in addition to the state one, is better protected when he gets old. The work with veterans, invalids and other categories of the needy is carried out at RUE "BMZ" based on "recipient-oriented" social support both in form of financial payments and using a wide range of social facilities: the clinic, the Culture Center of Metallurgists, sport and recreation center of RUE "BMZ".

In 2009 the sum of this support made over 908 mln roubles.

There are over five forms and directions of rendering social support that were used by over 1300 people.

An important line in the social support policy is the monthly material aid for unemployed pensioners. At present the amount of monthly pension supplements varies from 20 to 250 thousand roubles depending on the record of service and awards. In 2009 these supplements made 734.1 mln roubles.

The financial aid is provided in connection with retirement. In 2009 the amount of this aid was over 120 mln roubles. Besides, there is the annual

financial aid dedicated to the International Day for the Elderly. Its amount in 2009 made over mln roubles.

A special place in the social program takes providing the unemployed pensioners with treatment in the works clinic, the sport and recreation center services, the Culture Center services at a reduced fare.

Concern for children

Being a socially-orientated enterprise, RUE "BMZ" puts great emphasis on retaining and improving health of the younger generation of metallurgists, creating safe living environment and personal development of a child. The realization of this objectives is assigned to 9 pre-school institutions under the auspices of the enterprise attended by 1 847 children (72% – children of the works employees, the others – of the region residents). For many years of the institution work the quivering and caring treatment of each child, enthusiasm and conscientiousness, initiative and sincere interest of the employees in the well-being and health of every single child remain the unchanging values for their working teams.

On the basis of children's' pre-school institutions function as follows:

9 musical halls;
9 gymnasiums;
6 swimming pools;
8 art studios;
8 defectology cabinets;
8 psychology cabinets;
9 medical units;
game-playing, creative, ecological, adaptative, ethnographic and other types of playgrounds.

In the kindergartens for efficiency of the educational process integrated classes and scenario-paying complexes are used and counselors and physiologists are involved. A significant attention is given to protection of a child's rights. In addition to sport activities thematic matinees are organized for the children, ecological education is taught. In the kindergartens there are colorful stands, creative playgrounds, pets' corners, sculptural compositions,

ecologic rooms; birdfeeders are suspended in the playground areas. In a word, everything is arranged so as children grow in unity with nature and try to adorn the earth, preserve its beauty. Ecological education presupposes both caring attitude to nature and being responsible for own health, conformity with certain moral standards and rules of conduct in a forest, in a meadow, small wood and garden. This attitude to the world to be protected is raised in the children from early age.

The legal education work is carried-out among children and their parents.

The pre-school institutions implemented the system of therapeutic and educational events for children's health improvement that is directed at creating optimum ecological, sanitary-hygienic conditions in order to ensure creation of positive emotional condition of children, satisfying the need of each child in psychological comfort via the flexible educational process system.

Enhancement of the preschool education quality is ensured by creating the conditions for self-actualization and enhancing the pedagogic staff's professional level, organization of the methodical associations. The pre-school institution system unites over 480 workers including 226 teachers.

In 2009 the works sent 7.5 bln roubles for financing the activity for kindergartens.

Monitoring of public opinion concerning social programs effectiveness

The results of the integrated study of social-psychological climate in the structural subdivisions working teams held at the end of 2009 speak of the positive assessment of BMZ activity in social responsibility sphere. Over 10% of the works employees, who took part in the study, expressed their opinion of the quality and level of the works canteens, social security and protection, medical services at the enterprise, leisure-spending conditions, conditions for doing sport and conducting the works cultural activities (the satisfaction index according to the evaluation criteria made from 0.59 to 0.76).





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Employees' rights

Carrying-out its practical activity, RUE "BMZ" acknowledges the immunity of human rights and takes all the required measures for their provision and protection.

Being a socially responsible enterprise, the works respects the interests and rights of the workers based on the social partnership principles. These principles are laid in the social partnership paramount agreement – the Collective Agreement for 2008–2011 concerning all the works employees and having the objectives as follows:

- development of contract relations between the enterprise and its employees being the social partnership parties;
- coordination of the works and employees interests during elaboration of common principles of regulating social-labor relationships;
- providing for the workers with working places and salaries in conformity with the signed labor contracts, social and economic rights established by the active legislation of the Republic of Belarus;
- following labor and technological discipline, labor protection requirements, industrial safety and production sanitary;
- strengthening social-legal security of the enterprise workers;
- stabilization of social-economic situation in the working teams and subdivisions of the enterprise.

Guided by the UN Global Treaty principles the works sees ensuring and protection of human rights as a priority as compared to the economic results of production activity and guarantees their realization.

RUE "BMZ" opposes all the forms of discrimination and builds its activity on the basis of generally recognized principles and norms of the international law, standards and conventions of the International Labor Organization, legislation of the Republic of Belarus. In 2009 the enterprise didn't register the cases of gender, national, religious and political discrimination as well as the cases of using forced and child labor.

BMZ having in its structure productions with

enhanced danger level is responsible for ensuring the production facilities safety for the employees and population. The works creates healthy and safe working conditions by replacing out-dated equipment and technologies and complies with the labor protection legislation, international industrial safety and professional illnesses prevention standards as well as internal regulations. The issues of the employees' health and safety are set in the collective agreement.

The works recognizes that its production activity is connected with negative environmental impact and takes all possible measures for minimization of such impact on the population's life activity.

RUE "BMZ" guarantees the right of trade unions to carry out their activity without encumbrance and any restrictions as stipulated by the legislation. The right of the employees and trade unions to participate in contract regulation of labor relations realizes itself in the procedures of preparing and signing the Collective Agreement, in the employees' right to participate in creating and improving labor conditions and occupational environment.

Legal regulation of labor relationships is performed at RUE "BMZ" in conformity with the Labor Code of the Republic of Belarus and the Collective Agreement of the enterprise:

- concluding collective agreements, working contracts is fulfilled taking into account the substantiations of production, organizational and economic reasons;
- informing an employee of changing the labor conditions should be not later than one month prior to concluding the contract;
- informing an employee of the contract expiration, of the intent to prolong/not to prolong the contract for a new term should be not later than one month prior. The notification period in 2009 was increased twofold.

The works strives to prevent labor disputes and contracts, and if there are any, – it participates in open negotiations with the employees recognizing mutual responsibility of the social partnership parties. In order to ensure equal rights of the works employees, conformity with the legislation of the

Republic of Belarus, solving disputes the labor disputes commission was established. It includes, in equal proportion, representative of the management and working teams. The commission objective is competent consideration of individual disputes that arise between separate employees and the management regarding the issues connected to labor relations. During one year the commission performed continuous work acting as an arbitrator. In 2009 9 applications of the works employees were considered. In the result of considering the applications by the commission 4 of them were rejected due to inconsistency of the submitted claims, with reference to 4 of them the commission satisfied the employees demands and one application presented by the working team was withdrawn due to solving the arisen issue by the management.

For the purpose of following and ensuring human rights at the enterprise in conformity with the employees' existing continuous training and personal development system a great emphasis is put on increasing the awareness level and legal literacy of all the employees. Over 90% of the employees, who undertook professional training in 2009 studied the fundamental principles of the legislation regarding economic, ecological or social responsibility.

Strict and rigorous observance of human rights and freedoms is the foundation of modern socially responsible business aimed both at profit-making and stable development of the entire region. RUE "BMZ" intends to comply with the legislation requirements and international social responsibility principles in the future.

Social partnership

In order to improve moral and physiological climate of the working team, solving the issues regarding the collaboration coordination of the management and organizations representing the interests of the varied categories of the employees since April 2005 the works implemented «Be Aware of a Human!» system.

In collaboration with the trade union

organization and other social organizations the works creates the social partnership system that is a foundation for mutually beneficial cooperation.

Sustaining close relationships with the management, the Public Organizations Council conducts its activity at the enterprise. It acts in the interests of the employees establishing active public position of each working team member.

The Council includes the representatives of:

- Trade Union Organization;
- primary organization of "Belarusian Republican Youth Union" public association;
- Veteran's Union;
- primary public organization "Belarusian Women' Union";
- international soldiers' organization;
- Young Specialists' Union;
- Masters' Union;
- Physical Culture Team's Union.

In order to ensure the efficient realization of the employees' rights and establishing confidential relations with all the concerned parties the Public Organizations Council keeps active collaboration with the representatives of the regional social service centre; region and district law enforcement agencies; central regional; hospital and RUE "BMZ" clinic; legal services of the works, region and deputy of the House of Representatives of the National Assembly of the Republic of Belarus elected to the parliament from among the works employees.

Professional union of RUE "BMZ"

The works establishes mutually beneficial relationships and develops the collective agreement with the trade union organization based on the norms and principles of the Tariff Agreement concluded between Belarusian Professional Union of Industrial workers, Belarusian Professional Union of Metalworkers, the Ministry of Industry of the Republic of Belarus, Republican Association of Industrial Enterprises. The Agreement sets the principles of regulating trade and social-economic relationships as well as guarantees and privileges for

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BMZ puts great emphasis on the social policy realization because the major capital of the works are its employees. The enterprise have always shown the necessary care of its employees, ensures decent salary and social protection for their families. The works does not forget about their veterans and those people, who retired after having worked at the enterprise for many years, and provides them with financial support.

*Chairman of Gomel regional trade union amalgamation
L.V. Baranov*

the employees, mutual responsibilities and liabilities of the parties. The aim of the Agreement is joining together the efforts of the parties for attaining social-economic stability and competitive ability of the

industry organizations, increasing the employees' living standard, observance of their legal rights and interests and creating the system of the employees' comprehensive social protection.

The works recognizes that the objective of the trade union is not limited to protecting the employees' rights and influencing labor relationships. It is also a certain indicator of the public mood. The trade union expresses the working teams' reaction on the social and economic policy realized by the enterprise and contributes to its timely correction. The dialogue of the management and representatives of the working teams is especially important to be established in the situation when the works, as a part of the world financial and economic system, experiences difficult times and seeks the opportunities for enhancement of their efficiency.

In their practical activity the parties are guided by the social partnership principles, such as legal equality of the parties, compliance with the legislation norms, considering real opportunities for performance of the assumed obligations, obligatoriness of the arrangements fulfillment and responsibility for the assumed obligations.

RUE "BMZ" Trade Union Organization unites 12201 persons that makes 97.6% of the trade union membership scope. In order to observe the rights and legal interests of the workers the employees represent RUE "BMZ" in the regional amalgamation and in the Republican Trade Union Committee being members of the Regional Trade Union Amalgamation Council, members of the Belarusian Trade Union Federal Council.

The social partnership document allowing to strengthen social-legal security of the enterprise employees is the Collective Agreement. The Agreement regulates social benefits and lump-sum benefit payments, additional payments and financial awards, the size of which directly depends on the results of production-financial activity of the entire enterprise working team. This document establishes supplementary, as compared to the active legislation, provisions regarding labor conditions and payment, social and residential provision of the workers,

compensations and other privileges. The Collective Agreement stipulates various forms of financial payments, bonuses, awards following the results of the work during the year, for the service record, sums of the bonuses for high qualification, professional skill and other, sets guarantees and privileges for the families with children. Besides, a person is not left alone in a challenging life situation; this aid is also stipulated by the main document.

Despite economically challenging year 2009, the Trade Union Organization has significantly increased financing of the charity programs and personnel expenses.

In order to comply with the Collective Agreement, in 2009 the Trade Union Committee financed the following:

allowances to parents for the birth of a child	47,0 млн рублей
acquiring New Year's presents for children	236,0 млн рублей
conducting cultural events	551,2 млн рублей
conducting sport-mass events	176,0 млн рублей
presents to the employees' anniversaries	71,5 млн рублей
retirement presents	31,0 млн рублей
retirement presents	36,61 млн рублей
material support for 5100 persons	543,0 млн рублей

The continuously operating body of social partnership is the Collective Agreement Commission that carries out the control of the assumed obligations fulfillment. It consists of the representatives of the management and the Trade Union Committee. The constant dialogue results in reaching the agreements regarding salary issues, optimization of the management structure, ensuring healthy and safe labor conditions, implementing privileges for the employees that have a determined social targeting. Fundamentally, all the Collective Agreement sections were fulfilled in 2009.

Charitable works and sponsorship is one of the activity lines of the works Trade Union Organization. Being an active member of charitable campaign

"Trade unions – to children" in 2009 the financial aid of 29 mln 300 thousand roubles was given to:

- Zhlobin boarding-school;
- sponsored schools;
- establishment "Zhlobin Regional Social Service Centre";
- regional festival for handicapped children "Do Good";
- organization "Mothers against drugs";
- other organizations.

For organization of cultural-mass events for the works employees, visiting theatres, concerts, trips to the towns of the Republic of Belarus the Trade Union spent 383 mln roubles.

One of the priority lines of the Trade Union activity is creating conditions for full-fledged physical and moral development of the works

employees and younger generation. RUE "BMZ" Trade Union Committee is a founder of a children's and youth's sport school and children's club "Fakel"; over 430 children attend their sections. In 2009 65 pupils of the children's and youth's sport school became winners and awardees of championships and competitions of the Republic of Belarus, international and regional competitions. The Trade Union Committee sent 65 mln roubles for financing the work of the children's and youth's sport school.

In compliance with the program of working with younger generation, for sustaining and improvement of relationships between the family, school and local community, strengthening the family, protection of maternity and childhood under the auspices of

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the Trade Union Committee the Family and School Assistance have been working since 2005.

Under the auspices of RUE "BMZ" Trade Union Committee the Trade Union Library operates with the fund of 35 287 books. The works employees, town residents and their children find there the required literature. For the preceding year the amount of visits made 42 557 people and the amount of the books given-out made 149 426.

Primary organization BRYU

The realization of the state youth policy by the works is built on the principle of mutual cooperation with primary organization of "Belarusian Republican Youth Union" public association, Young Specialists' Union, Trade Union Committee and other public organizations acting at the enterprise. The works corporate program "Youth" is carried out by conducting an open constructive dialogue with concerned parties and continuous improvement of the methods for informing, feedback and cooperation.

In conformity with the state strategy in youth policy the program implemented at RUE "BMZ" sets the priorities and cooperation lines for the concerned parties with regard to creating favorable conditions developing and realizing the youth's potential in the varied spheres of activity via:

- information support of the state in youth policy;
 - civil formation, spiritual and ecological education of the youth;
 - support of research and technology creativity;
 - youth cooperation and creative potential development;
 - healthy lifestyle and tourism development;
 - improvement of the youth social security protection.
- The works youth specialists have the tradition of

meetings for exchanging the experience of working with the youth with the representatives of:

- state agencies;
- regional, municipal Gomel Region Veterans' Unions;
- youth of RUE "PA "Belaruskali";
- primary organizations of "Belarusian Republican Youth Union" public association, establishments, organizations and enterprises of the region;
- youth of the industrial enterprises of the Republic of Belarus and CIS countries as part of scientific and technical conferences.

Informing and engaging the works youth to realization of the state youth policy of the Republic of Belarus is carried-out using all the available means of Mass Media: corporate, republican, regional newspapers and other sources of information.

Having the priority right regarding the realization of "Youth" program, the works primary organization of Belarusian Republican Youth Union prepares the photo-reports, posters, information materials reflecting the issues of realizing state youth policy.

At present the organization has 1313 members that make 39% of the youth working at the plant aged under 31.

The most significant activities conducted in 2009 by RUE "BMZ" youth organization became charitable campaigns:

- "BMZ Youth – to Veterans". The veterans received congratulations and presents, they are assisted in improving of living conditions.
- "We – to Children". School supplies for the pupils of Zhlobin boarding-school were acquired; joint creative performances and thematic parties were organized.
- "My Dear Motherland". The youth organization supported the republican ecological initiative "Forest Week" and took part in tree-planting in the region.

– "Together for Clean Nature". The ecological cleaning of the territory adjacent to "Virsky" artificial reservoir was organized.

– "All Children are Ours". Jointly with Zhlobin Regional Social Service Centre the collection of clothes and stationeries for the lower-income families-residents of the region was organized.

Veterans' Union

The organization unites 887 ex-employees and presently pensioners, who made their contribution into establishing and development of Belarusian metallurgy industry.

All the organization activity was directed at enhancing the status of the elderly, social recognition of their destinies and life experience, participation in social life, overcoming their isolation, changing the idea of ageing, understanding the story of their life owing to the dialogue of generations. The Veterans' Union cooperates with the works youth organizations during various events: admission to membership in BRYU, initiation into metallurgist, giving-out diplomas and premiums to the best young specialists participating in scientific and technical conferences.

It has become a tradition to render material support to veterans, visiting them at home, conducting the gala nights of honoring the heroes of anniversary, organization of exhibitions of gardening season gifts "Golden Sunflower" and work of the amateur clubs: "Needlewoman", "Music Saloon", "Chess and Draughts", "Veteran Choir", "Sport Club".

The organization members don't stand aside of mass events, such as works-wide Olympics in various kind of sport; amateur talent groups competition "Song and Work Go Side by Side"; campaigns for providing material support to lower-income families, handicapped children, visiting evening parties, concerts, hockey matches of the favorite team in the Ice Palace.



Happily, Byelorussian Steel Works gives attention both to the production parameters growth and conducting social activities. I'd like to mention the level of the youth patriotic education. The programs for working with young specialists represent particular interests.

*Head of the Department
for Family and Youth Matters of
Chernigov Region, Ukraine
V.F. Atroshenko*

Women's Union

On the basis of the free union in 2004 the works women established the primary organization "Belarusian Women' Union" public association. The organization unites 1220 women working at RUE "BMZ". The association acts considering their will and interests, cooperates with other public organizations standing on the platform of democratic reforms in the Republic and contributing to strengthening social justice and protection of the population, defending women's interests and rights, increasing a woman's role in social, economic, public and cultural life.

The Union priority activity lines:

- "Woman and production",
- "Woman and family",
- "Healthy lifestyle",
- "Organizational and informational work".

	Amount of organization members					
	2004	2005	2006	2007	2008	2009
Primary organization of Belarusian Republican Youth Union	439	561	1132	1308	1336	1313





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The organization has significant work experience and many good and useful activities. They are introduction of suggestions for the Collective Agreement, asking questions to the town authorities, meetings with interesting people.

The Women' Union members participate in inspecting the production culture and labor conditions; activities for maternity and childhood protection, children health improvement and strengthening of the family, take part in charity campaigns.

The Women' Union works in close contact with Regional Social Service Centre. The women of the works receive qualified legal and psychological assistance; there are a trust telephone line and Young Family Club; teacher editions, booklets and brochures regarding the issues of child upbringing and women's issues are developed and given out to the works women. In collaboration with the Center campaigns "Do Good" for collecting soft toys, "Mothers of the town – to village children" for collecting clothes and school supplies were held. Collaboration with regional organization "Red Cross" resulted in compilation of social passports for low-income families and offering humanitarian aid in the form of clothes, foodstuffs, syringes and bandaging material. The Women' Union tell the stories about the women with active life stand, who unsparingly devote a lot of time to social life, on the pages of newspaper "Metallurgist" and TV channel "Nuance". The Union continuously encourages the works women's initiative in the social life sphere, make regular proposals regarding the issues of health, labor security and conditions, promoting health of women and their children, production and welfare culture; takes care of the family strengthening, protection of maternity and childhood, low-income families or families with many children, raising handicapped children. In its activity the Women' Union applies modern technologies. Regular sociological studies on diverse subjects are held. The site of the Women' Union was created in the work-wise computer network "INFO BMZ".

Union of soldiers-internationalists

125 soldiers-internationalists work in BMZ structural subdivisions. The issues of their labor, welfare, health improvement are reviewed at Union meetings involving the participation of the management and Trade Union Committee representatives. The union works in close collaboration with international organizations giving assistance in patriotic education. The works soldiers-internationalists annually take active participation in regional review of the Afghan Song and the activities devoted to the Day of Soldiers-Internationalists Memory. In 2009 during the gala night dedicated to Defender of the Motherland Day and Day of the Republic of Belarus Armed Forces the soldiers-internationalists were given anniversary medals "20-anniversary of Pullout of Troops from Afghanistan".

Union of young specialists

About 300 young specialists work at the enterprise. The union considers all the issues related with young employees: their adaptation at the production, professional growth, research and technology activity, labor-saving work. The important part of the work is enhancing business and creative activity of the youth, organizing scientific and technical conferences, young employees' participation in such forums held at other enterprises, exchange of experience. In 2009 the young employees of the enterprise took part in the scientific and technical conferences of metallurgical industry young specialists from Russia and Ukraine.

Union of foremen

The Union organizes its work in close contact with personnel services and solves urgent issues of 550 foremen of the works. The Union holds public discussion and development of recommendations regarding the enhancement of the foremen role; participation in the activities for organizing professional, ideological and economic training of

firemen; considers the issues of labor and moral education of the workers, strengthening labor and performance discipline, promoting the young workers reserve.

In 2008 were held as follows:

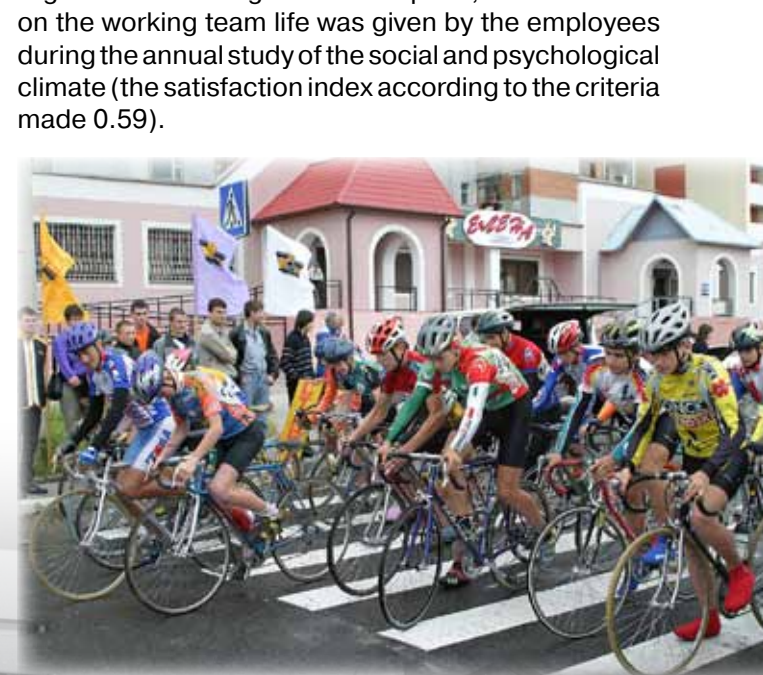
- first conference of foremen;
- panel discussion on topic: "Progressive Methods of Organizing a Foreman's Work at the Place of Production";
- visiting session of the Union at enterprise OJSC "Legmash" Works»;
- seminar "Moral and Psychological Climate in the Working Team. Nonmaterial motivation";
- conferment of title "Foreman of Class I" – 27 people; "Foreman of Class II" – 63 people.

Union of physical training and sports

The Union solves the issues of planning, organization and conduct of sport-mass work in the enterprise working team. The Union confirms the calendars of conducting work Olympics, tournaments, competitions and sportive health-improvement programs; considers the issues of their material and financial provision.

Monitoring of public opinion about social partners

Assessment of the work of the public organizations acting at the enterprise, their influence on the working team life was given by the employees during the annual study of the social and psychological climate (the satisfaction index according to the criteria made 0.59).





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The RUE "BMZ" presumes that the effective business of metal and metal structures production is to be formed on the basis of continuous enhancement of quality management, thereat providing for production with the quality satisfactory to the consumer requirements and expectations.

In order to meet the requirements of its consumers both on the domestic and international markets, the plant processes various grades of steel with the following output: sections, rolled and profile sections, pipes, metal cord, wire and hard fibre. The feedstock for the production is secondary raw materials - steel waste metal.

The plant's production is in demand with the consumers, competitive, and over 80% of the plant's production is exported to all of the world continents.

General provisions

The production and package are safe for human health and environment.

The plant's Director General and its deputies procure that the Liability Aspects, as regards the production, be as follows:

- ensuring of security and health of consumers when in contract with the production;
- relevant production labeling;
- marketing communication with consumers and suppliers;
- privacy of the consumer employees;
- compliance with the established requirements.

During production and sales, the plant's management implicitly follows principle 1 of the EN Global Treaty. The plant's management, in compliance with principle 8 of the UN Global Treaty, takes initiatives and holds activities aiming at reduction of the production environmental impact which is covered in the section "Environmental Protection".

The plant's management's standpoints as per Liability Aspects are outlined in:

- Corporate Policy;
- documentation of the Corporate Management System listed in this section;
- Code of Ethics of business conduction.

Product life cycle

Structurally, RUE "BMZ" is composed of three basic production lines (steelmaking, rolled and metalware), infrastructure shops and subdivisions of the enterprise's activity management. The steelmaking production includes drop-hammer plant and two arc-furnace plants. Acceptance, storage, classification and processing of scrap metal is performed in the drop-hammer plant. The drop-hammer plant is equipped with overhead cranes and racks used for charging material loading into charging baskets which are delivered to arc-furnace plants by scrap transfer cars. The steelmaking production is represented by three powerful arc furnaces with the capacity of 100 tons each. The steelmaking process is intensified by gas and oxygen technologies applications. Deoxidization and alloying of steel is performed in a ladle. Finishing of steel chemical composition is performed on special facilities – "ladle furnaces" and vacuum gauges. Steel is casted by three continuous casting machines; with the two of them being six strand units with 125x125 mm metal block cross section and one - four strand machine with 250x300 and 300x400 mm metal block cross sections. The technology intensive rolling production is represented by modernized small-section rolling mill 320, wire mill 150, double reverse rolling mill 850 with the equipment system for production of rolled profile sections, rolled wire for various applications, and reinforcing steel. The rolling mill 320 masters technology of reinforcing steel production according to the standards of Germany, Holland, Great Britain, Finland, Sweden, Norway, Austria, Poland and Russia, and the certification of the given production was performed in the national authorities of the stated countries, the rolling of the "slitting-process" with division in several strands was mastered, which, actually, represents a new and prospective direction within the scope of rolling production.

June 2007 witnessed the launch of tube-rolling shop with the equipment supplied by the German company "SMS Meer". The designed capacity of the tube-rolling shop makes 252 thou.

tons per year, the ready pipes size spectrum varies from 21.3 to 168.3 mm. \$270 mln. was assigned for this project realization. The first mold punching of a weldless hot-rolled pipe took place on June 29, 2007, and at the end of 2008 the shop met its designed capacity.

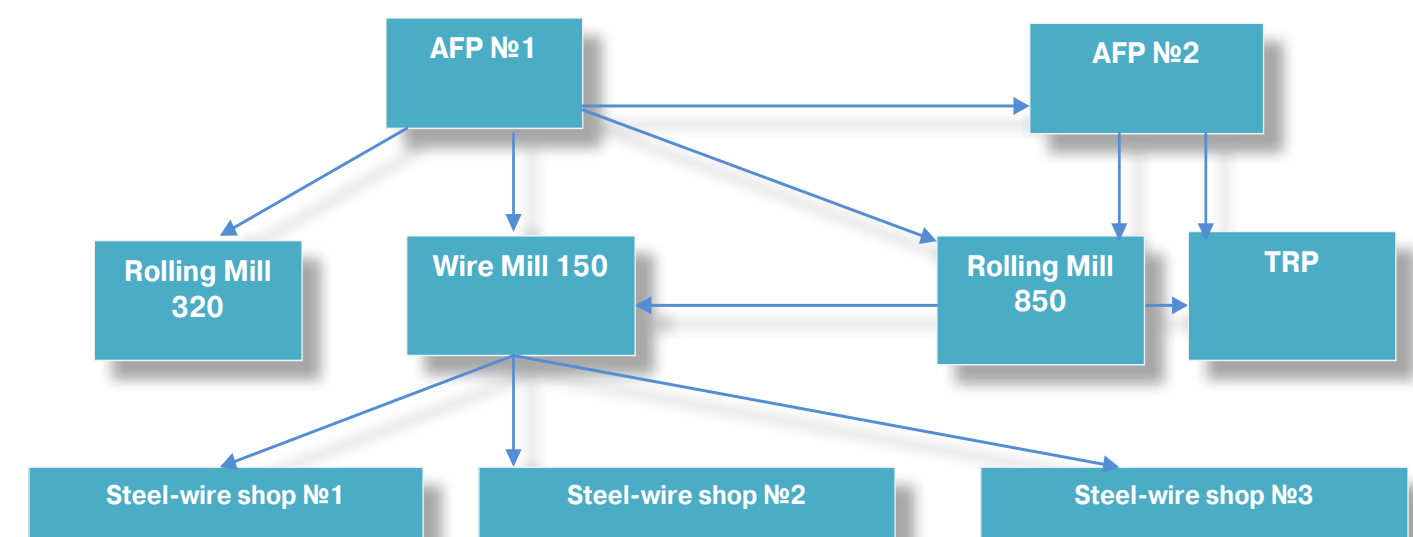
Metalware production is composed of three steel-wire shops, powder metallurgy and die blocks shop, and container and package shop.

Metal cord production is a most complicated science-intensive process which presupposes production of brass coated steel wire with the diameter 0.15 mm out of cast section 250x300 mm, thus capable of sustaining high metal loads. The plant is the general supplier of such world recognized tire manufactures, for example, Continental, Michelin, Goodyear and etc.

Another important product of wire production enjoying keen demand is the wire for high-pressure hoses (HPH). With respect to automation and equipment status, wire production is one of the highly developed in the world. The plant's experts are successfully developing and implementing

new metal cord structures in due consideration of world development tendencies and requirements of automobile market as set towards tires. More than 60% of the produced metal cord is dispatched into 18 far-abroad countries. The export share of HPH wire delivered to the far-abroad countries has always remained high and today makes about 90%. In order to satisfy the requirements of the consumer companies, the RUE "BMZ" specialists have developed a wide range of HPH wire types beyond the project scope, including high-strength and ultrahigh-strength types. The spectrum of wire production output is not limited by the abovementioned assortment. The plant produces wires for bead rings, welding brassy and non-brassy wire, reinforcing wire of hard-wrought die-rolled profile for concrete structures reinforcing, spring, pin, nail, general purpose wire and steel fibre (anchor, undular, micro-fibre).

The plant's infrastructure is represented by overhaul shops for energy, electrical and mechanical equipment, production provisioning with fluids and electric power, railway and transport shops, and such other support departments.



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Consumers' health and safety

Basic consumers of the RUE "BMZ" production are machine-building and motor-car construction enterprises, metalware, tire, pipe and reinforced concrete structures plants neighboring and far-away countries and those of RB.

RUE "BMZ" is aiming at production of qualitative goods and services, advantageous and safe for the consumers' health. The best quality assessment of the plant production is its high competitive ability and continuously increasing turnover.

In order to provide the inner market security, security of citizens of environmental protection, the Republic of Belarus, Russia, Member States and some other countries forbid import into their territories of production which is not certified in compliance with the requirements of national standards.

Production certification activity in compliance with the requirements of national and international standards was commenced within RUE "BMZ" in 1991, and has been successfully performed thereafter. Quality and security of the RUE "BMZ" production as complying with the requirements of national standards of consumers is certified by certificates issued in Russia, Belarus, USA and most of the UE countries. Following the results of 2009, RUE "BMZ" holds 45 compliance certificates for various types of production. Quality and security of the RUE "BMZ" production and its compliance with normative documents is systematically checked in the course of supervisory audits with the frequency as established by the certification rules of every certain country (1, 2, 3 times a year).

The confidence in the stable quality of wire production is ensured by the "Quality Systems"

Qualitative production is the calling card for any enterprise. It is the very component of success which is always accentuated by the BMZ.

*Quality manager
E.A. Peretyagina*

applied within the enterprise, which is certified for the compliance with the standard ISO/TS 16949:2002.

Quality management system of wire production is approved by the representatives of wire production consumer companies: Michelin (France), Continental (Germany), Goodyear (Luxembourg), Iton (USA, Germany), Manuli (Italy), Parker (Italy), Diesse (Italy), Alfagoma (Italy), Knapheide (Germany) and others, which perform the counterparty audits.

In August 2009 the plant's central laboratory successfully passed the audit on the certification endorsement as regards to the accreditation system requirements according to ISO/IEC 17025 conducted by the representatives of the German accreditation body DAP, the accreditation certificate according to ISO/IEC 17025 was obtained.

In 2009, the Republican Unitary Enterprise "Byelorussian Steel Works" in cooperation with their representatives on the territory of the Member States, the company Belmet Handelgesellschaft m.b. (Linz, Austria) completed the procedure of preliminary registration of chemical substances included into production and supplied to the Member States in the volume of more than 1 ton a year, in the REACH system.

The semi-finished production underwent the preliminary registration as a product which, in the course of subsequent application, will be subject to considerable changes as for chemical composition. All the remaining production of our enterprise is referred to products not subjected to chemical composition changing and not emitting any substances during further normal use, and thus not requiring registration. All of the "BMZ" production does not contain substances of heightened hazard (SVHC).

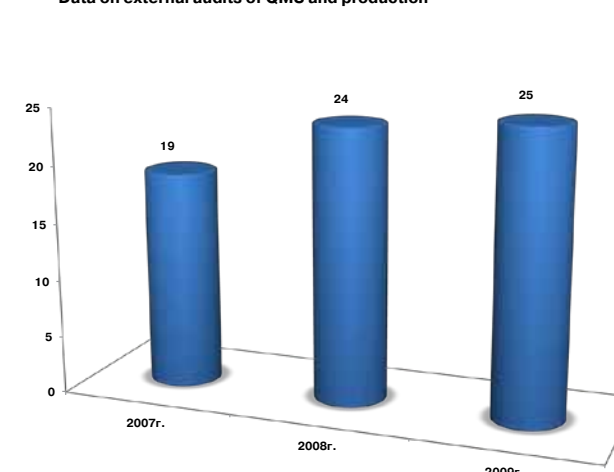
The main goal of the REACH system is to provide high level of human health and environment protection, including contribution to alternative methods of substance hazard assessment, and free turnover of substances within the domestic market of the European Union, thereat enhancing the competitive ability of chemical industry of the Member States and facilitating innovative technologies introduction.

In order to inform consumers on production safe application during further processing, safety data sheet for serial production are executed in compliance with GOST 30333 and such other technical-regulatory legal acts as established by the organization's standard STP 840-KSM-7.5.1.2 "Management facilities of production process. Special processes. Special characteristics of production and special parameters of process". In compliance with the consumer requirements, the production inspection with respect to radioactive safety is performed at the plant with the subsequent delivery of the relevant certificates to consumers.

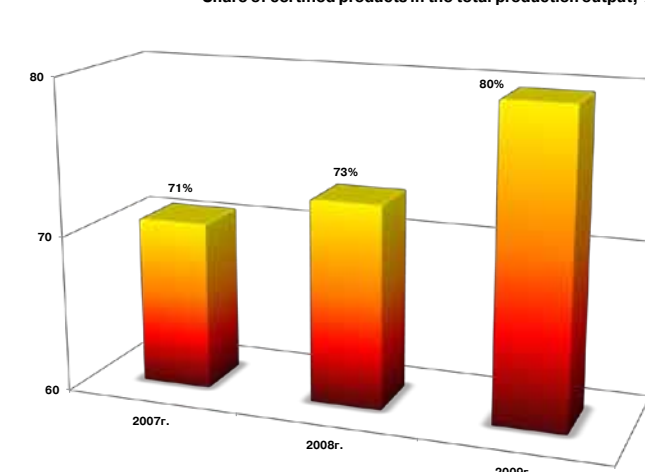
Packing, storing, handling operations and delivery of production is performed by the personnel in compliance with the requirements of the enterprise's standard STP 840-KSM-7.5.5 "Production and servicing. Ensuring the production compliance. Procedure of the finished production dispatching". Ecologically sound materials are used for packaging, harmless for human health and environment.

In the latest accounting period there was a consumer comment registered concerning surface state and collapse wire roll for nails. In order to rectify the comments, an analysis was performed and changes into the loading patterns into the box cars and packing introduced.

Data on external audits of QMS and production



Share of certified products in the total production output, %



We saw that the plant closely cooperates with its major consumers and is concerned about satisfaction of their needs.

*Head of the expert group
of European Quality Management Fund
Gay Major*

Product marking with appropriate information

All production supplied to the consumer is marked and supported by the quality certificate. The production marking is performed in compliance with the plant regulations on the requirements to the marking, and includes information on the manufacturing country, trade mark of the plant, supply contract number, consignment number, destination country, weight and such other information on the production quality.

Packing and dispatching of production is performed according to the existing documentation with due consideration of consumer requests and requirements stipulated in the contract.

In August 2006, the permit to use the "CE" marking was first obtained for rolled section from construction iron under the directive 89/106/CE and BS EN 10025-2004 from the "CARES" company. In



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February 2008, the company TUV NORD Systems (Germany) issued a new compliance certificate for the right to attach the "CE" marking to:

- hot-rolled weldless hollow profiles from construction steel with the grades ranging from S235 to S355 in compliance with the requirements of attachments A and B to DIN EN 10210-1:2006 and Directives 89/106/EEC of the European Council for construction production amended by the Directive 93/68/EEC of the European Council;

- steel hot-rolled rods from construction steel with the grades ranging from S235 and S355 in compliance with the requirements of the European standard DIN EN 10025-2:2005 and Directive 89/106/EEC of the European Council for construction production amended by the Directive 93/68/EEC European Council.

The relative density of production marked with the "CE" mark to the extent of industrial production in 2009 made 0.87 percent.

For the latest accounting period there were two consumer comments registered on marking attachment to metal cord and identification of samples because of illegibility of signs on board bronzed wire. In order to eliminate such instances, additional fastening of markings with scotch tape was performed, and operators' attention was drawn to the accuracy and legibility of markings.

Marketing communications

The marketing strategy for the years of 2010-2015 is aimed at maximum export buildup in all directions and production groups while preserving traditional distribution markets and assimilating new ones, adhering to the maximum possible aggressive foreign trade policy, using established trade and economic relations, widening presence on traditional markets with absolutely new production types.

Approaches to marketing strategy realization:

1. Improvement of export infrastructure and diversification of export geographic structure;
2. New productions development;
3. Participation in exhibitions;



We are strategic partners. "SIBUR-Russian Tires" is absolutely satisfied with the quality of the "BMZ" production, competitive process and level of servicing. In cooperation with the "BMZ" we organized and operate joint technologic groups facilitating the "BMZ" cord structure for our new models of vehicles. For your enterprise it means development, and for us it is stable production supplies.

*Director General Deputy
for operating activities of
"SIBUR-Russian Tires, OJSC
D.M. Sokov*

4. Cooperation with international marketing networks, advanced training of experts on foreign economic activity of the RUE "BMZ";
5. Pricing policy diversification.

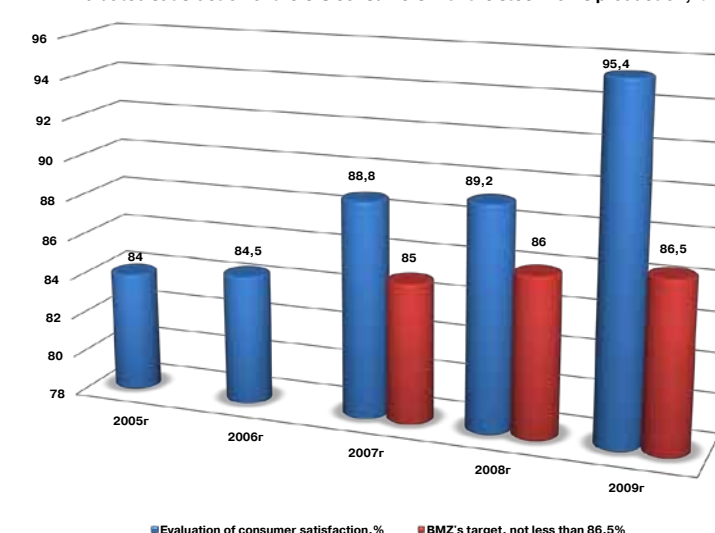
Mutually beneficial cooperation with consumers of plant's products

The highly concerned parties for us are our consumers as such cooperation is profitable for the plant. The activity of RUE "BMZ" is guided by needs and expectations of consumers, strive to the fullest satisfaction of the partners' requirements.

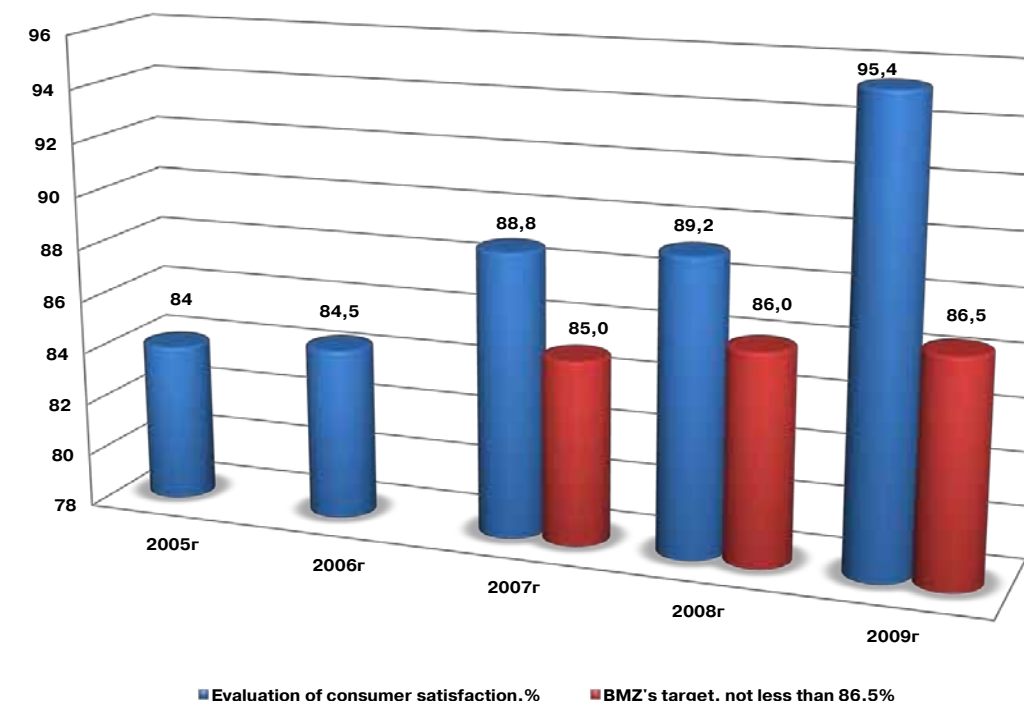
In order to study and specify consumer requirements, the plant constantly holds meetings with consumers, studies domestic and foreign developments in the field of production quality enhancement and work quality optimization, performs analysis of market development tendencies.

Organization of periodic meetings and discussion of problems with partners allow the enterprise to find efficient solutions to existing and potential problems, realize possible development directions and optimize production.

Evaluated satisfaction of the CIS consumers with the steel works production, %



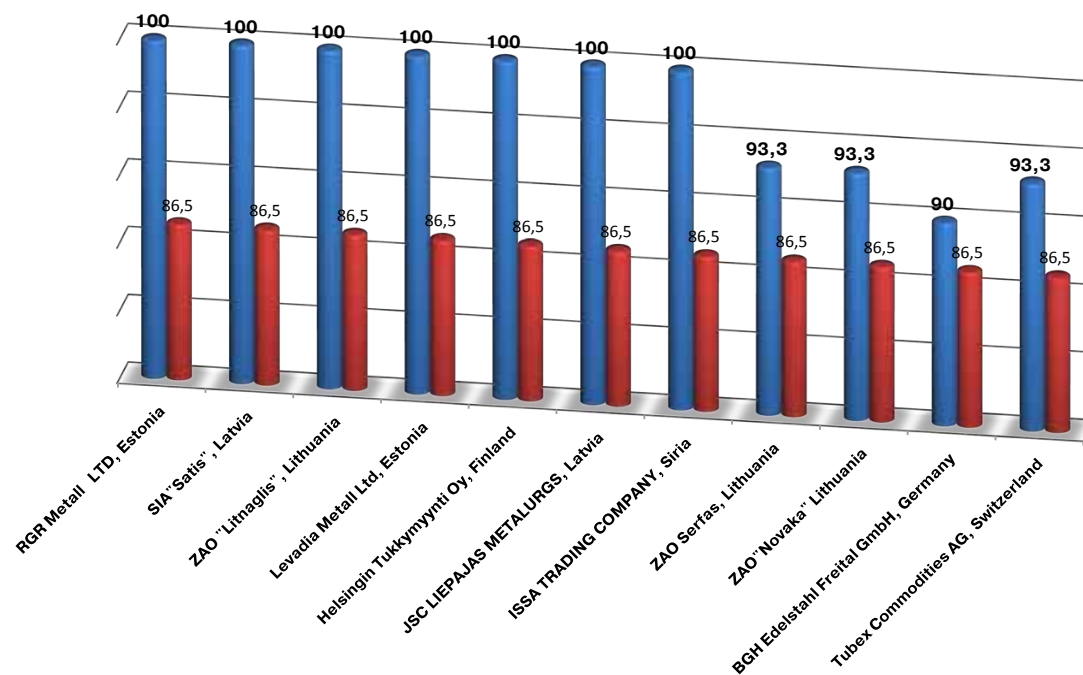
Evaluated satisfaction of consumers from
far-abroad countries with products manufactured by the steel works



• RESPONSIBILITY FOR THE GOODS PRODUCED

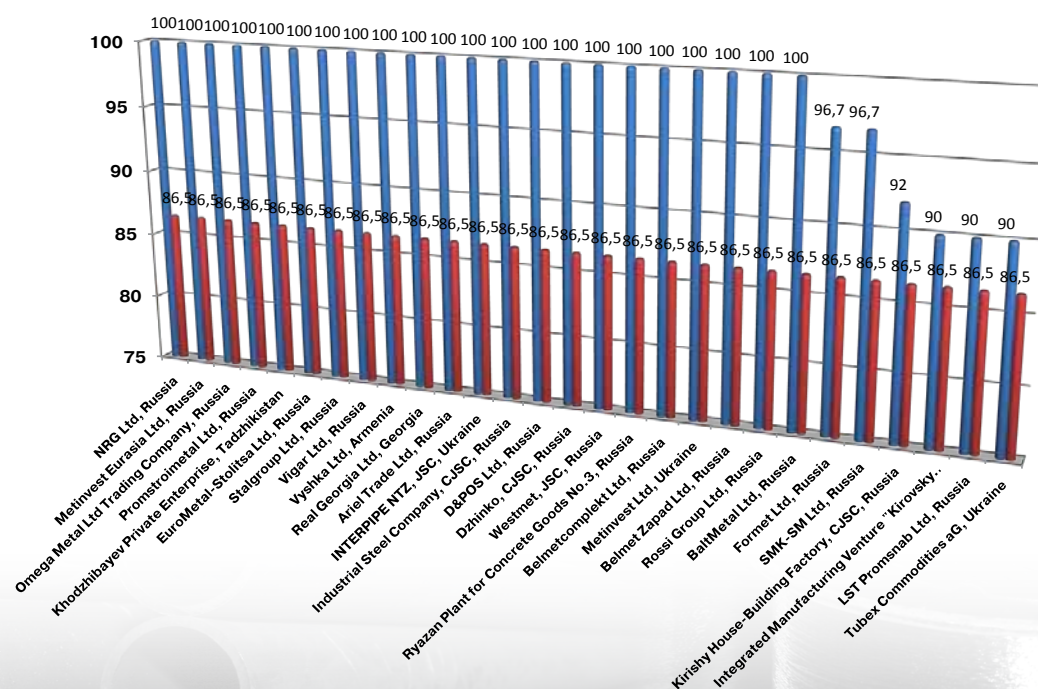
SOCIAL REPORT 2009

Satisfaction of consumers from



■ Evaluation of consumer satisfaction, % ■ BMZ's target, not less than 86,5%

Satisfaction of the CIS consumers with interaction with RUE "BMZ", %



Work with consumers is organized in compliance with the Code of Ethics of business conduction and enterprise standard STP 840-SMK-7.2 "Processes associated with consumers. Procedure of the plant's production sales".

Every year following the work results per annum, the plant holds an assessment of its consumers' satisfaction. Consumer satisfaction assessment is aimed at basic problems discovery concerned with consumer cooperation, definition of directions on activity and production optimization including determination of further development priority directions.

In the course of cooperation with consumers, the plant does not perform information collection concerning private life and personal data of consumer companies' employees. There were no complaints registered concerning violation of privacy right or personal data protection of the consumer company from the part of the plant.

RUE "BMZ" keeps record of all of the incoming consumer reclamations and comments. The reclamations received by the plant are conventionally divided into:

- accepted;
- rejected;
- pending.

Reclamation is considered to be accepted if production is recognized fully or partially defective, e.g. inadequate with respect to the requirements of normative documentation (ND) and (or) order and returned to the plant.

Mutually beneficial cooperation with the suppliers

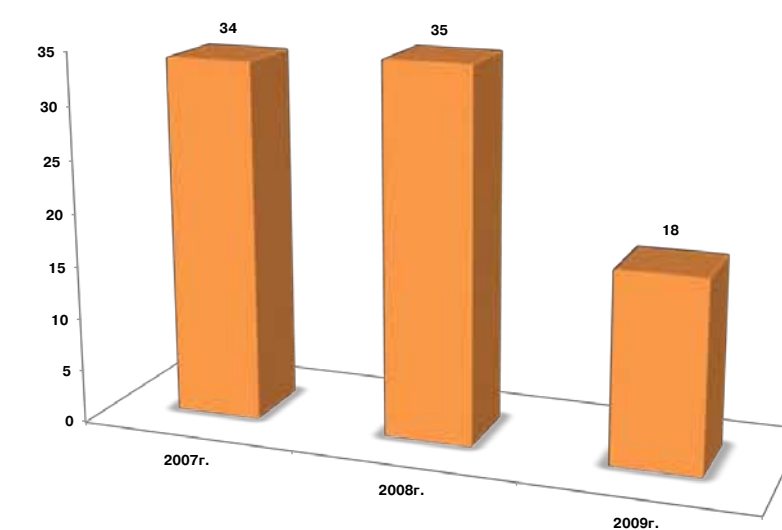
Another equally important party concerned is our suppliers provisioning the plant with stock and raw materials for production.

RUE "BMZ" establishes honest and unbiased relations with suppliers based on reasonable pricing, recognizing license and trade rights. Cooperation with suppliers is organized in compliance with the Code of Ethics of business conduction and enterprise standard STP 840-KSM-7.4 "Procurement. Procedure of cooperation with suppliers" and Supplier Manual.

Selection of suppliers is performed as based on:

- Study of market and supplier questioning.

Total accepted notices of defects in the overall production output, pcs



• RESPONSIBILITY FOR THE GOODS PRODUCED

SOCIAL REPORT 2009

- Rating on the commodity and services market.
- Quality of the acquired resources (services) with consideration of data on consumer's quality management system functioning and its efficiency in the form of:

- results of mass regular supplies without reclamations or claims;
- consumer holding of compliance certificates for management system and production;
- supplier obligations to respect citizen rights and freedoms in compliance with the principles of the EN Global Treaty;
- supplier consent to follow the Consumer Quality Manual of RUE "BMZ".

The activity of consumers is assessed according to the following criteria:

- meeting volume and terms of production delivery (logistics);
 - compliance of the delivered production with the established requirements with the calculation of the delivered goods quality index (IQL) which includes the existence of the supplier quality system, share of supplies with deviations in the total number of supplies with allowance for deviation significance coefficient (loyalty);
 - consumer loyalty degree towards the plant and corrective actions execution.
- Results of the supplier assessment are given in the table.

Supplier quality assessment is reviewed at the plant quality meetings.

The plant's experts conduct supplier audits with the aim to develop partner relationship, enhance the supplied production quality by means of optimization of the acceptable suppliers' management system according to the Supplier Assessment Bulletin for the previous period.

Following the cooperation results and assessments, the "List of Approved Suppliers" is drawn with specification of agents performing deliveries.



Supplier	Supply quality index, %	Logistics, %	Loyalty towards the plant, %	Actual data, %	
				2008	2009
Excellent	IQL=95,1-100	100	100	55,3	28,5
Reliable	IQL=75,1-95	100	100	38,4	64,09
Satisfactory	IQL=30,1-75,0	85-100	80-100	2,74	4,26
Unsatisfactory	IQL ≤ 30*	<85	<80	3,54*	3,14*

*the procurement from the given supplier should be stopped



АЛЛУРГИЧЕСКИЙ ЗАВОД

50 СТРАН МИРА



ОГ УСПЕХА ВАШЕГО БИЗНЕСА



COOPERATION OF THE PARTIES

SOCIAL REPORT 2009

The plant cooperates with extensive sweep of the parties concerned, which goes beyond the frameworks of its production activity. RUE "BMZ" sets forth a unified approach to the social activity management, including a great majority of various instruments; thereat, the principle of targeted and individual approach is always preserved with respect to every group of the parties concerned. Successful business conduction is impossible without favorable socio-economic environment both internal and external. Investing into the development of our regional presence, we are currently creating potential for economical, social, material and spiritual growth of thousands of people, which means formation of stable, free, confident of tomorrow society.

Being a socially responsible enterprise, RUE "BMZ" cooperates with the parties concerned in pursuance of the following approaches:

- observance of the legislation and legal norms of the Republic of Belarus as well as principles of the UN;
- inclusion of all elements and participants of cooperation;
- disclosure of complete and reliable information on results in the field of economic, ecological and social activity;
- promotion of responsibility for the assumed obligations and their execution;
- observance of universal norms and values;
- formation of favorable internal and external environment;
- maintaining reasonable balance of interests of the plant and society.

Being a part of the society, RUE "BMZ" supports civil initiatives in the field of economic, social and cultural development of the region of presence, preserving cultural heritage, national originality, environmental protection, healthcare and welfare of the population and employees.

Cooperation with the civil society

Byelorussian Steel Works is a township-forming enterprise defining not only the outlook but also the character of Zhlobin. Throughout its history

the plant was involved into construction creating industrial and social infrastructure of the town. The first facility built by "BMZ" was the boiler house "Severnaya" commissioned in 1983.

Thanks to "BMZ", Zhlobin takes advantage of 5 educational schools, 9 nursery schools, 7 stores, a restaurant, hotel, children's department for 120 places and surgical building for 240 berths of the regional hospital. For the convenient highroad service, a viaduct over rail track was build connecting two parts of the town.

Once, there was no a stable reception of republican and regional TV broadcast. The problem was resolved by a retransmitter.

The decoration of the town is the "Osvoboditeley" square. The building of secondary school No.1 was built on the money contributed by the plant. A fitness centre with ice hockey stadium and water park was built.

The town streets were renewed, convenient transport communication of the developing "metallurgic capital" is assured by 3 viaducts. Today it is a rapidly developing town with modern microdistricts, various facilities of sports and cultural intent.

The plant's management realizes that social and economic stability in the region of presence affects the long-term stability of business. That is why it is strategically expedient to abide by the corporate responsibility policy both with respect to the employees and with respect to the local communities. Investigating the peculiarities of social and economic development of the region of presence, the plant defines the priority directions, forms of social activity and, besides fulfilling tax obligations, RUE "BMZ" initiates cooperation with regional partners, supporting programmes and projects aimed at social infrastructure development.

Helping the region, the plant thereby established effective relations with local authorities and community opening opportunities to develop its business over the certain territory, to realize new projects and engage qualified personnel.

RUE "BMZ" is searching for optimal



Thanks to construction performed by "BMZ" many district and region residents found employment and decent salary. The present day stability of the enterprise operation affects the budgetary recharge not only in the district, but in the region and republic in general.

*Head of Financial Department
of Zhlobin regional executive committee
I. A. Makeev*

correlation of its social obligations and actual potential, maintaining balance between the needs of the regional presence and business concerns. What for its practical activity, the plant creates relationship with the civil society with due consideration of the results following the comprehensive research "Plant and its employees as viewed by the townspeople". Annual multidimensional research is carried out with

the purpose to study the opinion of the townspeople within the region of presence as concerns the degree of the "BMZ" influence on the regional animation.

The steady development of the region of presence is an important component of the plant development strategy which is aimed at solution of priority tasks within the field:

- assistance to the steady development of the territory of presence;
- maintaining stable social and economic environment in local communities;
- development of partnership relations with regional authorities and local administrations;
- creation of comfortable living conditions for the plant employees and population of the region;
- establishment and maintaining the image of conscientious and attractive employer.

Charity and sponsorship

Policy in the field of charity and sponsorship activity of the plant is addressed to facilitate the formation of the socially accepted image of the efficiently operating and socially responsible enterprise, to affect the public recognition of the social importance of metallurgy, to consolidate its standing and enhance the loyalty to RUE "BMZ" from the part of all interactive groups and the civil society.

Charity and sponsorship performed by the plant facilitates not only formation of its image but actually helps those in need to raise their level of living and solve major problems.

People should manifest compassion irrespective of their success and welfare. The main thing is that crisis did not affect human souls. Many "BMZ" employees, against the odds, found the opportunity to help severely ill children having contributed a part of their souls.

*Head of Zhlobin PE PA "Belarus association
of assistance to disabled children and adolescence"
N.V. Volkova*

COOPERATION OF THE PARTIES

SOCIAL REPORT 2009

Category	2008	2009
Sponsorship, total (mln. roubles), in particular:	40 604	24 837
Financial aid to the development of physical culture and sports in the RB, total:	22 745	13 468
Financing of fitness center construction in Zhlobin	4 762	828
Aid to the "Hockey Club, CJSC" "Metallurg-Zhlobin"	11 628	11 626
Aid to the SE "Gomel Volleyball Club, Ltd"	3 000	1 014
Aid to the UE "Belarusian Biathlon Club"	1 200	0
Aid to the Belarusian Handball Federation	2 150	0
Gomel sports association "Dynamo"	5	0
Aid to the outside organizations, total:	17 859	11 369
For the construction of the National Park "Prypiatsky"	6000	10 503
Organizations of Zhlobin and Zhlobin district, in particular:	10 676	866
- complete repairs of the rural Cultural Centre in the village Paporotnoje	0	150
- to Zhlobin Central Regional Hospital	0	20
- to Zhlobin Center of Hygiene and Epidemiology	0	55
- highway repairs in Zhlobin	1100	100
To organizations of other towns within the region of presence	0	1 183

RUE "BMZ" actively participates in the process of resolving of the socially important tasks on the regional and nationwide level. The priority directions of the corporate charity and sponsorship activity are defined as follows: ecology, support of education, sports and social objects on the territory of the plant's presence. The distribution of finances allocated by the plant for this purpose is given in the table.

It is symbolic that a rather complicated, as judging from the economic point of view, the year of 2009 launched a new direction in the charity activity of RUE "BMZ" – personal participation of the employees in charity projects. The main result of the initiative was the workout of immediate help mechanism. In 2009, the plant employees actively participated in charity programmes "Help our Mommy", "Aid to Lena Senilo", "All children are ours", "Let's do good together" and such others. The results of the employees' personal

participation in charity are summarized in the table. Realization of the scheduled activities favorably reflected on the plant cooperation with the main groups of stakeholders: authorities, civil society, ecology community and labour collective. It helped to strengthen the "BMZ" reputation as a socially responsible enterprise and achieve the highest social and economic efficiency from the money spent on charity and sponsorship purposes.

Following the results of professional contest "Brand of the Year – 2009", RUE "BMZ" was awarded with a golden medal "Active Social Position" in the nomination "Socially Responsible Brand".

Cooperation with mass media

The plant closely cooperates with the regional mass media informing the public on the results of its production activity, major actions and events

Name of the programme	Collected sum (in Belarusian roubles)	
	2008	2009
Belarusian peace fund	1 006 140	576 020
Red Cross Society	2 976 500	3 433 530
"From us to children" (for pupils of Zhlobin secondary boarding-school)	820 000	99 000
"Crystal heart" (computer hardware for pupils of Zhlobin secondary boarding-school)	18 058 900	-
"All children are ours" (in cooperation with the territorial center of social servicing, fundraising for school supplies acquisition)	261 000	294 970
"Help our Mommy" (fundraising for surgery)	1 876 000	11 263 000
"Aid to Lena Senilo" (fundraising for treatment)		1 488 000
For the construction of Cathedral of Martyr John the Warrior in Zhlobin		4 700 000
"Do Good" (for the day of the disabled)		5 900 500
Total:	24 998 540	27 755 020

providing relevant and truthful information including positioning on the corporate web-site. Interviews with the plant's management are published in newspapers and magazines of the Republic of Belarus. The most important events of the enterprise's activity are all the time covered by television. RUE "BMZ" is striving for informational openness and transparency of its activity realizing the exceptional importance of interaction with mass media.

In 2009 the enterprise's activity was covered in 66 publications of printed editions (in 2008 – in 51) and 18 video reports (in 2008 – in 20). Information of the plant was given in the following newspapers and magazines: "Soviet Byelorussia", "Republic", "7 Days", "Narodnaya Gazeta", "Gomelskaya Pravda", "New Day", "Economic Newspaper", "Zhelezнодорожник Беларуси", "News of the Week", "Metall-Courier", "Casting and Metallurgy"; and on the state broadcasting companies' channels:

"Byelorussian TV", "Public National TV", "Capital TV", "LAD", "Mir", "Gomel Radio". The republican Internet-sites twice a month provide information on the enterprise's activity. November 6, 2009 was the day of holding a conference of the plant's management with the television group of Moscow representative office of Japanese public TV Company "NHK" in the course of report preparation on the Republic of Belarus "The World Today".

RUE "BMZ" is striving for informational openness and transparency of its activity realizing the exceptional importance of interaction with mass media for the time being when metallurgy, especially export-oriented, is subjected to reformation associated with unstable economic situation in the world, and affects the interests of all the employees and residents of the region of presence.

COOPERATION OF THE PARTIES

SOCIAL REPORT 2009

Cooperation with governmental bodies

RUE "BMZ" builds up cooperation with all of the parties concerned on the basis of the following founding principles: respect and consideration of concerns, opinions and preferences, openness and transparency, trust and sincerity, implicit abidance by the legislation, international and Belarusian standards, responsible fulfillment of the assumed obligations, respect of the history, culture, tradition, way of living and heritage of the people residing within the business territory.

Ensuring compliance of activity and strategy of the plant development with the general social and economic direction and interest of the country and region of the business activity is a highly important task facing the plant collective. Structural interaction with the governmental bodies helps RUE "BMZ" find solution to this rather complicated task.

Decisions on burning issues of the social and economic development of region, work with the youth, holding joint events, and optimization of medical care for the population are taken by the plant's management and local authorities in the course of monthly business meetings.

The prospects of Gomel region development, progress of the socially important programmes, widening of the plant's export policy, plans for designing and construction of plate rolling production are discussed by the Director General with the region governor A.S. Yakobson and deputy Prime-Minister of the RB V.I. Semashko during their frequent visits to the plant.

The plant's management believes that participation of its representatives in the work of elected authorities would be important in order to form parity relationships with the governmental bodies and outline the state policy. The loyalty of the region population towards the plant and its employees is proved by the outcomes of election campaigns resulted in 11 plant employees being elected into local, regional and republican regulatory bodies:

Zhlobin Regional Deputy Council	9 persons
Gomel Regional Deputy Council	1 person
House of Representatives	1 person

Alongside with that, RUE "BMZ" did not provide donations in favor of any political parties or individual politicians.

Cooperation with science

Innovative development of production is a guarantee of economic security of Belarus. The plant follows the route of innovative development courageously implementing new projects. The Decision of the State Committee on science and technologies of the Republic of Belarus adopted in 2008 included BMZ into the register of hi-tech enterprises of our country.

Byelorussian Steel Works established strong liaisons with the National Academy of Sciences of the Republic of Belarus. The enterprise cooperates with the institutes of powder metallurgy, hot-rolled metals, metal technology, and polymer system mechanics. Developing special technologies, scientists make a great contribution into "BMZ". The economic effect of such cooperation results in billions of roubles.

The works on energy investigation of the enterprise are almost brought to the close by the specialists of SE "Institute of Energetics of the National Academy of Sciences of Belarus". These works will find their reflection in the prospective Programme on intensification of energy efficiency consummation by 2013.

The plant's cooperation with science has a multifaceted character. The preparation of advanced specialists in engineering is performed together with the leading higher education establishments of the country. The affiliate of the chair "Machines and Technologies of Foundry Production" was opened

jointly with Belarusian National Technical University. With the purpose of further development of interaction with educational establishments in the field of development and realization of training programmes for personnel in 2010-2011 on the basis of RUE "BMZ", it is planned to establish an affiliate of Gomel State Technical University named after P.O. Sykhai.



The Academy of Sciences, relying as well on the expertise of its cooperation with Byelorussian Steel Works concerning weldless tubing production, charted a course towards implementation of major, systematic projects stipulating a comprehensive complex of works – from a scientific research in support of new technologies introduction. These are the very projects that Belarusian metallurgical industry is in need for in order to enhance its competitive ability and economic security of the country in general.

*Head of Presidium of the National Academy of Sciences of the Republic of Belarus
M.V. Myasnikovich*

ANNEX

Analysis of compliance with target indices for 2009

SOCIAL REPORT 2009

Indices	2008	2009 expected	2009 actual
1. PRODUCTION AND ECONOMIC PERFORMANCE			
1.1 Marketable output growth rates in comparable prices, not less than, %	110	100	101
1.2 Cost-efficiency of sold products, works, services, not less than %	19,6	2,5	3,7
1.3 Export of goods, not less than %	139,8	45,7	51,4
1.4 Import of goods, not more than %	128,7	67,3	61,8
1.5 Specific weight of new products in the total output, not less than %	28,5	28,0	28,9
1.6 Energy-saving index, %	-10,0	-13,5	-3,4
2. QUALITY INDICES			
2.1 Defects imputable to production shops, %	Complied with by all production shops		
2.2 Non-conforming production			
2.3 Defects associated expenses per 1000\$ of marketable output, not more than %	2,61	3,65	achieved
2.4 Certified products share in the total output, not less than %	72,9	73	79,7
2.5 Foreign consumers' satisfaction, not less than %	91,2	86,5	93,3
2.6 Production quantities covered by advertising activities as compared to 2008	35 items (139.768 t)	reduce by 10 %	achieved

Indices	2008	2009 expected	2009 actual
3. ECOLOGY INDICES			
3.1 Specific volumes of environmental waste disposal per ton of melted steel as compared to 2008	reduced by 12%	reduced by 10%	reduced by 15.8%
3.2 Total production waste load-off as compared to 2008	–	increase by 10%	reduced by 28%
3.3 Specific rates of solid air emissions as compared to 2008	–	reduce by 5 %	reduced by 8.3%
4. LABOUR PROTECTION AND OCCUPATIONAL SAFETY INDICES			
4.1 Occupational traumatism resulting in heavy injuries as compared to 2008	9	reduce by 25 %	achieved
4.2 Improving working environment and ensuring occupational safety in production shops, ppl	1331	1350	1352
5. SOCIAL RESPONSIBILITY INDICES			
5.1 Training of managers and other specialists, ppl	3140	2149	2578
5.2 Vocational training of workers, ppl	3574	3452	4015
5.3 Total personnel satisfaction, not less than %	-	72	72
5.4 Wages growth rates, not more than %	-	100	98,2
5.5 Labor fluctuations, not more than %	-	3	1,63

ANNEX

Список используемых сокращений.

SOCIAL REPORT 2009

API	American Petroleum Institute is a non-governmental organization in the USA which conducts research in the oil and gas fields.
GRI	Global Reporting Initiative is an independent non-commercial organization intended for development and global promotion of unified reporting principles in the field of sustainable development, first of all, by means of Guide on Reporting in the Field of Sustainable Development. The organization was established in 1988 with headquarters in Amsterdam and is managed by international experts from various organizations all over the world.
EFQM	European Foundation for Quality Management
ISO	International Organization for Standardization
OHSAS	Occupational Health and Safety Advisory Services
SA 8000	International Standard "Social Responsibility 8000"
BMZ	Byelorussian Steel Works
BNTU	Belarusian National Technical University
BRSM	Belarusian Republican Union of Youth
GNP	Gross national product
GOST	State industry standard
SEE	State educational establishment
RCM	"Metalurg" recreational centre
ASMF	Arc steel-making furnace
CYSS	Children and youth sports school
EU	European Union
UWRB	Unified wage rate book
ZMPF	Zhlobin meat-processing factory
HA	Housing administration
Info-BMZ	Informational system of the plant
kg	Kilogram
CMS	Corporate management system
DC	Designated courses
MAZ	Minsk Automobile Plant
MISIS	Moscow Institute of Steel and Alloys
CCM	Continuous casting machine
mln	million
bln	billion
mm	millimeter
MSS	Medical sanitary station
MTZ	Minsk Tractor Plant
IFRS	International financial reporting system

NAS	National Academy of Sciences
NP	National park
IID	Informational and ideological department
UNO	United Nations Organization
OSD	Occupational safety department
ISD	Industrial safety department
ODS	Ozone-depleting substances
QMD	Quality management department
DGS	Dust and gas catcher
MPC	Maximum permissible concentration
PA	Production association
RB	Republic of Belarus
M&T	Managers and technicians
RUE "BMZ"	Republican Unitary Enterprise "Byelorussian Steel Works"
RF	Russian Federation
CM	Council of Ministers
MM	Mass media
CYS	Council of Young Specialists
CIS	Commonwealth of Independent States
RSS	Rolling section shop
STE	Standard of enterprise
STB	Standard of Belarus
SWS	Steel wire shop
EMS	Environmental Management System
LSMS	Labour Safety Management System
USA	United States of America
TR	Typical regulations
TS	Technical specifications
t.e.f	Tons of equivalent fuel
thou.	Thousand
FER	Fuel and energy resources
DEP& OC	Department for Environmental Protection and Occupational Sanitation
PTHC	Physical training and healthcare centre
CEU	Central and Eastern Europe
RSPS	Refractory scrap processing shop
EFS	Electric furnace shop



ANNEX
Export card

SOCIAL REPORT 2009



ANNEX

Table of standard GRI reporting components (G3)

SOCIAL REPORT 2009

GRI item	Description	Reference in the report, page
1	Strategy and analysis	
1.1	Declaration by the Director General and the Chairman of the Board of Directors	3-4, 8, 20
1.2	Description of key impacts, risks and opportunities	3, 7-8, 14-17, 20-21, 49, 50, 51, 52-54, 56, 57, 58-59, 71, 74-75, 81, 86, 90-98, 117-122, 127
2	Entity's details	
2.1	Entity's name	27
2.2	Major brands, types of products and(or) services	27, 28, 55, 107
2.3	Entity's functional structure, including major divisions, operational companies, subsidiaries and joint ventures	27-28, 107-109
2.4	Entity's head office location	27
2.5	Countries (regions) of entity's activities, which have most significance in terms of sustainable development issues covered within the report	27, 29
2.6	Pattern of ownership and form of incorporation	27
2.7	Markets entered by the entity (including geographical breakdown, service sectors, consumer and beneficiary categories)	29, 30-31, 55
2.8	Entity's scope: number of employees; net sales (for private sector entities) or net proceeds (for state-owned entities); total capitalization with breakdown by borrowed and own funds (for private sector entities); quantitative details of production or services provided; total assets cost	18-22, 28, 30-31, 50, 56, 74-78
2.9	Major changes in entity's activities and(or) its property structure which occurred within the reporting period, including: establishing, closing and expansion of enterprises; changes in share capital structure and other actions implemented to form, maintain or alter share capital (for private sector entities)	29, 31-32
2.10	Awards for the reporting period	29, 32-34, 62, 77, 85, 94, 95-96, 102-103, 105, 119
3	Report parameters	
	GENERAL REPORTING DATA	
3.1	Reporting period (i.e. financial/calendar year) for reported data	3, 5
3.2	Publication date for the last of previous reports (if any)	5
3.3	Reporting cycle (annual, biannual, and etc.)	5
3.4	Contact details for issues in connection with the report and its contents	5, 43-44
	REPORTING SCOPES AND LIMITS	

3.5	Reporting content identification procedure, including decisions on reporting relevance and priorities as well as specification of interested parties to be considered as potential report users	5, 36-37, 42-44, 100
3.6	Reporting limits (countries/ regions, divisions/ facilities/ joint ventures/ subsidiaries)	5
3.7	Specify any scope restrictions or reporting limits	5, 37, 38
3.8	Grounds for inclusion of data on joint ventures, subsidiaries partially owned by the entity, production facilities lease, partial transfer of functions to outside contractors and other circumstances of substantial influence on consistency with previous reports and/or reports by other entities	5
3.9	Measurement and calculation methods, including proposals and methods used to obtain indices and other data incorporated in the report	5
3.10	Details of nature and meaning of any amendments to information contained in previous reports together with grounds for any such amendments (i.e., mergers/acquisitions, changes in reporting periods, nature of business, evaluation methods)	5
3.11	Significant changes as compared to previous reporting periods with regard to scope, limits and measurement methods applied within the report	5
	TABLE OF GRI CONTENTS	
3.12	A table indicating arrangement of standard reporting components	5
	VALIDATION	
3.13	Policy and practical approaches applied for independent validation of the report (if validation record is not enclosed to the report)	5, 43-44
4	Management, responsibilities and interaction with interested parties	
	MANAGEMENT	
4.1	Entity's management structure, including principal committees forming senior management bodies, which are responsible for specific tasks, for example, strategy development and general supervision over the entity's activities	27-28, 35-42
4.2	Specify whether the chairman of the top management body is simultaneously the company's executive manager (in case the answer is "yes", define the manager's functions within the entity's management structure and reasons for circumstances as above)	
4.3	For entities with unitary boards of directors specify numbers of independent members in senior management bodies and/or member not included into the company's executive management	
4.4	Mechanisms which could be used by shareholders or entity's employees to direct activities of senior management bodies or to give any recommendations to those	35-42, 57-59, 69-70, 89-90, 99, 101-102, 105-106
4.5	Dependence of payments (including termination benefits) to members of senior management bodies, top managers and executive managers on the entity's performance (including social and ecological effectiveness)	36, 82, 83
4.6	Active senior management body processes intended for prevention of conflicts of interests	35-42, 42-44, 58-59, 73, 77-78, 99-100, 102, 107

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4.7	Qualifying and competence-defining procedures for members of senior management body essential to determine the entity's strategy on economic, ecological and social issues	36, 77, 107
4.8	Message, declaration of values, corporate governance codes and principles elaborated inside the entity, which are of significance in terms of its economic, ecological and social effectiveness as well as their implementation stages	14-16, 21, 35-41, 45, 49, 55, 57-60, 61, 69-70, 73-74, 77, 81, 82, 83, 85-90, 91, 92, 107, 127
4.9	Procedures used by the senior management body to supervise evaluation and management of economic, ecological and social effectiveness by the entity, including activities concerned with identification and management of risks and opportunities and adherence to or providing compliance with international standards, corporate governance codes and principles	5, 15-17, 25-26, 28-29, 31, 35-41, 44-45, 50, 51, 57, 58-59, 60, 61-62, 73-74, 75, 77-78, 81, 83, 86-90, 99-100, 103, 107, 109
4.10	Procedures for evaluation of its own effectiveness by the senior management body, in particular, with regard to entity's economic, ecological and social performance	7-8, 9-11, 15-17, 20, 25-26, 28-29, 30-31, 36-38, 42-44, 47-49, 49-50, 51, 57, 58-59, 60, 61, 74, 75, 81, 83, 86-90, 106, 107, 109, 111-114, 115
PARTICIPATION IN EXTERNAL INITIATIVES		
4.11	Explanations as to whether the entity applies the precautionary principle and if yes, then how	3, 9-11, 14-15, 20-22, 25-26, 29, 42, 52-54, 57, 58-59, 60-61, 74, 83, 86-90, 111-114, 117-122
4.12	Voluntary economic, ecological and social charters, sets of principles and other initiatives elaborated by third parties and joined and supported by the entity	4, 9-11, 14-15, 60-61, 64, 65, 69, 100-101, 111-114, 117-122
4.13	Membership in associations (e.g., industry-specific) and/or national and international organizations for interest protection	9-11, 14-15, 41-42, 100-106, 111-114, 117-122
4.14	List of interested parties interacting with the entity	9-11, 14-15, 41-43, 79, 80, 100, 111-114, 117-122
4.15	Grounds for identification and selection of interested parties for further interaction	9-11, 14-15, 41-43, 55-56, 60-61, 74-75, 79, 81, 100, 111-114, 117-122
4.16	Approaches to interaction with interested parties, including interaction frequency by forms and interested parties	3, 9-11, 14-15, 21-22, 38-40, 42-44, 47-48, 50, 60-61, 79, 81, 100, 111-114, 117-122

4.17	Key issues and interests raised and revealed in the course of interaction with interested parties and the way the entity accounted for these issues and interests	3, 4, 9-11, 14-15, 21-22, 38-40, 42-44, 44-45, 60-61, 79, 81, 100-106, 111-114, 121
Indices of economic effectiveness		
ECONOMIC EFFECTIVENESS		
EC1	Produced and distributed economic value, including profits, operating expenses, payments to employees, donations and other community-designated investments, undistributed profits, payments to capital suppliers and states (basic)	49-51, 56, 82, 83, 84, 100-106, 111-114, 121
EC2	Financial aspects and other risks and opportunities for entity's activities in connection with climate change (basic)	7, 15, 20, 52-54, 61, 65-66
EC3	Securing entity's obligations concerned with pension schemes (basic)	74, 91-93, 98, 102, 104
EC4	Financial support provided by public authorities (basic)	54-55
MARKET PRESENCE		
EC5	Reference wages to established minimum wages ratio in major regions of entity's activities (basic)	23-24, 82-83
EC6	Practical approaches to purchasing from local suppliers and share of such purchases in major regions of entity's activities (basic)	23-24, 55-56
EC7	Procedures for employment of local population and number of senior managers employed from locals in major regions of entity's activities (basic)	21-22, 23-24, 74, 75, 77-78, 81
NON-DIRECT ECONOMIC IMPACTS		
EC8	Development and impacts of investments into infrastructure and services provided by the entity for the society's benefits in the form of commercial, natural or charitable participation (basic)	14, 20-21, 23-24, 50, 55-56, 61, 82-84, 87, 90-98, 102, 103, 104, 108, 117-122, 123-124
EC9	Details of non-direct economic impacts, including impact areas (additional)	3, 14, 20-21, 22, 50, 61, 74, 79-81, 83, 84, 90-98, 104, 108, 117-122, 108, 117-122, 123-124
Indices of ecological effectiveness		
MATERIALS		
EN1	Used materials, with mass or volumes indicated (basic)	27, 61
EN2	Share of materials which are recycled or reclaimed wastes (basic)	61
ENERGY		
EN3	Direct energy use with indication of primary sources (basic)	61-62, 66-67
EN4	Non-direct energy use with indication of primary sources (basic)	61-62, 66-67
EN5	Energy saved by implementation of energy-saving actions and measures on enhancement of energy efficiency (additional)	61-62, 66-67

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Table of standard GRI reporting components (G3)

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EN6	Initiatives on provision of energy-efficient products and services or products and services produced with use of renewable energy and resulting reduction of energy consumption	21, 61-62, 66-67, 69-71
EN7	Initiatives on reduction of non-direct energy consumption and results achieved (additional)	21, 61-62, 66-67, 69-71
WATER		
EN8	Total water take-off with breakdown by sources (basic)	4, 67-68
EN9	Water sources significantly influenced by the entity's water take-off (additional)	67-68
EN10	Share and total volume of recycled and recirculated water (additional)	3, 67-68
BIODIVERSITY		
EN11	Location and acreage of lands owned, rented or managed by the entity, which pertain to natural areas of protection and areas with biodiversity of appreciated value beyond or adjacent to those (basic)	58-61
EN12	Details of significant impacts on biodiversity at natural areas of protection and areas with biodiversity of appreciated value beyond those, resulting from activities, production and services (basic)	58-61
EN13	Preserved or restored wildlife habitat areas (additional)	58-61, 69-71, 104
EN14	Strategies, implemented actions and future prospects with regard to biodiversity impacts management	58-61, 69-71
EN15	Number of species included into the Red List of the International Union for Conservation of Nature Resources and the national list of species under protection whose habitat areas are located within areas of entity's impacts, with breakdown by hazards to species existence (additional)	58-61
EMISSIONS, DISCHARGES AND WASTES		
EN16	Total direct and non-direct greenhouse gases emissions with their masses (basic)	62-67
EN17	Miscellaneous significant non-direct greenhouse gases emissions with their masses (basic)	62-67
EN18	Initiatives intended for reduction of greenhouse gases emissions and results achieved (additional)	3, 21, 62-67, 69-71
EN19	Ozone-depleting substances emissions with their masses (basic)	62-67
EN20	Air emissions of NOx, SOx and other pollutants of significance with types and masses (basic)	62-67
EN21	Total discharges with indicated waste water quality and the receiving facility(basic)	67-68
EN22	Total waste with breakdown by types and utilization methods (basic)	68-69
EN23	Total quantities and volumes of major spillages (basic)	68
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EN25	Ownership, size, protection status and biodiversity value of water bodies and associated habitat areas which are significantly influenced by entity's discharges and land run-off from facilities within its premises	67-68

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EN26	Initiatives intended for mitigation (reduction) of environmental impacts associated with products and services and results achieved (basic)	21, 62-67, 69, 69-72, 109-110
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COMPLIANCE		
EN28	Monetary value of major fines and total non-financial sanctions imposed for incompliance with ecological legislation and regulatory requirements (basic)	72
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EN29	Major environmental impacts associated with shipments of products and other goods and materials used in entity's activities as well as with personnel transportation (additional)	62-67
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EN30	Total environmental expenses and investments with breakdown by types (additional)	71-72
Effectiveness indices for approaches to labour management and establishing of good working environments		
EMPLOYMENT		
LA1	Total labour forces with breakdown by employment types, employment contracts and regions (basic)	74-76
LA2	Total employees and labour fluctuations with breakdown by age groups, sexes and regions (basic)	74-76
LA3	Payments and bonuses provided for full-time employees, which are not available to part-time or temporary employees (additional)	82-83, 93, 102
EMPLOYEES-ADMINISTRATION RELATIONS		
LA4	Share of employees covered by trade union contracts (basic)	99-100, 100-103
LA5	Minimum notice period (periods) with regard to major changes in entity's activities and information as to whether the above was established in the trade union contract (basic)	99-100
HEALTH AND OCCUPATIONAL SAFETY		
LA6	Total share of personnel in official joint healthcare and safety committees involving administration and entity's employees, who participate in monitoring activities and work out recommendations on healthcare and occupational safety programs (basic)	89-90, 104-106
LA7	Occupational traumatism, occupational diseases, lost days and absence from work ratios, and total work-associated lethal cases with breakdown by regions (basic)	87-88
LA8	Current educational, training, consulting, prevention and risk monitoring programs and programs intended for support of employees, their families and community representatives with regard to serious illnesses (basic)	38-41, 78-81, 88-89, 91-93, 95-96, 98, 104-106
LA9	Representation of healthcare and safety issues in official agreements with trade unions (additional)	91-93, 99-100, 100-103, 104-106

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TRAINING AND EDUCATION		
LA10	Average annual training hours per employee with breakdown by employee categories (basic)	78-81
LA11	Skills development and educational programs intended for employment motivation of employees and their retirement support	69-70, 74-75, 77-81, 88-89
LA12	Share of employees regularly involved in evaluations of effectiveness and career progress	75-77
DIVERSITY AND EQUAL OPPORTUNITIES		
LA13	Management bodies make-up and entity's personnel with breakdown by sexes and age groups, indication of minority groups and other diversity indices (basic)	74-76, 82-83
LA14	Men's to women's wages ratio with breakdown by employee categories (additional)	82-83
Effectiveness indices: human rights		
INVESTMENT AND PROCUREMENT PRACTICES		
HR1	Share of major investment agreements involving provisions on human rights protection or evaluated with regard to human rights (basic)	70-72
HR2	Share of major suppliers and contractors evaluated with regard to human rights (basic)	109-110, 112-115
HR3	Forms of personnel training on policies and procedures concerned with human rights protection aspects essential in terms of entity's activities as well as quantities of employees involved in those (additional)	79-81, 88-89, 98-100
NONDISCRIMINATION		
HR4	Total discrimination events and actions in connection therewith (basic)	82-83, 99-100
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5	Activities in terms of which rights to freedom of association and collective bargaining can be subject to substantial risks and actions taken to ensure those rights (basic)	77-78, 99-100
CHILD LABOUR		
HR6	Activities in terms of which there is a substantial risk of possible child labour use and actions taken to eliminate child labour (basic)	99-100
FORCED AND COMPULSORY LABOUR		
HR7	Activities in terms of which there is a substantial risk of forced and compulsory labour and actions taken to eliminate forced and compulsory labour (basic)	99-100
SECURITY APPROACHES		
HR8	Share of security service employees who completed training courses on policies and procedures in connection with human rights associated with current activities (additional)	69, 78-81, 89-90, 99-100
RIGHTS OF NATIVE POPULATION AND MINORITY PEOPLES		
HR9	Total violations concerned with rights of native and minority peoples and respective corrective actions (additional)	82-83, 99-100

Effectiveness indices with regard to interaction with interested parties		
COMMUNITY		
SO1	Programs and practical approaches to evaluation of impacts on local communities associated with entity's activities and impact management, covering initial, implementation and final stages (basic)	42-43, 57-62, 68, 69-70, 101-102, 103-104, 117-119
CORRUPT PRACTICES		
SO2	Share and total number of business units evaluated with regard to risks associated with corrupt practices	44-45
SO3	Share of employees who completed training courses on the entity's anticorruption policies and procedures (basic)	44-45, 79-80
SO4	Actions taken to prevent corrupt practices (basic)	44-45, 79-80
STATE SUPPORT		
SO5	Attitude towards the state policy and participation in its formulation and lobbying (basic)	11, 25, 50-51, 100-101, 121
SO6	Total donations (in physical and money terms) to parties, policies and their associated organizations with breakdown by countries (additional)	121
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SO7	Practical approaches to prevention of monopolistic practices and respective achievements (additional)	44-45, 111-114, 115
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SO8	Compliance with legislation and regulatory requirements (basic)	45, 49-50, 51, 54-55, 58-59, 60, 68-69, 70-71, 78-79, 89-90, 99-100, 109-110, 117
Effectiveness indices: responsibility for production		
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PR2	Compliance with regulations and voluntary adopted codes concerned with health and safety impacts by products and services (additional)	86-89, 107-115
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PR3	Types of information on properties of products and services as required by procedures and share of major products and services covered by these information requirements (basic)	107-115
PR4	Regulations and voluntary codes concerned with informing about properties of products and services and their marking (additional)	107-115
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Table of standard GRI reporting components (G3)

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	MARKETING COMMUNICATIONS	
PR6	Programs intended to provide for compliance with legislation, standards and voluntary codes in the field of marketing communications, including advertising, product promotion and sponsorship (additional)	29, 47-49, 95, 107-115
PR7	Compliance with regulatory requirements and voluntary codes concerned with marketing communications, including advertising, product promotion and sponsorship (additional)	29, 82, 95, 107-115, 117-122
	CONSUMER'S PRIVACY	
PR8	Total justified claims concerned with violations of consumers' right to privacy and loss of consumer data (additional)	107-115
	COMPLIANCE	
PR9	Monetary value of major fines imposed for incompliance with legislation and regulatory requirements concerned with provision and use of products and services	107-115

Table of compliance with GRI components and indices was prepared based on Guide on Reporting in the Field of Sustainable Development by the Global Reporting Initiative (edition 3).



ANNEX

For remarks



БЕЛОРУССКИЙ МЕТАЛЛУРГИЧЕСКИЙ ЗАВОД
BYELORUSSIAN STEEL WORKS

ANNEX

SOCIAL REPORT 2009

Dear readers!

You have just familiarized yourselves with the first Social Report of RUE "BMZ." Your opinion of this document is very important to us, and in subsequent Reports we will do our best to account for Your remarks and proposals.

Please, fill in the form and send it by fax: + 375-2334-5-54-26; + 375-2334-2-42-61; + 375-2334-3-16-35 or by mail marked "Social report 2008" to the following address: 37, Promyshlennaya St., 247210, the town of Zhlobin, Gomel region

You can also send this form by e-mail to the following address: (secdpir@bmz.gomel.by)

1. To which group of interested parties do you belong?

- Public authorities
- Community representative
- Investor
- Partner
- Client
- Employee
- Other interested party _____

2. How do You rank the Social Report in terms of its coverage?

High Adequate Low

3. How do You rank the Social Report in terms of reliability and objectivity of data represented in it?

High Adequate Low

4. How do You rank the Social Report in terms of convenience of search for required information?

High Adequate Low

5. How do You rank design of the Social Report?

High Adequate Low

6. Have the Social Report provided for a comprehensive picture of activities carried out by RUE "BMZ" in the field of sustainable development, from Your point of view?

Yes, completely Yes, partially No, not completely No, not at all

7. Will you, please, give Your evaluation as to what extent the following sections of Social Report drawn up by RUE "BMZ" were interesting to You, up-to-date and complete (rate from 1 (low) to 5 (very high))

BMZ and global economy's instability	Plant description
Belarusian metallurgy	Economic activity
Details of key impacts, risks	Ecological activity
Management, obligations and interaction with interested parties	
Social activity	
Responsibility for produced goods	Interaction of parties

8. Have the Social Report changed Your attitude to activities of RUE "BMZ"?

Yes, my attitude has substantially improved No, my attitude has not changed
Yes, my attitude towards RUE "BMZ" has changed for the worse

9. What information presented in the Social Report held most interest to You? _____

10. What activities of RUE "BMZ", in Your opinion, require improvement in terms of social responsibility enhancement? _____

11. What information would You like to see in social reports of RUE "BMZ" in the future? _____

Thank You for Your cooperation!
RUE "BMZ"

ANNEX

PUBLIC HEARING OF THE REPORT

SOCIAL REPORT 2009

October 29, 2010 - public hearing of the Corporate Social Report.

The Corporate Social Report was allocated on the external www.belsteel.com and internal <http://infobmz.new> site of the plant for the concerned parties to get acquainted with it. Besides, it was issued in Russian and English and sent to the parties concerned. Copies of the report were distributed among the participants of the hearing. Information regarding the date and the time of the hearing was published in regional and republican mass media a month prior the hearing.

Representatives of the Ministry of Industry, UN Global Compact, regional and district Executive Committees, public organizations, controlling units, suppliers and customers and mass media were invited to the event.

Quality director Elena Peretyagina opened the hearing of the corporate social report.

Deputy general director for technical development – chief engineer of the Production association “Byelorussian Steel Works” Aleksandr Sotnikov addressed to the audience:

“Performing the actions included in the investment program and making investments RUE “BMZ” not only increases capacities of the production

facilities and improves their performance, but fulfils one of the main tasks in the area of social responsibility: creates favorable conditions for developing of the economy and social sphere of the territories of the production activity. Influence of the social, economic and environmental activity of the enterprise on the social and economic development of the region is described in detail in the corresponding sections of the report.

Key items of the report were introduced by:

Vladimir Florizyak, deputy general director for personnel and ideological work of the Production association “Byelorussian Steel Works”:

“The plant’s activity in the sphere of corporate social responsibility has a systematic character and is directed towards creation of effective and safe work places, professional improvement of the employees, support of culture and sport, protection of the environment, assistance to the region of the plant’s activity.”

Acting deputy general director for economy, finance and sales of the Production association “Byelorussian Steel Works” Valentin Pikul:

“Being one of the flagships of the industry of the Republic of Belarus and one of the largest exporters of the country the enterprise is fully aware of the complete responsibility towards the owner,



investors, employees and business partners, local communities and other parties concerned. We consider social responsibility as an integral part of our business strategy. Management of the plant is also aware that efficiency of the financial and economic activity is a key factor of stable development and a warranty of the growth of the welfare of the plant’s collective, the region and the republic in general.”

Vladimir Efimenko, deputy chief engineer for labour protection, industrial safety and environment protection of the Production association “Byelorussian Steel Works”:

“Environmental figures of RUE “BMZ” activity prove that the plant is interested not only in the production growth and improvement of the product quality, but also in improvement of the ecological situation outside the plant and in decrease of anthropogenic impact on the environment.

The plant regularly takes part in environmental



actions. Many times it initiated their conduct.”

In whole the parties concerned and mass media highly appraised RUE “BMZ” not only as an export-oriented enterprise but also as a socially responsible organization. Opinions expressed at the hearing and materials of the regional and republican mass media are given below. The information about the public hearing was broadcast by TV.



ANNEX

PUBLIC HEARING OF THE REPORT

SOCIAL REPORT 2009

OPINIONS OF THE PARTIES CONCERNED

Deputy Chairman of Gomel Regional Executive Committee Andrei Demidovets:

"BMZ has already overcome difficulties of 2009 and is increasing its economic potential. It is not less important that special attention is paid to social aspects. Management of the enterprise adheres to socially oriented policy in its activity and considers improvement of life level of every person as one of its main tasks. Supporting this strategy local authorities and namely regional and district executive committees will always support and assist further development of the plant."

Head of the labour and social protection department of Zhlobin district Oleg Kozlov:

"I would like to thank management of the plant, its trade union, women's organization, personnel of the central plant laboratory and other subdivisions for thier help and sponsorship of various arrangements including a festival of disabled children. Representatives of your plant are always present at this festival. They bring good presents for the children."

Deputy Chairman of Gomel Regional Trade Council Pyotr Shilov:

"There are 2858 union contracts in our region but very few of them provide for such spectrum of social warranties. There is not a single one similar to



your union contract."

Viacheslav Khodorenko, deputy chairman of Zhlobin District Executive Committee:

"The enterprise pays much attention to social issues and the inhabitants of our town who are not the plant employees also feel that because they take an active part in actions arranged by Byelorussian Steel Works and are grateful to the enterprise."



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