



2019

Annual report

OUR TEAM

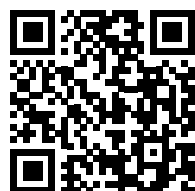
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OUR APPROACH TO STAKEHOLDER ENGAGEMENT

NLMK Group's sustainable development is built on a foundation of transparent, trust-based stakeholder engagement over the long term.

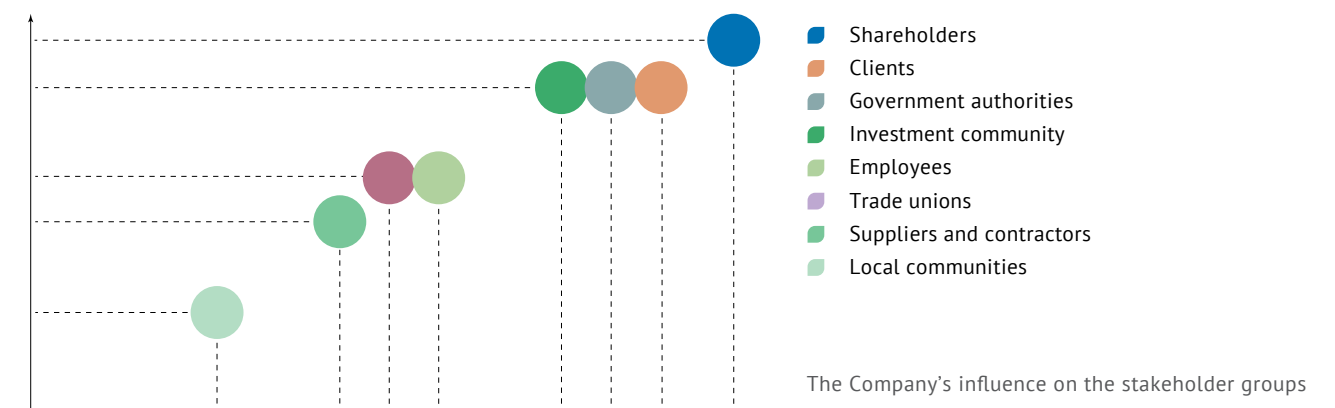


NLMK Corporate
documents

In developing our approach to managing stakeholder engagement, we are guided by international and corporate standards, and we are committed to identifying and taking into account the interests and needs of the Company's key stakeholders. The general principles for our communication and engagement with stakeholders can be found in our Corporate Ethics Code, Corporate Governance Code, Supplier Code of Conduct, Anti-Corruption Policy, Human Rights Policy, and other NLMK corporate documents published on NLMK's website. **GRI 102-43**

NLMK STAKEHOLDER MAP IN 2019

Stakeholder groups' influence on the Company



NLMK's key stakeholder groups consist of:

- Shareholders
- Company clients
- Foreign, national, and regional government authorities
- Investment community
- Company employees
- Trade unions
- Suppliers and contractors
- Local communities **GRI 102-40**

Various units of the Company are involved in stakeholder engagement:

- Public Relations
- Human Resources
- Investor Relations and Capital Markets
- Government Relations
- Sales
- Procurement

NLMK maintains a list of stakeholders and prioritizes them according to their mutual influence and the convergence of their respective interests. The Company's stakeholder map is based on the needs and interests of stakeholders and NLMK as well as expert assessments from the Company's management, and is regularly reviewed and updated as necessary.

The stakeholder map did not undergo any significant changes during the reporting period compared to 2018. **GRI 102-42**

NLMK uses various means to engage with stakeholders, thereby enabling the Company to rapidly identify risks and new opportunities when working together with stakeholders. In 2019, the Company continued to maintain an active dialogue with all stakeholders. **GRI 413-1**

RESULTS OF STAKEHOLDER ENGAGEMENT **GRI 102-44**

CONSUMERS

Importance for NLMK

The consumers of NLMK products include manufacturers from various regions of the world and industrial sectors: steelmaking, construction, automotive industry, machine and shipbuilding, and pipe manufacturing. By openly engaging with consumers, we are able to increase their satisfaction and loyalty and help grow sales of NLMK products.

NLMK strives to create a client-centred system that allows us to track and predict changes in consumer demand and to satisfy our clients' changing needs.

The Company employs a variety of sales channels, including rapidly growing online sales. Sales managers in all units work with the Company's clients on a daily basis. The NLMK Sales Department is responsible for the overall coordination of sales.

Stakeholder interests

- Compliance with contractual obligations
- High-quality products
- Development of a product line policy
- Competitive pricing
- Timely and reliable deliveries

Forms of engagement

- Developing a sales channel network
- Monitoring consumer satisfaction
- Holding coordinating councils
- Addressing customer complaints
- Holding and participating in public events, business meetings, and negotiations
- Raising awareness among the public by publishing articles in the media and on the website

RESULTS OF STAKEHOLDER ENGAGEMENT

GRI 102-44

EMPLOYEES	SHAREHOLDERS AND THE INVESTMENT COMMUNITY	GOVERNMENT AUTHORITIES	SUPPLIERS AND CONTRACTORS
<div><div>Importance for NLMK</div><p>Our employees are essential to the Company's stability, ensuring that the business can operate and grow successfully.</p><p>Creating a highly qualified and motivated team is a key goal of our engagement with staff and an integral factor behind NLMK's leading position in the industry. The Human Resources Department works with employees across all NLMK units.</p><p>NLMK provides decent working conditions for its employees, and continues to develop financial and non-financial incentive systems. The Company runs various training programmes for employees, including those organized as part of the NLMK Corporate University.</p><p>The Company seeks to increase employee engagement by improving feedback channels, conducting team-building activities, and offering social support.</p></div> <div><div>Stakeholder interests</div><ul style="list-style-type: none">• Decent salaries and the use of an incentive system• Opportunities for professional development and career growth• Comfortable, safe workspaces• Compliance with employment laws and other regulations</div> <div><div>Forms of engagement</div><ul style="list-style-type: none">• Organizing regular safety training sessions and implementing programmes to improve workplace conditions• Implementing measures to provide social support for employees, their families, and retirees (former employees)• Offering continuing education, training, and staff development programmes• Holding regular meetings with management at various levels• Monitoring employee engagement• Reviewing messages submitted via the telephone hotline, corporate portal, and text messaging• Informing employees about the Company's activities and opportunities for professional growth through corporate newspapers, magazines, NLMK TV, and social media</div>	<div><div>Importance for NLMK</div><p>Shareholders own our business and influence the course of NLMK's development. The Company is committed to safeguarding their interests.</p><p>To ensure that NLMK remains an attractive investment, the Company strives to provide the investment community with information about our performance that is as complete and up-to-date as possible.</p><p>The key goals of our engagement with investors and shareholders are to establish and maintain long-term connections and to provide timely information on the Company's financial and non-financial performance as well as its development plans.</p><p>The Investor Relations and Capital Markets Department is responsible for engaging with the investment community and shareholders.</p></div> <div><div>Stakeholder interests</div><ul style="list-style-type: none">• Consistent improvement in the Company's financial and non-financial performance• Growth in the Company's shareholder value• Transparency and disclosure• Investment appeal and stability</div> <div><div>Forms of engagement</div><ul style="list-style-type: none">• Disclosing information in various public sources• Organizing official visits for current and potential investors to the Group's sites• Participating in Russian and international investment conferences• Holding business meetings, both one-on-one and in groups• Hosting Capital Market Days with the involvement of the Company's senior management team• Conducting annual anonymous Investor Perception Studies</div>	<div><div>Importance for NLMK</div><p>As a major global manufacturing company that has a presence in seven countries and five regions of the Russian Federation, NLMK encounters government regulations in various parts of its operations every day. Given the intense competition and market volatility, it is essential to have a stable regulatory environment that provides opportunities for long-term planning and stable business management.</p><p>A key goal of our engagement with the government authorities is to reduce risks and create favourable conditions for the Company to operate and develop within the regulatory environment. As represented by its Government Relations Department, the Company thus engages on an ongoing basis with the state and its representatives at all government levels on various issues and manages regulatory risks and opportunities in each country and region where it operates.</p><p>A key component of the Company's approach is to provide assistance to the Company's functional areas on relevant issues concerning engagement with government authorities. This helps functional experts work more efficiently and respond more effectively to various regulatory demands. Currently, the Company has GR business partners working in Logistics, Environment, OHS, Energy, Sales, and Procurement.</p></div> <div><div>Stakeholder interests</div><ul style="list-style-type: none">• Compliance with legislative requirements• Meeting tax obligations• Developing regions where the Company operates• Enhancing social engagement in regions where the Company operates• Reducing the environmental footprint</div> <div><div>Forms of engagement</div><ul style="list-style-type: none">• Meetings with representatives of foreign, national, regional, and municipal state authorities• Participation in advisory bodies, expert working groups, and public hearings• Engagement through industry-specific and public associations• Annual disclosure of information about payments to governments• Involvement in policy-making processes in accordance with the procedures stipulated by law</div>	<div><div>Importance for NLMK</div><p>The timely and accurate delivery of quality goods and services by suppliers and contractors has a direct impact on the quality of our products and the stability of NLMK's production processes.</p><p>Strong and mutually beneficial relationships with reliable suppliers and contractors are essential if the Group is to sustain its operations and fulfil its obligations. The NLMK Procurement Service is responsible for working with suppliers and contractors.</p><p>The Group's priorities are to ensure that goods and services are of high quality, that the right goods are purchased at the right time, and that procurement is as competitive and transparent as possible.</p><p>Most of the Company's tender procedures are conducted electronically using the SAP SRM system, which ensures the transparency of procurement activities.</p></div> <div><div>Stakeholder interests</div><ul style="list-style-type: none">• Transparent competitive procurement procedures for goods and services• Fulfilment of contractual obligations• Utilization of an effective system for processing feedback and complaints• Utilization of a risk management and anti-corruption system</div> <div><div>Forms of engagement</div><ul style="list-style-type: none">• Conducting prequalification of suppliers• Developing competitive procurement procedures for goods and services• Holding negotiations with potential partners• Organizing the work of category managers• Ensuring a functional feedback form on the corporate portal for contractors• Conducting business meetings with suppliers and participating in conferences and industry associations• Carrying out assessments and audits of suppliers and contractors in order to confirm their reliability, status as suppliers, production capacity, and compliance with occupational health and safety and environmental requirements</div>

RESULTS OF STAKEHOLDER ENGAGEMENT **GRI 102-44**

LOCAL COMMUNITIES

Importance for NLMK

The long-term stability of NLMK’s business is largely dependent on the social and economic stability of the regions where it operates. NLMK’s contribution to developing local communities has a positive impact on stakeholder loyalty and the Company’s overall reputation.

NLMK Group enterprises are some of the largest employers and taxpayers in the regions where they operate.

The Company has an interest in improving the living standards of local people and involving them in the Group’s social and environmental initiatives. NLMK holds public hearings and conducts surveys of local people to identify their needs, and organizes various volunteer and charity programmes. These measures help to increase the effectiveness and coverage of these programmes each and every year.

The local community development activities are organized by the HR Department together with the Government Relations team.

Stakeholder interests

- Company involvement in addressing the problems of local communities
- Jobs for local people
- Safe production practices and reducing environmental footprint
- A conscientious approach to doing business

Forms of engagement

- Engaging in dialogue with local representatives to inform them about the Company’s activities in the regions where it operates
- Publishing corporate reports
- Publishing information in the media and on the Company’s website
- Holding thematic conferences and events

TRADE UNIONS

Importance for NLMK

Trade unions are important partners for NLMK in providing workers with social welfare and employment-related guarantees.

A key focus of NLMK’s work with trade unions is the conclusion of collective bargaining agreements. These agreements are designed to guarantee the provision of decent working conditions and a bonus and compensation system. NLMK’s effective engagement with trade unions helps to strengthen its brand as an employer.

The main trade union with which NLMK interacts is NLMK’s primary labour organization, the Russian Ore Mining and Smelting Union (GMPR). Through its HR Department, the Company works with union representatives on an ongoing basis

Stakeholder interests

- Compliance with employment legislation and protection of employee interests
- Compliance with the sectoral tariff agreement
- Compliance with the terms of collective bargaining agreements

Forms of engagement

- Conducting collective bargaining
- Concluding collective bargaining and other agreements and signing joint resolutions
- Working jointly on various commissions and committees
- Holding employee conferences

CORPORATE COMMUNICATIONS

In 2019, NLMK Group continued to develop its unified internal information space that encompasses all 52,800 of its employees across seven countries. This internal communications system successfully:

- Explains the Group’s strategic goals and values to employees
- Facilitates the inclusion of every team member in the process of continuous improvements
- Strengthens the Group’s brand as an employer
- Delivers information in a timely manner and provides a feedback mechanism
- Ensures convenient access to corporate services
- Develops horizontal links between colleagues

A variety of communications channels function within the Group, and the Public Relations Department has continued to develop such channels over the course of the reporting year.

CORPORATE PORTAL

The corporate intranet portal lies at the heart of our internal communications. In 2018, NLMK Group launched a new unified corporate portal which, unlike similar portals in the majority of industrial companies, can be accessed not only by office staff, but by all employees, including shop-floor employees. Today, 35,000 users log on to the portal every month. The number of users has increased by 55% over the last two years.

The new portal has an adaptive design that makes it possible to correctly display all information on any device, whether it is a mobile phone, tablet, or laptop.



Silver prize at the prestigious international Step Two Intranet and Digital Workplace Awards 2019



Employees who have a corporate account have 24-hour access to the site via a browser.

The NLMK Group portal is now the biggest intranet project in Russia hosted on the Bitrix24 platform. Experts from the internal communications and efficient intranet solutions community have declared it the best internal portal in Russia and globally: it took first place in both the Media Leader and InterCom’2018 competitions and also won the silver prize at the prestigious international Step Two Intranet and Digital Workplace Awards 2019.

NLMK TV

Work continued in 2019 to develop the NLMK TV corporate television project, with plans to grow the number of broadcast points from 136 to 297 by 2021. This is expected to provide 100% coverage for all NLMK Group’s Russian companies in various cities where they operate. These screens are controlled centrally by a unified information system that delivers targeted information intended for the employees of a given unit. NLMK broadcast a record 900 videos during the reporting year.

NLMK PR PARTNERSHIP INSTITUTE

In 2019 the Company also continued efforts to develop the NLMK PR Partnership institute within the Group’s Internal Communications. More than 20 of the Group’s functional areas now have their own PR partner, an employee from the Public Relations Department who is actively involved in addressing the functional area’s business issues and providing communications support.

CORPORATE MAGAZINE AND NEWSPAPERS

In 2019, the Company completed the relaunch of all five NLMK corporate newspapers, which were updated to reflect modern trends, and continued to improve their content. Today, 90% of the material in these newspapers features direct links to our intranet portal, and an emphasis has been placed on visuals and new presentation formats, thus expanding the interactive capabilities of traditional communications formats and contributing to the development of internal media. Our corporate magazine NLMK is published in Russian, English, and French.



Russian companies procured goods and materials for a total of

RUB 169.8 bn

58 audits

of suppliers of goods and services conducted

The Group's efficient supply chain is crucial to its sustainable operation and the fulfilment of NLMK's commitments. The Group regularly partners with more than 3,500 suppliers of goods and materials as well as contractors from which it procures a wide range of goods and services, including equipment, ferroalloys, non-ferrous metals, refractory products, and spare parts, among other things.

The main principles governing the Group's procurement activities are:

- Focus on goals, objectives, and outcomes
- Integrity and transparency
- Mutually beneficial cooperation
- Continuous improvement
- Qualified and motivated staff
- Teamwork and commitment to a company-oriented spirit
- Proactive approach

SUPPLY CHAIN MANAGEMENT¹

MAJOR THEMES

Environmental assessment of suppliers

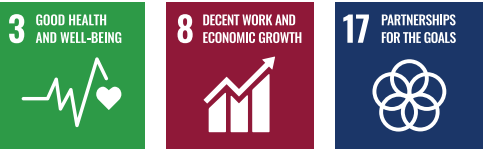
KEY EVENTS IN 2019

- Expanded use of electronic document management with suppliers
- Re-qualification of resident suppliers eliminated and reliability of suppliers verified in real time
- 'Leader in Competitive Procurement 2019' Grand Prix award

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

- **Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility
- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



^{1.} Information on procurement practices is presented for the Group's Russian companies.

OUR APPROACH TO SUPPLY CHAIN MANAGEMENT

The procurement process at the Group is coordinated by a dedicated team and designed in such a way as to ensure that high-quality goods are procured in a timely and accurate manner and that the procurement process is as transparent and competitive as possible.

The procurement team's main goal is to meet the expectations and needs of specific groups of NLMK stakeholders, including shareholders, employees, customers, internal customers, and regulatory bodies. The procurement team's key objectives are to unify and standardize procurement systems and processes, ensuring that they all have the same level of maturity.

The main documents governing procurement activities at the Group are:

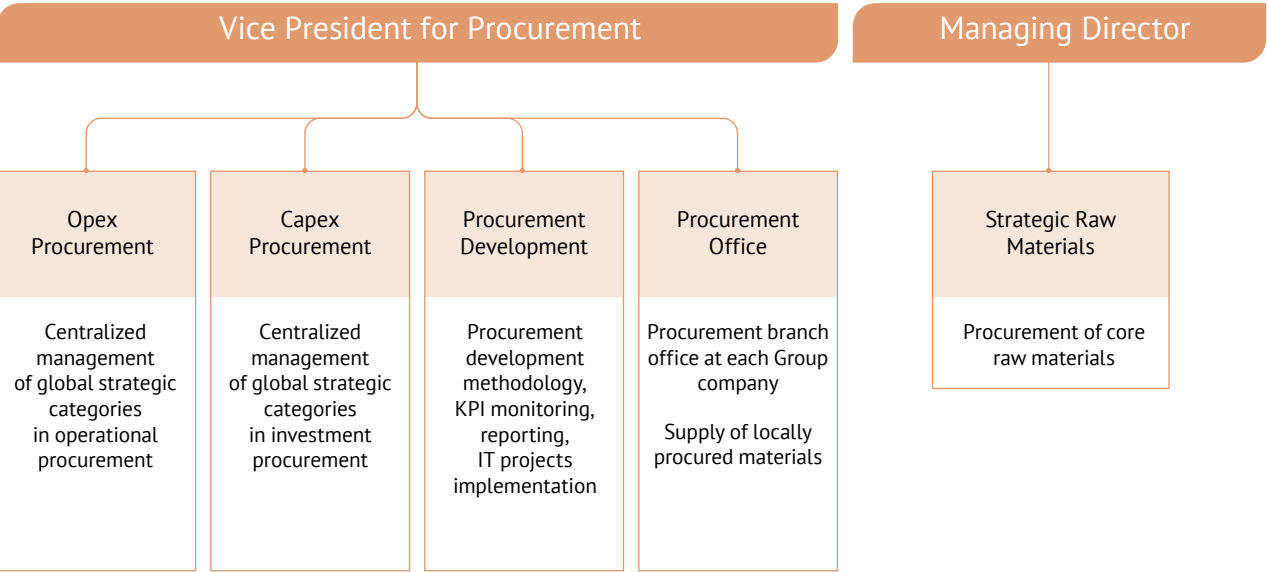
- Supplier Code of Conduct
- Contractor Audit Regulations
- Procurement Team Cooperation Regulations

- Corporate-level regulations describing liaising with contractors:
 - Contractor Qualification Regulations
 - Contractors Selection Regulations
 - Contractor Assessment Regulations
 - Regulations on Contractors Selection in Cooperation with the Tender Commission
- Documents describing standard processes
 - Acceptance Standards
 - Claim Settlement Standards
- Category strategies

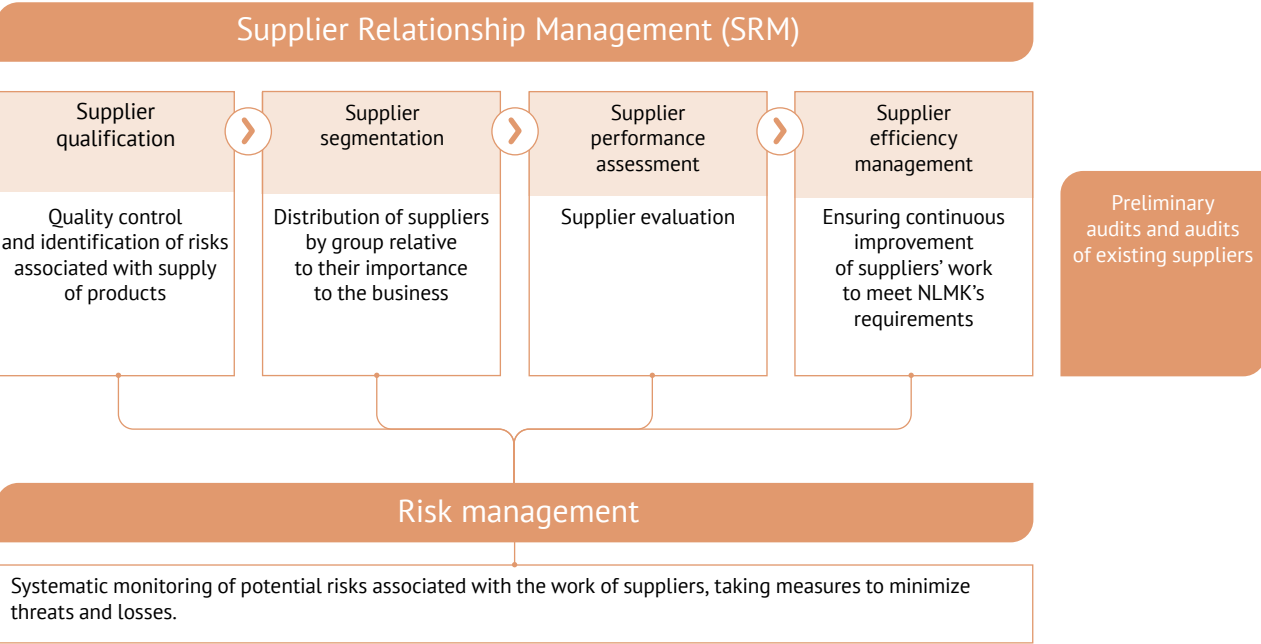
The organizational structure of the Group's procurement team consists of centralized and decentralized components, which helps make the procurement process and cooperation with suppliers as efficient as possible. Interrelated procurement structures, policies, and procedures ensure that the approaches taken across all of the Group's companies are consistent.

The Opex Procurement and Capex Procurement teams are represented by category managers, who are responsible for the entire procurement process, from the moment that a procurement request is received from an internal customer to the moment that a supplier is selected.

PROCUREMENT TEAM ORGANIZATIONAL STRUCTURE



SUPPLIER MANAGEMENT PROCESS WITHIN NLMK GROUP



In order to ensure a reliable and uninterrupted flow of goods and materials to the Group's companies, the procurement team has developed over 50 category-based strategies. Procurement strategies for certain categories of goods are developed to take into account potential risks and determine scenarios depending on the level of risk and potential losses, and they also include plans to prevent any risks from arising.

Managing risks associated with the late, incomplete, or incorrect supply of goods and services is key to ensuring a reliable supply chain and the continuity of the Group's operations. In 2019, changes were made to the process of re-qualification of resident suppliers: in accordance with the updated process, due diligence of suppliers is carried out in real time.

Each year, suppliers of goods are evaluated and then divided into A, B, C, and D groups. Group D includes those suppliers that have proven to be unreliable based on the evaluation results. These contractors are excluded from the list of suppliers and are not allowed to participate in tender procedures in the future.

As a result of the evaluation, 15 suppliers were assigned D status in 2019.

The bulk of the Group's procurement is carried out centrally, with local procurement classified in a separate category and supervised by the heads of local procurement departments. The creation of a centralized procurement support office in Lipetsk in 2018 helped boost the efficiency of procurement processes. Having a single service centre for processing transactions will reduce costs, improve levels of internal customer satisfaction, and speed up procurement procedures.

The Group is particularly focused on digitalizing and automating procurement activities. Most key procurement processes have been automated, and the majority of the Group's tender procedures are carried out electronically using the SAP SRM (Supplier Relationship Management) system. NLMK's achievements in automating procurement activities in 2018 were recognized within the broader professional community. For example, NLMK Group won the *Company of the Year* award in competitive procurement

and the *Leader in Competitive Procurement 2019* Grand Prix award.

ASSESSING PERFORMANCE

A system of key performance indicators (KPIs) is used to monitor and control the performance of suppliers and procurement staff, eliminate losses sustained in procurement processes, and achieve savings for the Group. The KPIs, which are approved on an annual basis, include the following:

- Availability
- Cost-efficiency
- Cost avoidance
- Inventory turnover
- On-time deliveries

The Procurement team holds regular meetings with internal customers to identify the main supply issues. The Procurement staff also conducts regular satisfaction surveys of major internal customers in order to improve the quality of the procurement process. The survey results are collected and carefully analysed, and measures are then developed to further improve the team's work.

SUPPLY CHAIN RESPONSIBILITY

As a large consumer of a number of goods and services, the Group is able to have a positive impact on reducing social, environmental, and production risks within the supply chain.

The Group seeks to cooperate with suppliers of goods and contractors that demonstrate a commitment to sustainability principles. In addition, in accordance with NLMK Group’s Procurement Policy, the Group is committed to purchasing goods and services that have as few negative impacts on society and the environment as possible during their lifecycle.

- As part of efforts to increase responsibility across the supply chain, NLMK focuses on:
- Assessing occupational health and safety risks among contractors
 - Ensuring that suppliers of goods used in the production of automotive body sheet hold certificates of compliance under ISO/TS 16949
 - Assessing contractors that provide waste collection services.

SELECTION AND QUALIFICATION OF SUPPLIERS AND CONTRACTORS

An efficient and reliable supply chain is essential to the stable operation of all divisions within the Group. The Group carefully selects and screens suppliers and contractors, and expects a great deal from its counterparties in terms of complying with deadlines, OTIF (on-time in-full) requirements, and quality standards for the goods and materials

it supplies. All suppliers and contractors that work at hazardous production facilities at NLMK companies have to be qualified.

In order to work with NLMK Group, it is imperative that suppliers and contractors operate ethically and conscientiously. In this regard, all potential counterparties are invited to familiarize themselves with the Supplier Code of Conduct at the screening stage and to confirm that they agree with its provisions.

The Group also expects its suppliers and contractors to comply strictly with all applicable legal requirements, including environmental protection and occupational health and safety regulations. The checklist developed by the Group for assessing potential contractors hence reflects state requirements for occupational safety and environmental protection, and suppliers and contractors operating at the Group’s sites must meet these requirements.

EVALUATING AND AUDITING SUPPLIERS AND CONTRACTORS

The Group annually assesses the quality, efficiency, and reliability of all current suppliers and contractors. It also monitors compliance with delivery deadlines throughout the year. If the Group has a negative experience with a supplier, the Group’s Conciliation Committee may decide to discontinue its partnership with the supplier or to impose restrictive measures. The procurement team can also work with the supplier to create a development plan aimed at improving the supplier’s performance.

Conciliation Committee

The Conciliation Committee is NLMK Group’s collegial body that was set up to review situations involving inappropriate, unethical, or unreliable supplier behaviour. Some of the issues that fall within the remit of the committee include violations of the pricing policy, occupational health and safety rules, and environmental protection requirements.

CONCILIATION COMMITTEE

Indicator	2018	2019
Number of suppliers on which partnership restrictions were imposed	17	18
Number of suppliers with which NLMK Group decided to temporarily suspend relations	8	6
Number of suppliers with which NLMK Group decided to terminate relations	12	11



Conducting systematic audits of suppliers and contractors that provide services to the Group’s Russian companies is another important tool for managing partnerships with contractors. Each year, the Group conducts around 30–80 audits of suppliers and contractors. When drawing up annual audit plans, the Group’s specialists take into account critical areas that affect the continuity and safety of production and product quality, including, among others:

- The contractor’s technical equipment
- Staff competence levels
- Quality control measures
- Maintenance and repairs
- Compliance with legal requirements for occupational health and safety and environmental protection, etc.

When auditing suppliers of goods, the Group pays special attention to the counterparty’s compliance with obligatory standards in matters concerning occupational safety and reducing its environmental footprint. Audits of contractors include

a more detailed review of issues related to safe working conditions and compliance with environmental regulations.

When auditing contractors that conduct hazardous work or large volumes of work, or companies that are the Group’s main contractors, the Group considers the following aspects in detail:

- Availability of equipment
- Provision of human resources
- Provision of technical resources
- Issues related to occupational health and environmental protection, etc.

Audits of contractors involve checking that the necessary documents are present and authentic, and also include directly monitoring the work of contractor employees and ensuring that they meet the requirements stipulated on the screening checklist. The contractor’s status is determined and a report is prepared on the basis of the audit results. The report should specify the measures needed to eliminate and prevent the reoccurrence of any of the issues that have been identified.

For more detailed information about supplier and contractor environmental assessments, see the Supplier Environmental Assessment section of the Environmental Protection chapter.

SUPPLIER AND CONTRACTOR AUDITS

Subject of audit	2015	2016	2017	2018	2019
Goods and materials	27	22	35	39	34
Services	2	1	21	17	24



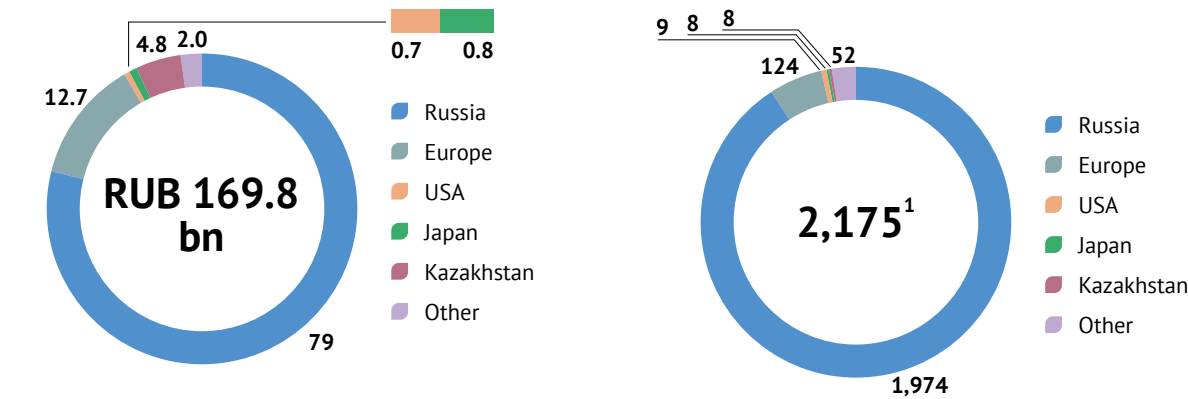
DATA ON PROCUREMENT VOLUME BY KEY PROCUREMENT CATEGORY, 2019 GRI 102-9

No.	Goods and materials category	Procurement volume, RUB m (excluding VAT)
1	Coal and coal concentrates	64,306
2	Provision of repairs and maintenance	31,841
3	Raw materials (excluding the main raw material categories)	26,397
4	Refractory products	14,041
5	Process equipment	10,787
6	Provision of technology	7,451
7	Coatings	5,712
8	Electrode coke	2,241
9	Fuels and lubricants	2,109
10	Rolls	1,510
11	Iron ore (concentrate, pellets, and ore)	1,391
12	Other	2,050

There were no significant changes in the Group's supply chain structure during 2019. GRI 102-10

2019 PERFORMANCE

PROCUREMENT FROM SUPPLIERS OF GOODS AND MATERIALS BY SUPPLIER COUNTRY, % OF TOTAL PROCUREMENT
GRI 102-9



PLANS FOR 2020 AND THE MEDIUM TERM

The Group intends to continue with its work to further automate procurement processes and to centralize the procurement of global categories of materials and raw materials. More specifically, the Group's plans include:

- Transition to signing of purchase orders in electronic form
- Claim work automation with suppliers
- Expanding the practice of using supplier catalogues and managing them, which will enable internal customers to choose the necessary items themselves

- Enhancing the efficiency of interaction with suppliers through the digital assistant functionality
- Changing the process of selecting and purchasing key auxiliary equipment for investment projects
- Simplification of the standard contract form for suppliers and the development of general terms of delivery of goods and materials.

The Group also plans to update the Contractor Audits Regulations in 2020.

^{1.} Number of suppliers. Note: data on purchases of goods and materials from third parties for Russian companies



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violations of human rights were recorded during the reporting year

HUMAN RIGHTS

MAJOR THEMES

- Non-discrimination
- Freedom of association and collective bargaining
- Prohibition of child labour
- Prohibition of forced or compulsory labour

KEY EVENTS IN 2019

- Participation in BHR Peer Learning Series, the Russian track of international workshops hosted by the Office of the UN High Commissioner for Human Rights and the UN Working Group on Business and Human Rights

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights.
- **Principle 2:** Businesses should make sure that they are not complicit in human rights abuses.
- **Principle 4:** Businesses should uphold the elimination of all forms of forced and compulsory labour.
- **Principle 5:** Businesses should uphold the effective abolition of child labour.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS





- NLMK's human rights principles
- Prohibition of forced labour
 - Prohibition of discrimination
 - Prohibition of child labour
 - Respect for the right to a minimum wage
 - Provision of safe working conditions

MANAGING HUMAN RIGHTS ISSUES

Respecting human rights is a key underlying principle in all of NLMK's operations. In its activities, the Company does not tolerate human rights violations related to discrimination based on sex, age, religion, race, ethnicity, physical traits, or identity, or any other form of discrimination. NLMK also devotes special attention to ensuring the right to freedom of association and collective bargaining, as well as issues concerning child labour and forced or compulsory labour. **GRI 407-1, 408-1, 409-1**

Our corporate ethics dictate that we consistently adhere to the generally accepted principles and norms of international law, as well as applicable employment laws in all countries of the world, regardless of the business practices in those

countries. In its activities, NLMK is governed by the provisions of the following documents:

- The International Bill of Human Rights
- The main conventions of the International Labour Organization (ILO Conventions)
- The UN Guiding Principles on Business and Human Rights
- The UN Global Compact
- Transforming our World: the 2030 Agenda for Sustainable Development (UN)
- The ISO 26000 Guidance on Social Responsibility
- The laws of the Russian Federation and other countries in which NLMK Group companies operate.

Together with international norms, our human rights efforts are regulated by internal corporate documents: NLMK Group's Corporate Ethics Code, Anti-Corruption Policy, and collective bargaining agreements. One important component in the Company's approach to managing these issues is NLMK Group's Human Rights Policy. The goal of the policy is to ensure that human rights are observed in the Group's activities everywhere we operate.

INTEGRATING FUNDAMENTAL HUMAN RIGHTS PRINCIPLES INTO NLMK GROUP ACTIVITIES

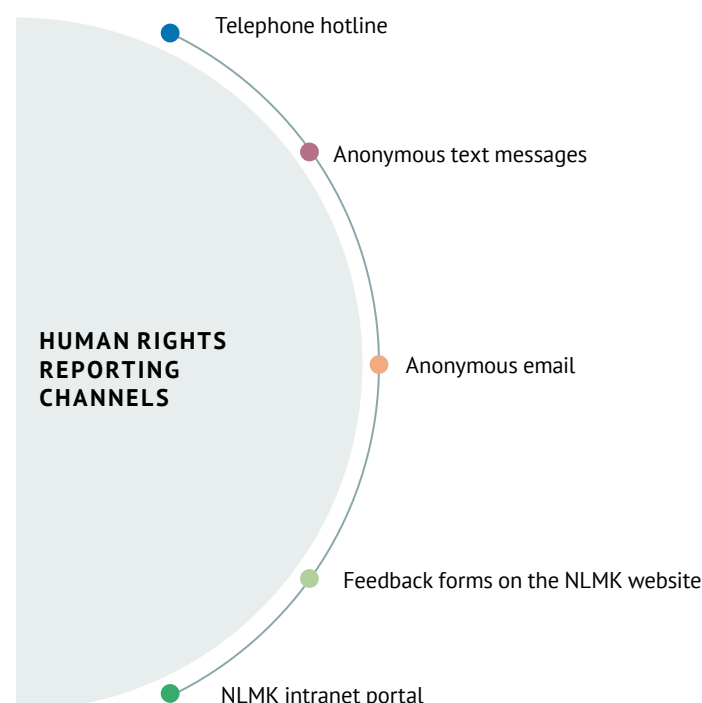
Fundamental principles	Areas of activity
Prohibition of forced labour and child labour	NLMK Group only signs employment contracts with individuals that meet the minimum age requirements stipulated by prevailing legislation. The Company does not make use of child labour. The Company also forbids the use of forced labour, penal and military labour, slavery, and human trafficking. All employment at the Company is exclusively voluntary in nature.
Prohibition of discrimination	NLMK Group does not tolerate discrimination based on sex, religion, or any other grounds in its staff management activities, including hiring, and adheres to the same principles when determining wages. <i>For additional information, see the Our Employees section</i>
Respect for the right to a minimum wage	Ensuring decent working conditions, including competitive salaries, and providing both employees and retirees with a social benefits package are key priorities for NLMK Group. <i>For additional information, see the Our Employees section</i>
Support for freedom of association and collective bargaining	NLMK Group fulfils all of the requirements set forth in collective agreements and regularly engages with trade unions. The Company also ensures that conditions are in place to facilitate the creation of associations to represent the interests of NLMK employees by making corporate communications tools available and by supporting employee volunteering initiatives. <i>For additional information, see the Our Employees, Stakeholder Dialogue, and Corporate Communications sections</i>
Provision of safe working conditions	In organizing production, the Company prioritizes the health and safety of its employees above all. The Company's management team monitors and reduces risks associated with hazardous working conditions while increasing safety levels at the production sites of every NLMK company from year to year. The Company is continuously improving its approaches to environmental policy and energy management, with a view to reducing the negative impacts of production on the environment and on the health of stakeholders. <i>For additional information, see the Occupational Health and Safety and Environmental Protection sections</i>

NLMK's efforts to protect human rights in all the regions where it operates are coordinated by the HR Department with the involvement, if necessary, of experts from other functional areas of the Company (in particular, the Occupational Health and Safety team) in order to safeguard its corporate interests and to manage risks. The Company's senior management team is always involved in making important decisions.

The Company shares its Human Rights Policy with its stakeholders, including employees, subcontractors, and business partners.

The Company welcomes information from all stakeholders about any activities that violate human rights. Employees, clients, suppliers, subcontractors, and other stakeholders can use any feedback channel listed on the official NLMK website, including in languages other than Russian.

All messages and complaints are recorded in an aggregated database that is accessible via the NLMK intranet portal. Each specific instance



is examined separately to ensure that decisions are made on a case-by-case basis. The individual that sends a complaint always receives a written response with an explanation, except in the case of anonymous messages.

2019 PERFORMANCE

During the reporting period, NLMK recorded no cases of discrimination related to human rights violations **GRI 406-1**, including violations of the right to freedom of association and collective bargaining or violations concerning child labour and forced or compulsory labour. **GRI 407-1, GRI 408-1, GRI 409-1**

NLMK is committed to improving its competency in human rights, drawing on best practices from colleagues in various industries and international organizations to introduce responsible, fair business principles into our corporate culture.

In 2019, the Company made a major effort to integrate human rights provisions into the standard terms of business with contractors. This implies that suppliers and counterparties must confirm that they adhere to and respect the human rights principles envisaged by the Russian law and international legal instruments at the time of signing a contract. Obligatory compliance is required for the following human rights:

- Support for freedom of association
- The right to liberty and security of person
- Respect for the prohibition of child labour and forced labour and the prohibition of discrimination
- Ensuring the occupational health and safety of workers as well as safe working conditions
- Respect for the right to a minimum wage

These efforts will continue into 2020.



In 2019, the Company participated in the BHR Peer Learning Series, the Russian track of international workshops hosted by the Office of the UN High Commissioner for Human Rights and the UN Working Group on Business and Human Rights. The event was structured to enable an exchange of experience, deliver theoretical and practical materials, and harmonize interpretations and understanding of the matter. It also laid the groundwork

for further dialogue in this field and established a working platform based on the needs, wishes, challenges, and problems that were identified.

NLMK participates in organizations that support and foster human rights principles. For example, the Company is a member of the Committee on Corporate Social Responsibility and Demographic Policies of the Russian Union of Industrialists and Entrepreneurs (RSPP).

In 2019, NLMK Group joined the UN Global Compact, an international initiative of the United Nations to promote sustainable development and corporate social responsibility. Having signed the Compact, NLMK Group reaffirmed its commitment to its 10 fundamental principles, including those related to human rights.

PLANS FOR 2020 AND THE MEDIUM TERM

Given the international nature of NLMK's operations and stakeholders' interest in protecting human rights, the Company will continue to enhance its approach to human rights issues.

In future reporting periods, we plan to perform a number of activities aimed at implementing the provisions of NLMK's Human Rights Policy in the operations of all the Group's companies, including those outside Russia. Another task will be to develop methodological approaches to assessing how well our activities comply with the principles enshrined in NLMK's current Human Rights Policy. Company representatives will also continue to play an active role in important events dedicated to protecting human rights.



17%

increase in investment in staff training
and development

Managers took

>18,000

training sessions at the Corporate
University

5.6%

turnover rate at NLMK Group

Women account for

35%

of management and administrative staff

Women account for

25%

of the total number of employees

OUR EMPLOYEES

MAJOR THEMES

- Safe working conditions
- Development of managerial skills
- Engagement of employees in continuous improvement
- Development of professional skills
- Labour productivity improvement

KEY EVENTS IN 2019

- Roll out of the staff assessment system based on NLMK's key skills
- Launch of the Healthy Choice project to create a conscious attitude among employees to their health
- Approval of NLMK Group's Social Strategy
- NLMK Pulse corporate survey to get feedback from employees about the situation in the Group
- Talent Pool development

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **Principle 6:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.

SUSTAINABLE DEVELOPMENT GOALS



OUR APPROACH TO STAFF MANAGEMENT

Our key personnel management goals are to attract and retain the best professionals in their field and engage them in the process of continuous improvements. To do this, NLMK Group needs to remain as progressive as possible and attentive to safety, talent, and innovation.

- In order to achieve these goals, the Group continued to work actively in the following key areas of the HR policy during the reporting period:
- Labour productivity improvement
 - Development of managerial skills, where each manager is responsible not only for business performance, but also for the quality of his/her team
 - Development of employee initiative and engagement in the process of continuous improvement
 - Development of the vocational training system
 - Further integration of international companies into the Group's HR processes
 - Digitalization and implementation of best practices in HR processes

One of the main goals of the HR strategy is to increase productivity. We plan to achieve this goal by improving the quality of business processes, ensuring the automation and mechanization of labour as well as developing processes that utilize the expertise of contractors and suppliers.

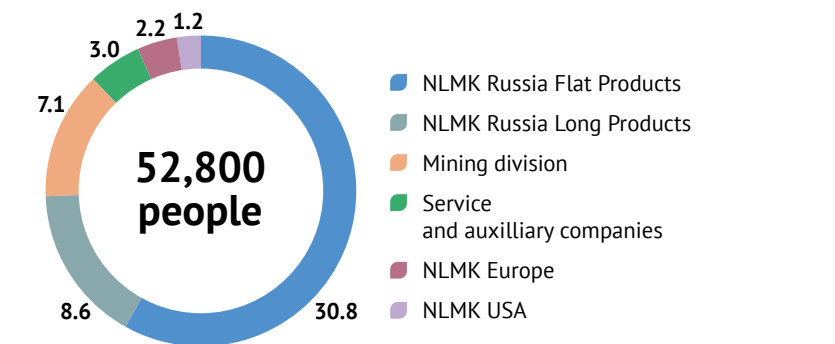
A positive driver is the NLMK Production System project, which focuses on increasing the Group's efficiency through continuous improvements, the elimination of waste, occupational safety, respect for each employee, and the development of a regular dialogue between management and employees.

- We are committed to applying a unified approach to managing human resources issues, including at our international companies. NLMK Group's Human Resources Department is responsible for all staff-related issues, including hiring and retaining qualified employees, building systems to reward and motivate them, and developing their professional skills.
- NLMK Group conducts staff management activities in accordance with the following internal and external documents:
- The Constitution and Labour Code of the Russian Federation
 - International declarations, including the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work
 - NLMK Group's Corporate Ethics Code
 - Collective bargaining agreements
 - General corporate regulations on staff management.

OUR EMPLOYEES

The average NLMK Group headcount during 2019 was 52,800 people, of whom 49,200 (93.2%) were employed at the Group's Russian companies, 2,200 (4.1%) at European divisions, and 1,200 (2.2%) in the United States. The average headcount decreased by 1% during the reporting period; this is the result of the Investment Programme 2022 and productivity improvement programmes. **GRI 102-7**

NLMK GROUP STAFF¹ BREAKDOWN BY SEGMENT IN 2019, THOUSANDS OF PEOPLE **GRI 102-8**

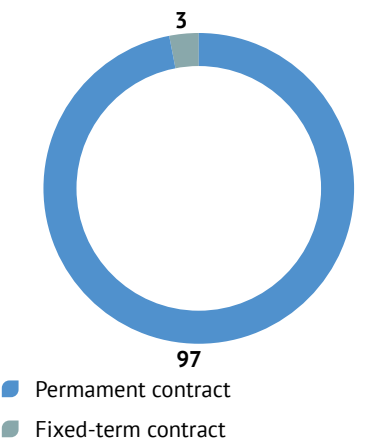


Approximately 97% of NLMK Group employees work under permanent contracts, and around 3% under fixed-term contracts.

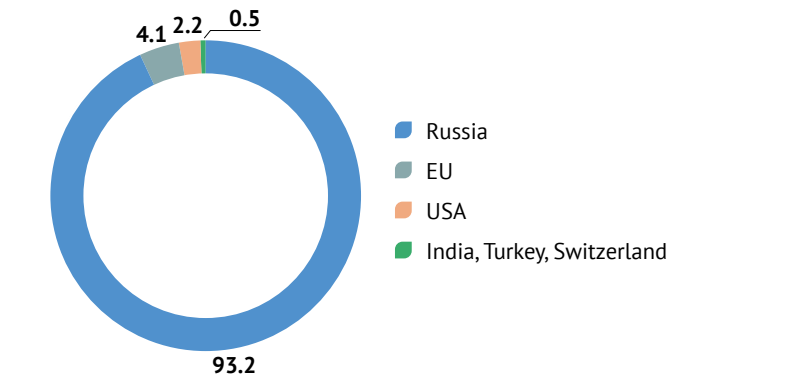
The nature of the steel industry is such that the proportion of men among shop-floor employees (78%) outweighs the proportion of women (22%) – this has always been the case historically. As for administration and management staff, women account for 35% of all specialists, 58% of office employees and 15% of managers. In total, women account for 25% of all staff.

NLMK employees represent various age groups, which attests to the lack of age discrimination in NLMK Group's HR policy. In 2019, 23% of all employees were aged over 50, 60% were aged between 30 and 50, and 17% were under 30. Of those in management positions, 74% were aged between 30 and 50, and 21% were aged over 50.

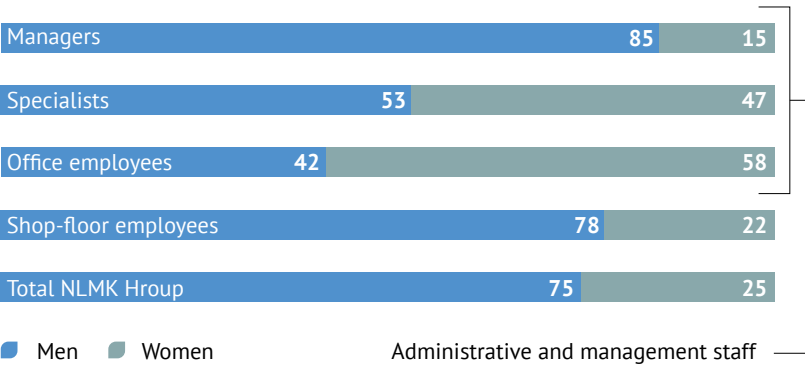
NLMK GROUP STAFF² BREAKDOWN BY CONTRACT TYPE IN 2019, % **GRI 102-8**



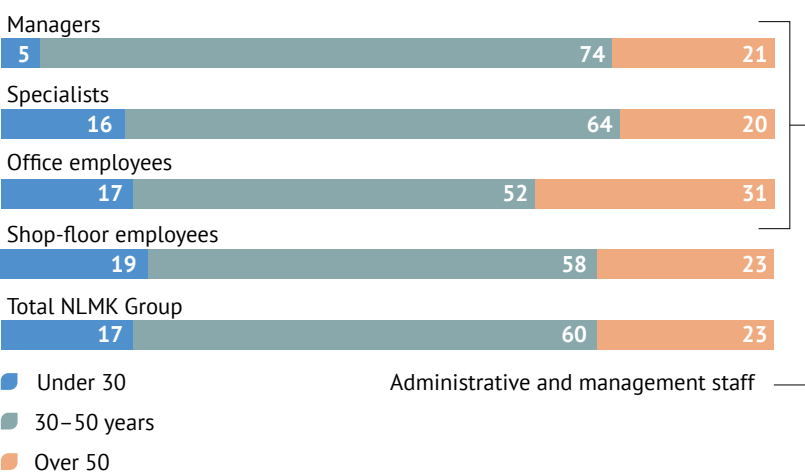
NLMK GROUP STAFF¹ BREAKDOWN BY REGION IN 2019, %



NLMK GROUP STAFF² BREAKDOWN BY GENDER AND CATEGORY IN 2019, % **GRI 102-8, GRI 405-1**



NLMK GROUP STAFF² BREAKDOWN BY AGE AND CATEGORY IN 2019, % **GRI 102-8, GRI 405-1**



¹ Average headcount.
² Headcount as on 31.12.2019.

NLMK is committed to supporting gender diversity within its governance bodies in a way that takes into account the specific nature of the Company's activities. In 2019, NLMK Group's Board of Directors and Management Board were made up of both men and women.

LABOUR PRODUCTIVITY

NLMK pays special attention to the strategic goal of increasing labour productivity. This task encourages the implementation of effective technological and management processes within the Group as well as the use of advanced technical solutions.

The Company has experienced a stable positive labour productivity trend over the past few years. In 2019, NLMK Group's labour productivity was 297 t of steel per person. This is a planned reduction associated with major investment projects to upgrade the core equipment of NLMK companies.

TURNOVER

In 2019, voluntary staff turnover was 5.6%. The increase over the previous year is associated with the implementation of the programme to increase labour productivity, i.e. the automation and mechanization of production.

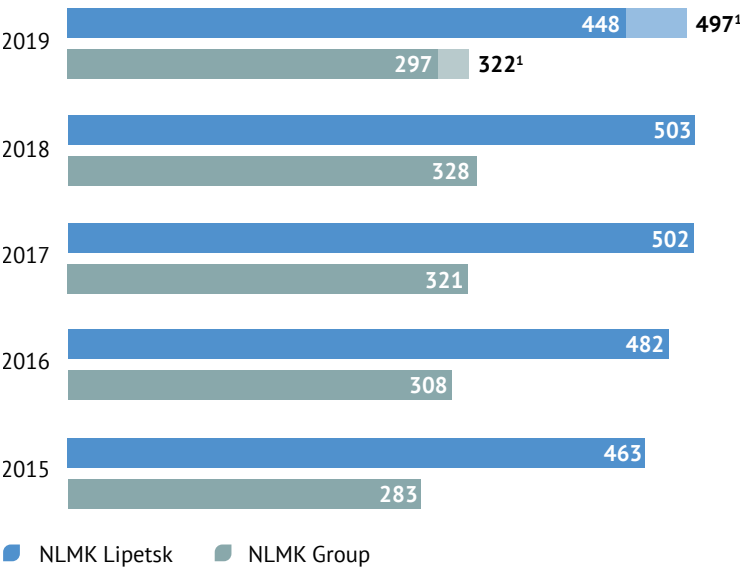
STAFF RECRUITMENT

As part of achieving a strong performance, the Company understands the importance of attracting and retaining experienced and highly qualified staff.

GENDER COMPOSITION OF NLMK GROUP GOVERNANCE BODIES AS OF 31.12.2019, PEOPLE GRI 405-1



NLMK GROUP LABOUR PRODUCTIVITY¹, 2015–2019 (TONNES OF STEEL/PERSON)



When assessing applicants, the Company does not tolerate discrimination on grounds of gender, age, or any other factors. NLMK always complies with applicable legal requirements, particularly with respect to the employment of women in hazardous roles. For example, Russian legislation² places restrictions on the use of female labour in hazardous conditions and in situations involving

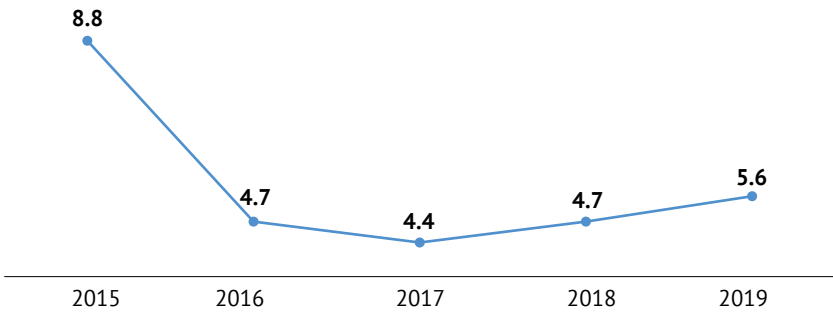
the movement of heavy weights. The Company adheres strictly to these requirements.

In 2019, NLMK Group successfully completed a pilot project to introduce video interviews as a new tool for evaluating candidates. The project was powered by the Sever.AI platform. Based on the criteria set in the job requirements, the system independently searched for candidates throughout the Russian Federation, selected the most relevant ones, and sent them an invitation to complete a video interview offline. Using artificial intelligence, more than 3,000 CVs were processed, of which 470 candidates successfully passed the video interview and made it to the next stage of evaluation: interviews with the Company's recruiters and managers. The new tool gave a boost to recruiters' efficiency by increasing the coverage of the target audience of candidates and reducing the time for their evaluation.

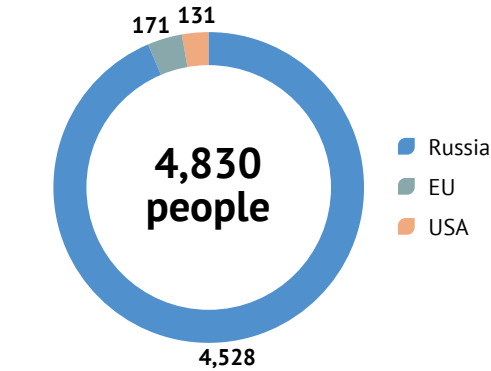
Based on the successful experience of using artificial intelligence in the recruitment process, the Group launched a new innovation – 'call the robot'. An applicant just needs to call a toll-free number and answer a number of questions, and the system will automatically register him/her for further discussions with the recruiter.

The Group launched its NLMK.team career page in Q2 2019, which enables potential candidates to get access to all relevant job openings within NLMK Group and to learn more about the Group as well as its corporate culture and values.

CHANGES IN EMPLOYEE TURNOVER³ AT NLMK GROUP, 2015–2019, % GRI 401-1



NLMK GROUP NEW HIRES BY REGION IN 2019, PEOPLE



In 2019, 4,830 people joined the NLMK team, 94% of whom were hired by the Group's Russian companies. GRI 401-1

The Company created more than 300 jobs in 2019, the majority of which were linked to the launch of investment projects.

NLMK is committed to boosting employment in the regions where it operates, thus we prioritize local applicants during the recruitment process.

Due to the specific nature of roles in the steel industry, which involve working in hazardous conditions, recruitment specialists pay particular care and attention to the employment of people with disabilities. The Company complies with all respective legal requirements in this area.

¹. Labour productivity without reduction of production at Lipetsk site associated with large scale BF and BOF repairs.
². Russian Federation Labour Code of 30 December 2001, No. 197-FZ (edition 11.10.2018), Article 253, Work Subject to Restrictions Regarding the Employment of Women.

³. In 2019, voluntary staff turnover is reported: when employees resign voluntarily without taking into account retirement; it does not include employees dismissed by management and those who died while employed by the Company.

ASSESSMENT AND REMUNERATION

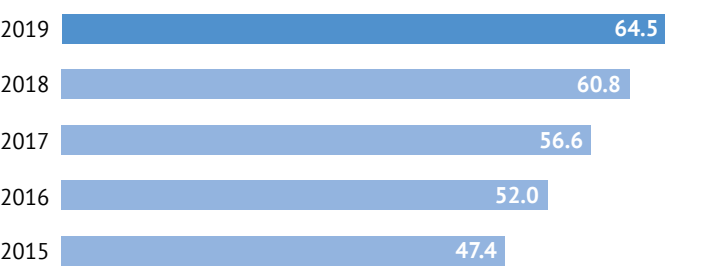
NLMK Group employees receive competitive remuneration. We annually collect and analyse data on industry peers and the regions where the Group operates as well as the purchasing power of remuneration by personnel categories and individual professions to assess the competitiveness of our remuneration.

Financial remuneration for employees consists of a basic salary and a bonus. The NLMK remuneration system has been developed in accordance with best Russian and international practices. The Company also takes the views of trade union organizations into account when drafting local remuneration regulations.

In 2019, a major project was implemented to transition to remuneration management based on an employee performance evaluation. For many years, NLMK Group was using a ‘flat’ approach to annual indexation: all employees’ salaries were increased by the same percentage. The new approach enables the Company to further encourage the best of the best, while maintaining a competitive level of salary indexation for all employees. This way a more dynamic increase in the salaries of high-performing employees will help strengthen the principles of external competitiveness and the internal equity of remuneration across the Group’s companies, while unlocking the potential and stimulating the professional activity of each employee. Since 2019, more than 90% of NLMK’s employees have switched to this system.

The average salary of NLMK Group employees at Russian companies in 2019 was RUB 64,500, a 6% increase versus 2018. At our international companies, remuneration is determined based on collective bargaining agreements and employment legislation, and also includes annual indexing of income.

AVERAGE EMPLOYEE SALARY AT NLMK GROUP’S RUSSIAN COMPANIES, RUB K/PERSON



PROPORTION OF NLMK GROUP EMPLOYEES WHO RECEIVED A REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW, BY CATEGORY AND GENDER AS OF 31.12.2019, PERSONS GRI 404-3



The Company does not tolerate any form of discrimination on grounds of gender or other factors when implementing or further developing its remuneration system.

The Company also continues to develop an end-to-end management system that aims to achieve the Group’s goals (Management by Objectives (MBO)). More than 7,000 employees receive their annual bonus based on their achievement of key performance indicators (KPIs). All employee KPIs are linked in a single cascade: from the CEO’s Strategic goals to the goals of the units.

Bonuses for employees not covered by the MBO system are also determined monthly based on their attainment of approved performance indicators.

In 2019, 45,467 employees of NLMK Group, or 85% of all staff, underwent an official performance assessment. GRI 404-3

Features of the MBO system:

- Objectives are discussed and agreed between the manager and their employees
- Constructive two-way feedback throughout the year and at the end of the year
- Employee development plan that allows them to improve their managerial and professional skills year by year

An active dialogue between managers and their teams allows each employee to better understand their goals and achieve better results. According to the MBO system, annual performance is assessed using a scale of ambition: when a KPI is exceeded, the bonus also increases. The maximum possible bonus for a KPI can reach 150%.

NLMK Group plans to extend the MBO system to cover 100% of all-level employees by 2022.

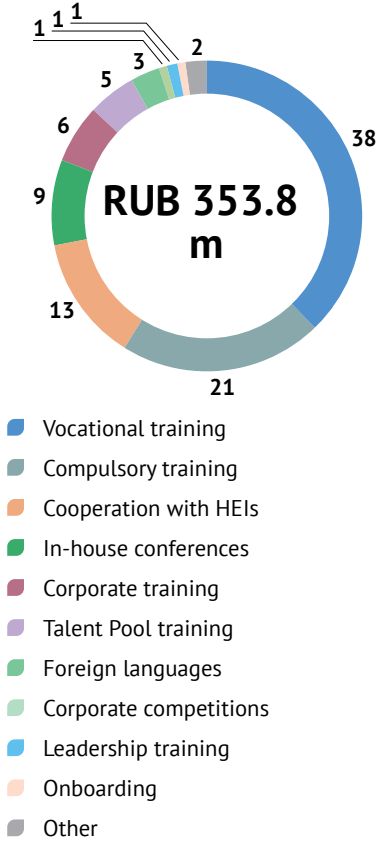
Incentive systems for individual groups of employees are also being developed: incentives for participating in project activities, promoting initiatives, etc. All of them are coherently linked to the main remuneration systems, complement each other, and expand the opportunities for growth in an employee’s salary.

A staff relocation policy was developed in 2019. The Company is interested in allowing employees to move freely to new jobs in any regions where we operate, thereby enhancing opportunities for career and professional growth.

Each employee who has expressed a desire or accepted an offer for relocation receives an appropriate relocation package and the opportunity to move his/her whole family to a new and interesting place of work.

TRAINING AND DEVELOPMENT

INVESTMENT IN NLMK GROUP’S RUSSIAN COMPANIES BY TYPE OF TRAINING PROGRAMME IN 2019, % GRI 404-2

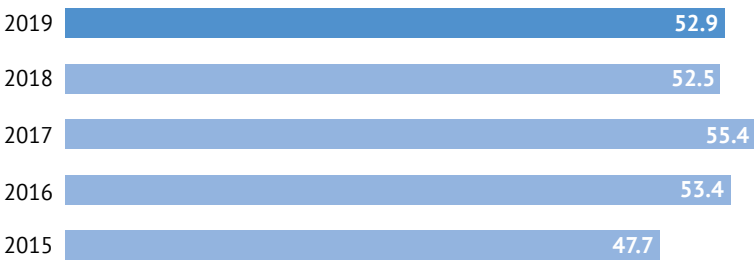


Employee proficiency and qualifications are an important factor in ensuring sustainable development at NLMK. A key objective for the Human Resources Department vis-à-vis staff development and training is to ensure that employees receive the necessary level of training in vocational knowledge and skills so that they can perform at a high level.

For this reason, NLMK invests considerable resources in the training and development of its employees. Investment allocated to staff training measures in 2019 amounted to RUB 353.8 m, a 17% increase versus the amount allocated in the previous reporting period. Most of the growth can be attributed to the fact that investment in training and development at the Group’s international companies was reflected in its consolidated statements.

The staff training and development process features a number of stages, which not only include educational programmes for the Company employees, but also work with potential future employees, such as students from secondary and higher educational institutions.

NUMBER OF TRAINING SESSIONS COMPLETED BY NLMK GROUP EMPLOYEES, 2015–2019 (THOUSAND TRAINING SESSIONS) GRI 404-1



¹. White collars are managers, specialists and office employees

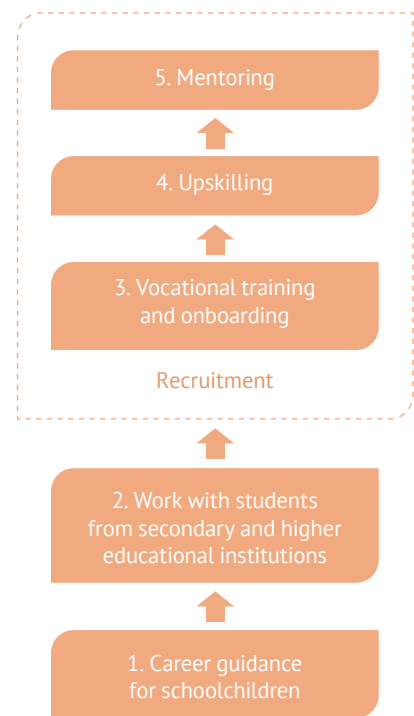
COOPERATION WITH EDUCATIONAL INSTITUTIONS

As part of its work with schools, the Company is engaged in a wide range of informative and educational activities and competitions, including organizing trips to its sites and encouraging the study of technical subjects, holding competitions and quizzes about steelmaking, and supporting the most promising students and their teachers.

We work closely with vocational training and higher education institutions, proposing changes to course content to reflect NLMK practices, organizing various types of work experience at the Group's sites, operating funded programmes for teachers and students, and conducting additional and dual education programmes.

Effective cooperation with schools as well as secondary and higher education institutions not only allows us to attract young professionals who are already familiar with the working life at NLMK, but also to ensure that the Company is perceived as an attractive employer in the regions where we operate.

STAFF TRAINING AND DEVELOPMENT AT NLMK



VOCATIONAL TRAINING GRI 404-2

Vocational training and onboarding programmes for NLMK employees play a significant role in this process given the nature of the Company's operations. These programmes include training that qualifies employees to access production sites and work with equipment as well as specialist vocational training. Training takes place at NLMK sites or in collaboration with certified third-party training institutions. For example, NLMK Lipetsk has an educational centre that holds state-licensed training sessions in over 300 occupations.

We also invest significant financial resources and efforts into vocational training for employees in corporate functional areas. Centralized training programmes that aim to improve skills and eliminate deficiencies in key competencies are being developed in response to the results of vocational skills assessments.

In 2019, the first stage of the 'Development of the NLMK vocational training system' project was implemented to boost the quality of training at the Group's basic educational institutions (BEIs) to the level required at NLMK and to reduce onboarding time for future employees. The first stage consisted of an audit of the corporate professional training system in order to identify areas for future development. These include:

- Ensuring shorter time for additional training at the Company by focusing more on specialist training in the curricula of BEIs
- Developing a single package of competency assessment tools that is suitable for evaluation at both NLMK Group's companies and BEIs
- Improving the quality of staff training by updating the internal mentoring model and the functional role of BEI faculty, developing a unified knowledge base, and launching courses in key professions
- Aligning students' educational trajectories with the staffing needs of the Group's companies to raise the conversion rate of BEI graduates into NLMK employees

A total of 40% of the Group's blue collars and engineers fall into 16 professions (TOP 16) that were selected based on certain criteria (relevance of the profession, complexity of training for the profession, staff shortage and turnover, etc.). Educational programmes were updated for these TOP 16 professions. As a result, the duration of training for these professions was slashed by more than 20% within NLMK's in-house professional training. In addition, 28 draft partner educational programmes for TOP 16 professions were prepared as well as roadmaps to embed them in the curricula starting from the 2019/2020 academic year.

In the reporting year, internal teams of the Group's methodologists received additional professional training. We developed educational methodology and regulations, and tested the process of describing requirements and developing educational programmes in order to scale them to other professions at the Group.

We also invest substantial funds and efforts into vocational training for employees in corporate functional areas. In 2019, we focused heavily on moving away from the specific needs of individual employees to establishing functional academies. Centralized corporate training programmes are developed within the academies based on the results of professional competence assessments. The programmes aim to improve skills and eliminate inconsistencies that are identified in key competencies.

NLMK also devotes significant attention to other areas of training that are particularly important for business development, such as learning languages. In the reporting period, the Company continued to implement its corporate English learning programme. By boosting the number of employees with fluent English, we help improve Company employees' access to global best practices in the industry and enable NLMK Group's international divisions to share experiences more extensively. In 2019, we updated our approach to training: the corporate training programme was revised to include the language immersion format. In addition, a target audience was determined based on the priorities of specific management levels and the timeframe for becoming fluent in a foreign language.

KNOWLEDGE MANAGEMENT

The key objective in knowledge management for the Company is to involve a wide range of employees in this process, which will enhance the quantity and quality of the Company's intellectual resources and also improve the efficiency of creating, distributing, and applying knowledge that is valuable to NLMK Group.

The primary areas of knowledge management include:

- Improvements to operational efficiency
- Human capital development
- Research and introduction of new technologies through the accumulation and dissemination of experience and innovative ideas
- Identification and elimination of root causes of problems
- Creating an enabling environment for the practical implementation of innovative ideas.

Two pilot projects were launched in the reporting year. The goal of the first project is to develop the skills of repair personnel as part of the 2018–2022 Repair System Development Strategy based on the internal processes of the Repair and Maintenance functional area. The second project is dedicated to creating and formalizing knowledge management processes in the Digital Transformation and Information Technology functional area and related departments.

As it continues to develop the concept of being a self-learning organization, NLMK Group provides its employees with the opportunity to receive on-the-job education remotely.

PREPARING A TALENT POOL

Ongoing work to develop the Company's talent pool aims to identify, train, and promote members of the pool. The fundamental goal of these efforts is to foster in-house talent to fill management vacancies. It also aims

Automation and how employees manage their own training

In 2019, the Company launched a new service that offers online registration for training. This function is powered by the automated SAP Success Factors LMS system, just as it is with leadership training.

The project showed that employees have a high level of awareness in terms of managing their own training and generated positive feedback as a convenient service. After the service for choosing training dates was introduced, attendance at training sessions increased from 60% to 95–100%.

The service will be developed further: in the near future, schedules will be prepared for all types of training, including professional and compulsory. NLMK Group has a vision that each of its employees will have access to a personal account with a schedule of courses for which they can easily register online. For the Company, this is not just a change in the process of organizing training, but a step towards changing its culture.

OPPORTUNITIES

For employees	For managers
<ul style="list-style-type: none"> • Mobile phone access • Ability to select optimal training dates • Create an application for training and track its status • Automatic notification for managers about selected training dates • Training history • 24/7 access • Feedback after training 	<ul style="list-style-type: none"> • Optimized employee training process control and management • Employee training approval • Access to the status and training history of subordinates • Employee training tracking • Feedback on employee training • Employee training reports

to further the career aspirations of NLMK employees and ensure the continuity of knowledge and technology.

In 2019, the Company successfully transitioned to a two-year cycle for the Career Committee, established new career committees for the positions of foremen and site managers, and provided training to the talent pool members. The practices of managerial skills evaluation and career committees were rolled out to NLMK Group's international companies.

NLMK CORPORATE UNIVERSITY

GRI 404-2



NLMK Corporate University was established in 2017 in order to centralize and introduce a unified management training system throughout the Group.

The mission of the Corporate University is to make the Company more competitive by helping to develop the managerial skills of executives and talent pool candidates for managerial positions.

Objectives:

- Formation and development of a managerial culture
- Development of managerial skills
- Systematization and transfer of best practices and experience to build a self-learning organization
- Development of leadership potential

The target audience for the NLMK Corporate University consists of the 5,000 Company executives and talent pool candidates for senior positions, as well as strategic partners, contractors, and key clients.

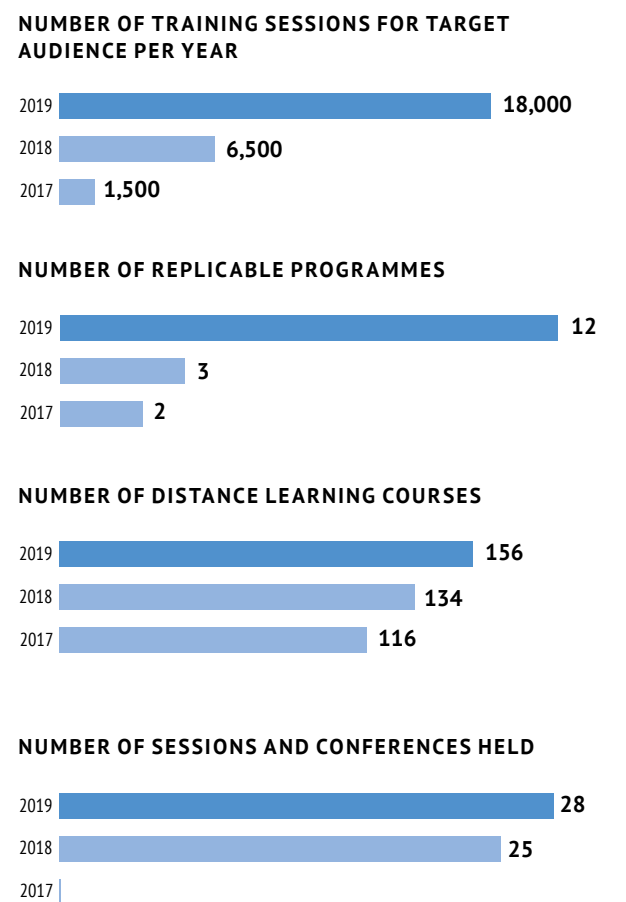
The Leaders Teach Leaders approach
Senior managers and key experts at the Group help to create Corporate University programmes, and they also deliver training as internal trainers. This Leaders Teach Leaders approach is essential to the operation of the Corporate University.

All internal trainers undergo special training and receive support from professional trainers in order to ensure that programmes are taught according to high quality standards.

Educational solutions (programmes)
All Corporate University programmes represent a synthesis of the knowledge and best practices of NLMK Group's experts and cutting-edge international developments.

- Approach to programme development:**
- Educational solutions are developed and designed by teams that include the best internal experts, the heads of functional areas, and experts from leading Russian and foreign universities
 - All educational solutions share common understandings and utilize end-to-end case studies that combine to form an integrated system
 - Each educational solution consists of three parts: preparation, face-to-face courses, and introduction of learning outcomes
 - There are specialized programs for each management level and area of managerial activity.

The Corporate University devotes a great deal of attention to digital training formats: developing electronic courses, conducting webinars and surveys, and ensuring a paperless learning environment.



At present the Corporate University portfolio includes 12 educational solutions that are differentiated into the following streams:

Value strategy and management

People and teams

Production system

Innovation and change

NUMBER OF INTERNAL TRAINERS

2019	357
2018	140
2017	54

LANGUAGES OF INSTRUCTION

2017

2018

2019

Russian

English

French

Corporate University campus
In 2017, construction of the NLMK Corporate University building began at the site of the former Metallurgists' Palace of Culture in Lipetsk. The modern multifunctional centre is unique in the region. For example, it will house a conference hall that can seat 432 attendees and 25 classrooms for events held in various formats. The NLMK Corporate University campus is scheduled to open in 2020.

Participation in the work of international communities
Since 2019, the Corporate University has been a member of several international communities, including the European Foundation for Management Development (EFMD), the Executive Corporate Learning Forum (ECLF), and the Education and Training Committee (ETCO) of Steeluniversity and Worldsteel.

During the reporting year, stewardship over the talent pool was largely handed over to subdivision heads. Managers were trained in skills evaluation for this purpose.

In 2019, 69% of positions covered by the programme were filled from the talent pool.

EMPLOYEE SUPPORT

GRI 404-2

NLMK provides opportunities for career advancement within the Group and offers free re-skilling programmes. Should an employee wish to switch specialization, we are ready to provide full support in acquiring new skills. The Company offers employees the opportunity to proactively apply for company-reimbursed training in order to gain new qualifications and progress in their careers at NLMK.

Former NLMK employees that are highly skilled and who possess unique experience have the opportunity to act as expert consultants, passing on their knowledge and experience to new Company employees on the basis of a paid services agreement.

Collective bargaining agreements govern the following social support measures:

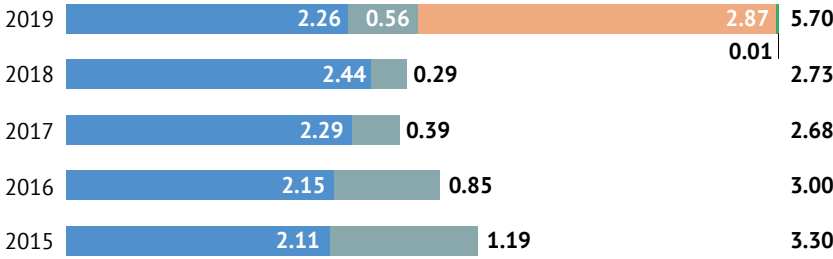
- Medical services for employees and their children, including as part of the voluntary medical insurance system
- Provision of hot meals on-site
- One-off financial aid for employees and their family members as well as a system of compensation payments
- Organizing mass cultural and sporting events and creative competitions
- Provision of transport to and from the workplace
- Private pension programme (at some NLMK Group companies)
- Comprehensive support programme for retired employees

Along with this, NLMK provides additional benefits for employees that aim to support their health, improve working conditions, and care for their family members, and also organizes various corporate events.

In 2019, the Company further enhanced PRIMEZONE.NLMK, a corporate loyalty programme developed for employees at major Russian companies. As part of the programme, employees have access to discounts and special offers from retailers in the cities where the Group has companies: Lipetsk, Stary Oskol, and Moscow. Employees can also suggest retail partners with which they would like discounts to be coordinated. The programme also offers NLMK employees a concierge service for booking various services. A total of 5,500 employees signed up for the programme in the reporting period. The loyalty programme saved employees RUB 60 m, with average savings of about RUB 20,000 per one programme member.

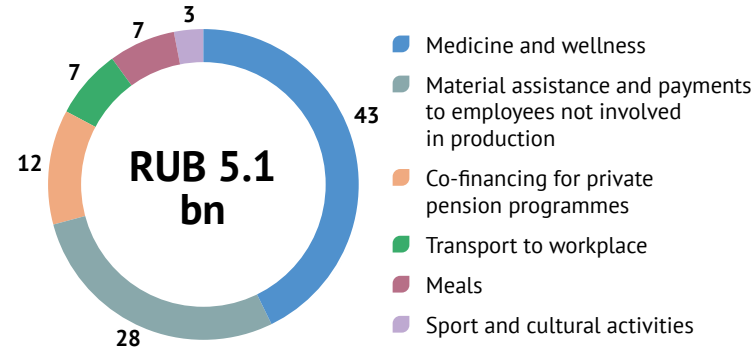
In addition, NLMK Group employees can participate in private pension programmes at companies with additional contributions made by the Company, thus securing additional pension payments once they become eligible to receive their pension. GRI 404-2

NLMK GROUP'S SOCIAL SPENDING, 2015–2019, RUB BN¹



- Social support expenses for the Group's Russian company employees
- Investment in local community development in Russia²
- Social support expenses for the Group's international company employees
- Investment in foreign local community development²

SOCIAL SPENDING FOR EMPLOYEES AT NLMK GROUP (INCLUDING INTERNATIONAL COMPANIES) IN 2019 BY AREA, %



NLMK GROUP'S EMPLOYEE HEALTH PROGRAMME

Working conditions

- Healthy eating
- Improving social conditions at work
- Optimizing work-life balance

Lifestyle

- Health training sessions
- Promotion of healthy lifestyle in corporate media services
- Getting employees involved in sport and healthy living gamification

Medicine

- Improving the effectiveness of occupational medicine
- Improving the voluntary medical insurance system
- Developing preventative and wellness programmes

SOCIAL POLICY

NLMK Group's internal social policy is a key tool for supporting a high level of employee engagement and also helps create additional labour market advantages. Since 2017, social policy issues have fallen within the remit of the Human Resources functional area, which helps to develop social projects more effectively and maintain a sharper focus on employee needs. One of the main aims of the Company's internal social policy is to support NLMK's HR strategy and sustainable development goals.

In 2019, the Management Board approved NLMK Group's Social Strategy through 2022. The Social Strategy is a set of programmes that promote the long-term sustainability of business taking into account the interests of both the Company and its employees. The Strategy's key objectives include:

- Achieving a high and well-balanced level of staff satisfaction and involvement
- Reducing losses (time, health, personal efficiency)
- Higher competitiveness/attractiveness of jobs/employer

The Strategy sets out KPIs, the structure of social programmes, and key aspects of such key programmes as 'Medical Services', 'Catering', 'Meals' 'My Family', 'Sports', and 'Communities'.

Sharing best practices in the social sphere

On 18–19 September, Lipetsk hosted an interdisciplinary workshop for social care managers and specialists. The workshop was organized by NLMK Group and the Ferrous Metals Producers Corporation with the support of the Association of Mining and Metallurgical Complex Industrialists.

The event was attended by over 130 representatives of large holding companies, steelmaking majors, and corporations from other industries, such as Russian Railways, Rosatom, Norilsk Nickel, Inter RAO, and PhosAgro, among others. The discussions focused on the relevant trends of corporate social policies, the diverse approaches to the development of a social partnership, the role of trade unions, and the impact of the social benefits package on the employer's brand.

NLMK representatives shared their successful experience of engaging employees in healthy lifestyle awareness activities and the results of the corporate volunteer programme.

SOCIAL SUPPORT

NLMK Group has developed social support measures for its employees that aim to boost their motivation and satisfaction levels. We are committed to constantly improving the content of these measures as well as the conditions under which they are provided.

NLMK Group's total social investments in 2019, including NLMK Group's international companies, stood at RUB 5.7 bn, of which RUB 5.1 bn was allocated to social support programmes for NLMK Group employees. In 2019, the Company switched to disclosing social investments for the entire Group, including its international companies.

¹. 2019 data include the Group's international companies

². For more information about investment in the development of local communities, please see the Development of Local Communities section.

NLMK Group's Employee Health Programme was also further enhanced in the reporting period with a special focus on activities that would motivate employees to lead a healthy lifestyle as part of the Healthy Choice project. **GRI 403-6**

NLMK Group's Employee Health Programme was highlighted by a number of key projects in 2019.

1. Accident and critical illness insurance **GRI 403-6, GRI 403-10**

In 2019, the Company introduced a new type of accident and critical illness insurance. The new benefit was introduced by NLMK Group as part of its Social Strategy and aims to provide financial support to employees and their families in difficult health-related situations. This insurance covers all accidents, including ones that occurred outside of production facilities or office premises, for example at home or on vacation, as well as critical illnesses that are initially identified during the insurance coverage period (including oncological diseases). Moreover, the programme envisages additional payments for accidents at work and occupational illnesses that are diagnosed for the first time.

2. Healthy Choice project **GRI 403-6, GRI 403-10**

The goal of the Healthy Choice project is to involve NLMK Group employees in championing a healthy lifestyle, developing a healthy lifestyle culture within the Company, and promoting global best practices to this end. During the first stage of the project, the Company implemented a set of activities that aim to increase awareness among the members of the Healthy Choice project as regards their health status and build a conscious attitude towards health management. The project focuses on the principles of cascading and the gradual involvement of new members. The project participants will compete to achieve healthy lifestyle performance indicators.

The indicators are divided into several categories:

- Physical health indicators, which involves an assessment of the physical condition of participants as well as their commitment to a healthy lifestyle and a conscious attitude to their own health
- Physical activity indicators, which involve an assessment of daily physical activity as well as participation in corporate sporting events and qualifying with the national physical culture and sports programme 'Ready for Labour and Defence'
- Healthy lifestyle commitment indicators, which measure the total number of healthy lifestyle activities as well as the number of employees involved

When the Healthy Choice project started in mid-2019, an initial pool of 100 participants was created. By the end of 2019, this number had increased to over 600 participants.

3. Transferring corporate medical assets to professional management **GRI 403-6, GRI 403-10**

The Company continued working on reorganizing its medical assets and transferring them to professional management in 2019. This measure aims to achieve planned employee health indicators, enhance the quality of medical service, and also establish a single cost and analytics centre.

Medical services at NLMK Group companies are provided by three infirmaries and 29 medical centres. Employees are also able to undergo treatment at health resorts and take wellness holiday time, either at NLMK's resorts and spas or in other regions of the country. **GRI 403-3**

In 2019, a multi-disciplinary medical holding company that specializes in emergency medicine evaluation and optimization conducted a medical risk assessment for the Group and optimized the emergency response sequences for the medical personnel of the Company's corporate medical assets. The evaluation results provided the basis for a plan of initial corrective activities. **GRI 403-3**

4. Healthy eating

The Company continues to develop and promote a culture of healthy eating at NLMK sites. This effort includes the following measures:

- Improving the quality of meals and service at corporate canteens and cafeterias
- Lunch box deliveries to remote production sites and offices
- Providing a subsidy to partially reimburse the cost of meals for employees

The Group is pursuing this objective by building strategic partnerships with the best national caterers and employing them to provide corporate catering at all NLMK Group's production sites. In 2019, a tender was organized to select a national catering operator for a strategic partnership across different host regions. The tender resulted in the Company contracting a new catering operator.

Our international companies likewise actively implement social programmes for their employees, including insurance and healthcare programmes. NLMK Pennsylvania, for example, has worked with a trade union to implement a programme titled 'Benefits for Your Life'. This programme provides employees and their families with access to a variety of medical services on favourable terms as well as additional paid leave according to their length of service and other social services.

The implementation of the NLMK Employee Health Programme in 2018–2019 achieved the following:

- Modifying the voluntary medical insurance programme to focus more on early diagnosis and prevention
- Introducing a new type of insurance for accidents and critical illnesses
- Handing over management of corporate medical assets to an external provider

- Conceptualization and launch of the Health School awareness-raising project (for more details, see the Development of Local Communities section)
- Conceptualization and launch of the Healthy Choice project, which aims to promote a conscious attitude to health

PULSE OF NLMK CORPORATE SURVEY

Up until 2018, the Company conducted monitoring of employees' opinion about working conditions and internal communications. In 2019, a new project was launched: a corporate survey called the Pulse of NLMK. The survey aims to collect employee opinions about the situation at the Company and their work experience. Over 20,000 employees from most of NLMK Group's Russian companies took part in it.

The survey identified the strengths of the Group's companies as well as areas for growth, including such significant aspects as interaction with management and colleagues, a system for information dissemination, training and development opportunities, social programmes, compensation and benefits, occupational health and safety, working conditions, and the collection of improvement initiatives.

The results of the Pulse of NLMK survey will be presented in January and February 2020 and will serve as the basis for designing and implementing activities to further enhance NLMK Group's development.

NLMK GROUP'S EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS, 2015–2019, % **GRI 102-41**

NLMK Group region	2015	2016	2017	2018	2019
Russia	100	100	100	100	100
EU ¹	90	90	89	88	88
USA ¹	n/a	n/a	n/a	72	71

NUMBER OF EMPLOYEES AT NLMK GROUP'S RUSSIAN COMPANIES THAT TOOK PART IN THE 2019 PULSE OF NLMK CORPORATE SURVEY

Division	Company / Department	Number of participants	% of actual headcount
NLMK Russia Flat Products	NLMK Lipetsk sintering operations	1,793	71
	NLMK Lipetsk steelmaking operations	2,998	73
	NLMK Lipetsk repair operations	4,221	68
	Altai-Koks	2,113	79
NLMK Russia Long Products	NLMK Kaluga	914	79
	NLMK Metalware	505	81
	NLMK Long Products	157	88
	NLMK Ural Service	549	86
	NLMK Ural	1,719	88
Mining Division	Stoilensky	1,055	18
	Stagdok	573	89
	Dolomit	347	69
Functional areas	19 functional areas	3,348	58

The Company plans to conduct this corporate survey annually.

The Company carries out an additional detailed survey on staff satisfaction with social programmes every three years. The last time this survey was carried out in 2018, the next survey is scheduled for 2021.

¹. % of the actual headcount number. In accordance with national legislation, several employee categories do not have the right to a collective bargaining bargaining agreement, while for the other categories the coverage is 100%

TRADE UNIONS AND COLLECTIVE BARGAINING AGREEMENTS

As part of its HR policy, the Company fully complies with the requirements set forth in collective bargaining agreements and holds regular meetings with representatives from trade unions. Collective bargaining agreements are in force at all the Group's companies, including at our international companies. As of 2019, collective bargaining agreements covered 100% of employees at NLMK Group's Russian companies.

In 2019, a series of collective negotiations was held with the shop-floor trade union organizations of NLMK Group's companies and steps were taken to harmonize basic benefits provided under collective bargaining agreements.

The main focus of this effort was to provide equal social support to all NLMK Group's employees.

VOLUNTEERING

Three key areas for developing corporate volunteering were identified for all the Group's companies:

- The environment: including taking action to clean up and improve NLMK sites and environmentally sensitive areas, eco-quests for children and young people, and eco-expeditions
- Healthy living: including events to promote a healthy lifestyle, involving local people in regions where NLMK operates in accessible sporting events, furnishing sports facilities
- Social assistance: assistance for vulnerable groups, including helping children, retirees, and people with disabilities, and providing urgent assistance for community needs without employer involvement

The efforts to systematize volunteering that began in 2018 continued in 2019. The Company adopted Regulations on the volunteer projects competition and held a meeting of the Corporate Volunteering Council. Over 1,000

Company employees took part in volunteer events over the reporting period. The total number of volunteer events held by the volunteer community exceeded 200. NLMK's corporate volunteering programme has been recognized at the national and regional levels:

- The corporate volunteering programme won the *Common Cause* award at the Lipetsk Region's competition *Volunteer of the Year 2019*
- Maria Trukhacheva, an NLMK volunteer, reached the semi-finals of the national competition *Volunteer of the Year*
- A volunteer event for seriously ill children at the National Medical Research Centre for Children's Health in Moscow received a commendation from Lev Ambinder, President of Rusfond Charity Fund for Seriously Ill Children, Orphans and Disabled Persons and member of the Presidential Council for Civil Society and Human Rights

In 2019, Moscow hosted the *At the Roots of Russian Volunteering* final event for the 30 best corporate volunteers from across the Group. The event programme included:

- Team-building and educational activities
- The official award of commendations from the Company's senior management
- The sharing of experience with the Marfo-Mariinsky Convent volunteers
- A visit to the *Heartwarm Bazar*, a major charity fair

At the fair, the Group's volunteers were able to share their experience with peers from other companies and learn about effective collaboration between business and the non-profit community.

CORPORATE SPORT

NLMK Group provides its employees with all the conditions they need to engage in sports. The Group supports onsite sports halls and centres at its companies, maintains corporate sports facilities, hires external halls and facilities for team sports, provides employees with subscriptions to swimming pools and gyms, and arranges employee discounts at fitness centres. Corporate contests and tournaments are held on a regular basis. The *5th NLMK Group Corporate Games* were held in 2019 in Lipetsk, welcoming 250 representatives from each Russian company to compete in eight different disciplines. Around 400 employees pass Russia's *Ready for Labour and Defence* physical fitness test every year.

NLMK shared its experience of organizing a volunteer movement

NLMK co-organized a regional volunteer forum for about 100 activists in Lipetsk.

The forum's programme included training sessions on efficient communication, project and creative thinking, emotional intelligence sessions, master classes on future skills development, intellectual games, and numerous other activities. The participants learned about the activities of the Victory Volunteers national movement, visited the Sosnovy Bor Centre for the Rehabilitation of Disabled and Elderly People, the Lazori Centre for Psychological and Social Rehabilitation, and Maryin Grad Arts and Crafts Centre. NLMK arranged a tour of its production operations and social care facilities for the participants.

The Company spends around RUB 40 m annually on organizing sporting activities for employees, holding popular sporting events, and maintaining sports facilities.

Employees at our international companies also regularly take part in sporting events. In particular, employees from the European NLMK sites took part in a 20-km marathon in Brussels and La Louvière in 2019.

First International Lipetsk Marathon

Lipetsk hosted the First International Lipetsk Marathon in 2019. About 2,000 people from 137 cities of 33 Russian regions raced in the capital of the Lipetsk Region. Foreign athletes from the United Kingdom, Kazakhstan, and Belarus also ran in the event. NLMK provided partner support to the marathon. 'Team Steel' brought over 100 Company employees to the marathon. They were awarded with special NLMK-branded merchandise. Special prizes from the Healthy Choice project were given to people who invited the most friends to run in the marathon. Nikita Zinoviev, a NLMK Lipetsk cold mill operator, won the race.

PLANS FOR 2020 AND THE MEDIUM TERM

Human resources management is a key component that impacts NLMK Group's development. Accordingly, we plan to take an active approach to human resources development by refining our existing strategies and implementing new initiatives and technologies. As far as personnel assessment and remuneration is concerned, the Company plans to further develop the MBO system to ensure 100% coverage of employees at all management levels by 2022. Incentive systems will also continue to evolve: incentives will be provided for participation in projects, for submitting initiatives, and more.

In 2020, the Company will focus on developing the professional training system for its employees (from career guidance to the head of operations). Based on the assessment of professional skills, training programmes will continue to be developed with the aim of improving the skills of all Company employees. The key task in 2020 will be to develop programmes for foremen that encompass their training, development, career moves, and motivation.

In 2020, NLMK Corporate University plans to develop several new programmes for all management levels, open the doors of the Corporate University campus in Lipetsk, and involve 400 training managers in the cascade of programmes. A unified methodology will be introduced to create an ecosystem across NLMK Group's Russian and international companies, partners, and key clients, which will facilitate employee development, programme cascading, and working with training managers. The Corporate University will also start the CLIP international accreditation process.

In terms of social policy, the Company plans to carry out a corporate educational programme for volunteers, organize a competition for volunteer projects, and introduce NLMK Volunteer, a new service on the corporate portal, in 2020. The Healthy Choice programme will continue to evolve, and we will actively increase the number of its participants.

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production accidents

\$97.9 m

invested in the development of safe
production

OCCUPATIONAL HEALTH AND SAFETY

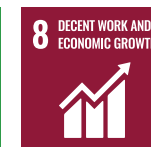
MAJOR THEMES

Occupational health and safety

KEY EVENTS IN 2019

- NLMK Group's Occupational Health and Safety (OHS) Strategy approved based on Vision Zero principles¹
- OHS risk factor analysis completed for 2014–2019
- Pilot projects to adopt new global OHS practices launched
- OHS Hotline launched

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



¹. <http://visionzero.global/>

OUR APPROACH TO MANAGING OCCUPATIONAL HEALTH AND SAFETY

GRI 403-1

Occupational safety is a top priority for NLMK Group. The Company strives for a zero injury rate at all its operations by continuously improving the OHS management system.

The Company's approach is based on the following measures:

- Strict compliance with Russian and international OHS regulations
- Introduction of best practices
- Monitoring key risk factors
- Maintaining and developing a safety culture among NLMK Group's employees and contractors

OHS aspects are integral components of a large-scale project to develop the NLMK Production System.

To ensure a high level of safety at work, the Company is guided by a set of internal principles that shape the OHS culture throughout the Group.

NLMK GROUP'S OHS PRINCIPLES



OHS MANAGEMENT STRUCTURE



In order to implement these principles, the Group is committed to:

- Identifying hazards and efficiently managing risks, thus controlling the level of risk to the life and health of the Group's employees and contractors
- Constantly increasing the skills of managers, employees, and contractors in matters concerning occupational health and safety
- Complying with Russian and international OHS regulations
- Ensuring that OHS indicators are disclosed

OHS issues are regulated at all management levels within NLMK Group. The Group ensures that all NLMK employees and contractors are involved in measures to improve workplace safety.

The CEO (Chairman of the Management Board) plays a key role in regulating the Group's approach to operational safety. He determines the Company's OHS development strategy and approves the fundamental document, the OHS Policy. In 2019, the OHS Policy was replaced by the NLMK Group Integrated Management System Policy in Quality, Environmental Protection, Energy Efficiency, Occupational Health and Safety (hereinafter the IMS Policy).

One of the IMS Policy's objectives is to ensure efficient operations without accidents, emergencies, and injuries. The Company strives to attain this objective by introducing best OHS practices and by continuously developing and promoting a production culture among NLMK Group employees and contractors. NLMK Group management recognizes its commitment to ensuring safe and favourable working conditions and protecting the life and health of its employees and contractors. NLMK Group plans its economic activities based on the results

of a regular and objective risk analysis of quality, environmental protection energy efficiency, and occupational health and safety. The Group's top priorities include such values as ensuring safe and favourable working conditions, protecting the life and health of its employees and contractors, and promoting a production culture.

The Company's Management Board is updated on a monthly basis about accidents in operations and about general information concerning its OHS activities. These reports make it possible to analyse the performance of the OHS management system. In addition, the Management Board reviews the results of accident investigations, makes decisions to launch corporate measures within the Company, and reviews the achievement of OHS KPIs.

The Director for Occupational Health and Safety manages OHS issues at all the Group's companies, including international ones. Each of the Group's companies has an OHS team. Dedicated occupational safety teams operate in the shops of the largest companies. All participants in the OHS management structure, including international companies, collaborate to ensure that a unified approach is adopted to improve safety at all NLMK companies.

A project office was established within the Department in December 2019 in order to improve the OHS management structure. The project office's main objective is to increase the quality of introducing such tools as production personnel training, mentorship, and better application of OHS tools in operations.

The Company continued to implement the Resolutions on accidents in 2019. Additionally, a training programme was developed to train the OHS team on accident investigation. The investigation process involved the Management Board members who discuss critical and significant accidents at their meetings.

The OHS standards are approved in accordance with existing corporate regulations at the Company level. The Group is currently working on a classification system for regulatory OHS documents, in order to systematize the scope and levels of influence of different groups of documents.

The list of corporate documents also includes:

- OHS risk management regulations
- Fire safety regulations
- Regulations on machine enclosures
- Road safety regulations
- Regulations governing the safe operation of lifting equipment
- Contractor management regulations
- Regulations governing working at height

EFFICIENCY OF OHS EFFORTS

Since 2018, our main focus has been on developing a culture of safety at NLMK. Particular attention has been paid to improving the level of safe behaviour: internal and external training sessions have been conducted for Group employees and contractors.

- The Company has established the following strategic objectives in matters concerning OHS:
- Zero fatal accidents involving employees and contractors
 - Achieving a total Lost Time Injury Frequency Rate (LTIFR) among employees and contractors of not over 0.5 by the end of 2022
 - Raising awareness among staff vis-à-vis personal safety

A factor analysis of accidents at NLMK Group's Russian companies over 2014–2019 was completed in the reporting period. It encompassed the following areas:

- Injury frequency rate
- Occupational diseases
- Road traffic incidents
- Industrial safety incidents
- Fires and fire safety incidents

The main objectives of the exercise were to identify problem areas with the highest injury rate and to conduct an analysis of the root causes of the incidents.

The results of the analysis also formed the basis of the OHS Strategy and were used to outline the Company's future development.

The new Strategy emphasizes a project-based approach in implementing OHS tools. Its scope will include both the Company's employees and contractor personnel.

- As part of the strategy, a list of projects and programmes to be implemented has been developed for each separate area of OHS. The OHS Strategy is built around a training programme on how to use key OHS tools, including:
- Work Permit 2.0 for managers and workers based on pre-work risk assessment and 'stop work'¹
 - Routes of line rounds with a focus on the top five risks
 - Detecting and recording Near Misses²
 - Hazardous action/hazardous condition (HA/HC)
 - Interactive briefings
 - Safety behaviour dialogues 2.0
 - Safety contact by workers
 - OHS leadership of managers

The operations risk assessment has been implemented.

The Company has a system of key performance indicators (KPIs). Safe behaviour at production sites is included in the list of criteria used to evaluate employees. These criteria affect the level of their remuneration as well as their future career development (for more information, see the Our employees section).

Stoilensky improves safety in its open-pit mine

The open-pit mine of Stoilensky, the second largest producer of iron ore concentrate in Russia, has launched a pilot project to implement a personnel positioning system. The system will improve the safety of open-pit mining by ensuring a timely response to emergency situations through monitoring and analysing staff's actions and equipment operation.

The system locates workers in the mine in real time, automatically sets targets for the shift, and monitors their achievement. It also warns the operator if employees find themselves in or near a hazardous area or if process parameters or the operating environment are not observed.

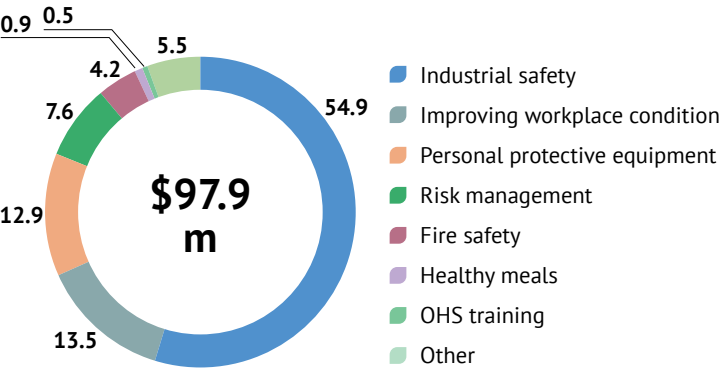
OHS INVESTMENTS

In order to achieve the objectives that have been set in a timely and high-quality manner within the framework of the OHS Strategy, the Company annually invests funds in this sphere. In 2019, expenses on OHS amounted to about \$98 m.

Each NLMK Group company submits its planned measures and projects to monitor OHS risks to the Investment Committee for review. As part of the Maintenance and Major Repairs Programme, the Investment Committee decides on the allocation of funds for OHS projects. A detailed implementation schedule is prepared for each project, and a risk assessment is conducted.

- During the reporting period, a number of projects dedicated to improving production safety were implemented in the following key areas:
- Occupational health and safety
 - Risk management
 - Fire safety
 - Improving working conditions for employees

BREAKDOWN OF OCCUPATIONAL HEALTH AND SAFETY INVESTMENTS IN 2019, %



Renovation of sanitary and amenity facilities

In the second half of 2019, a renovation programme for sanitary facilities was launched to increase the level of employee satisfaction with working conditions in the workplace.

More than 130 facilities with a total area of more than 6,000 m² were renovated at six production sites of the Group. Investment totalled RUB 281 m. In 2020, it is planned to renovate another 200 facilities with a total area of 6,500 m².

MANAGEMENT SYSTEM AND CERTIFICATION

GRI 403-8

NLMK is committed to establishing an OHS management system that operates effectively and covers 100% of employees and contractors. As of 2019, the number of employees covered by the OHS management system was about 50,000, or almost 100% of the headcount. Furthermore, the Company achieved 100% coverage of contractor employees under the OHS management system in 2019.

The Company carries out certification of the OHS management system at individual enterprises. NLMK Verona, NLMK DanSteel, and NLMK Strasbourg have been certified for compliance with OHSAS 18001:2007 requirements. In 2018, a working group was set up to ensure ISO 45001:2018 certification. NLMK's international company NLMK DanSteel was certified according to the new ISO 45001:2018 standard in 2018, and NLMK Lipetsk and VIZ-Steel were certified in 2019. More than 30,000 employees were covered by the OHS management system, which was certified by a third party.

¹. 'Stop work' is a procedure for suspending unsafe operations.
². A near miss is an event that results from a hazardous action or hazardous condition that did not cause but could otherwise have caused injury or harm to an employee's health.

OHS RISK ASSESSMENT

GRI 403-2, GRI 403-7

NLMK Group applies a risk-based approach to OHS management. In 2019, the Company completed the top 5 risks assessment at the companies that were not covered in 2018. A full risk assessment of operations falling into the top-5 category (at the sites of the Production System's deployment) was conducted:

- 1 Falling from height
- 2 Same-level falls
- 3 Moving/rotating equipment parts
- 4 Objects falling from height
- 5 Extreme temperature

By analysing the incident statistics, the Group was able to determine the course that it should pursue to develop its OHS efforts, and a project focusing on operational risk assessment was launched within the Production System.

In comparison with other types of injuries, the highest rates of injuries were those occurring when falling from height. To reduce these risks, a programme was developed to systematically reduce the risks related to working at heights, a steering committee was formed, and a working group was set up to introduce and implement measures to reduce injuries.

Industrial Medicine GRI 403-9

In November 2019, a new occupational health and medicine area was introduced.

Over this time, an audit was conducted of the Novolipetsk Medical Centre (NMC) Association first aid facilities servicing NLMK Lipetsk, Stagdok, and Dolomit, and the medical and sanitary service of Stoilensky. The audit checked the readiness of medical workers to provide medical assistance to injured workers.

Health post workers participated in 26 training sessions. Training scenarios included polytrauma (especially when falling from height) as well as all kinds of impairments of consciousness, heart attacks, convulsive seizures, craniocerebral injuries, limb fractures, various types of bleeding, burns, frostbites, and other injuries. A mobile medical team from the NMC Association, which provides medical services to NLMK Lipetsk, also participated in a practical session on CPR algorithms.

A CPR training process has been developed (Basic Life Support (BLS) course using the Ambu Man training mannequin). The project started with the OHS function: training sessions were delivered for employees of NLMK's OHS Department, OHS Unit, and Gas Rescue Service.

In two years, more than 4,000 managers have been covered by this programme.

The Company holds an annual OHS Conference that aims to raise safety awareness among employees. Participants traditionally include OHS team managers and employees, including from the Group's foreign locations, as well as representatives from trade unions. On 1-2 October 2019 the Company hosted a special conference dedicated to the Vision Zero concept. The conference participants discussed current issues and challenges facing OHS teams as well as potential solutions and initiatives in matters concerning OHS.

In addition, the Group's representatives regularly take part in OHS conferences and seminars organized by various international and Russian organizations. For example, each year NLMK Group participates in conferences and seminars held by the World Steel

Association (WSA) to share best OHS practices with mining and steel companies. One such meeting was held on 1–2 July 2019 in Stary Oskol. NLMK Group exchanged experience with representatives of Metalloinvest, EVRAZ, Tata Steel, and other industry majors. On 10–11 September 2019, OEMK hosted the 2nd Congress of the Russian Steel Association on Occupational Health and Safety at steelmaking and mining enterprises. Congress participants discussed key OHS goals and objectives and activities that aim to achieve the Vision Zero target. The head of the OHS risk management unit delivered a presentation on the risk-based approach in the implementation of the OHS investment programme.

As part of its activities, the Group seeks to integrate innovative technologies, not only into production processes, but also into other areas of its activities, including occupational health and safety. For example, the Company developed and implemented a programme in 2018 to improve the quality of theoretical OHS training using advanced technologies, such as computer classes, simulators, virtual reality, and effective media material.

In December 2019, the OHS team was trained to investigate incidents in line with the corporate Regulations for identifying, recording, and investigating accidents at NLMK Group.

The training raised the skill level of OHS management, thus kick-starting the implementation of the Company's Strategy 2022. All feedback from the training session will be used to review the Regulations, update the training programme, and carry out a large-scale OHS training course for senior management and all employees involved in accident investigations in the first six months of 2020.

EMERGENCY PREPAREDNESS AND INCIDENT REPORTING

STAFF TRAINING AND ENGAGEMENT

GRI 403-4, GRI 403-5

The Group conducts all OHS training programmes prescribed by state regulations. NLMK also implements additional measures to bolster the safety culture at the Group and to improve employee engagement.

Since 2017, all of the Group's companies have been running a corporate training programme titled 'In Search of Safety', which aims to involve employees in the hazard identification and risk assessment process. Under this programme, company employees identify potential workplace risks, and functional managers

evaluate risks identified by employees in order to come up with further measures to minimize or eliminate them. The programme target was met in the reporting period: as it covered 100% of NLMK Group's companies, including international ones. The Group's new employees are trained in this programme during their first 10 days on the job. In 2019, 16,176 employees across all Group companies participated in the programme.

The Company has introduced a 'Safety Culture Development' training programme. The programme was developed by the NLMK Corporate University (see the Our Employees section). The main objective of the programme is to create a single OHS vision shared by management at all levels of NLMK Group and thus improve the culture of safe conduct and create and maintain safe working conditions throughout the Group. The programme's target audience includes both production and non-production management staff. Part of the programme is spent on the 'In Search of Safety' practical session, which aims to develop the self-concerted identification of hazardous actions and hazardous behaviour of employees.

NLMK prioritizes efforts to prevent and respond to emergencies. Each company has developed regulations on preventing and managing the consequences of both man-made and natural disasters. The schedule of planned emergency training sessions for 2019 included sessions on fires, gas leaks, acid/alkali spills, molten zinc leaks or spillages, as well as power outages.

In accordance with the Provisions on OHS Incidents approved in 2018, NLMK employs a No Blame Policy. The Group does not apply any disciplinary sanctions against employees or contractors that report accidents or injuries

at work. In an effort to enable employees to contact the OHS team promptly, NLMK companies publish information sheets that provide the contact details of the persons responsible for overseeing such issues. The Group also has an OHS hotline (details are available on the corporate portal) that any employee or contractor can use to send messages or questions related to OHS.

In 2019, a programme was developed to improve the incident recording quality. The programme aims to bolster the commitment of NLMK Group employees and contractors to preventing injuries and enhancing the transparency of occupational injury information.

According to the Regulations on identifying, recording, and investigating OHS incidents, all critical incidents related to dangers for employees and contractors should be immediately reported to the CEO and OHS Director, and information about serious injuries and incidents should be reported within 24 hours.

The heads of OHS teams at the Group's companies conduct regular inspections during which any employee or contractor can ask a question or put forward a suggestion.

LAUNCH OF THE OHS HOTLINE

In December 2019, NLMK Group launched the Unified OHS Hotline. Now anyone can ask a question, warn of any danger, or report an incident that has been concealed using a toll-free number 8 (800) 600-04-74 or by e-mail: HSE@nlmk.com.

The hotline is available 24/7 for all employees of the Group's Russian operations, including contractors, former employees, and trade union representatives.

All questions, comments, and suggestions are promptly processed

by dispatchers and sent to onsite OHS specialists. Each request is assigned a status that is monitored and updated from the time it is received until it is closed. The results of the follow-up on the report are communicated by phone or email.

Transparent feedback, instant responses to messages, and the resolution of issues enable the Company to improve working conditions and prevent injuries. In doing so, each employee contributes to the development of the Company's Strategy and brings it closer to its main goal – safe production.

Employees have had a positive response to the new OHS communication tool. During the reporting period, 13 messages were received from different sites of the Group. The OHS team immediately conducted a thorough investigation of nine complaints, and staff members were given feedback. The remaining four reports were in progress as of the end of 2019.

PARTNERSHIPS WITH CONTRACTORS

Contractors that interact with NLMK are fully covered by the Group's OHS standards. Information about contractors is taken into account when calculating incident statistics and setting targets, and also when planning OHS training and awareness activities.

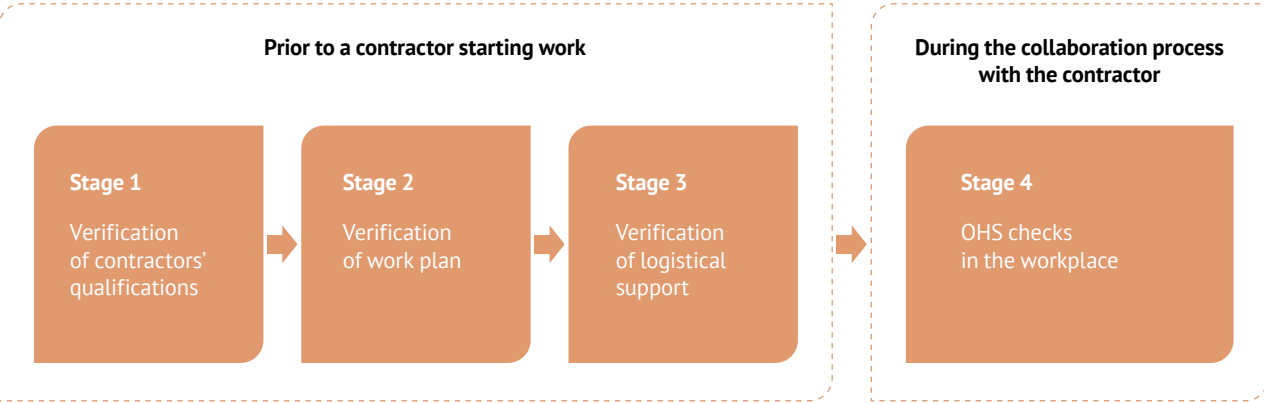
In 2019, the Group drafted and implemented an Agreement concerning occupational health, industrial and fire safety, work performance, environmental protection, internal security and access control procedures (the Agreement), which defines the division of responsibility between the contractors and NLMK, regulates incentives and penalties, and defines the rights and obligations of the parties. The Agreement is the first of its kind to provide contractors with a mechanism for financial incentives to work safely.

A new approach to monitoring contractors was introduced – OHS supervision – which made it possible to implement international instruments for the management of contracting organizations working on the customer's territory.

In order to carry out a complete, objective, and independent evaluation of the contractor management system in matters concerning OHS, the Group hired external consultants who prepared recommendations based on their work to improve the system of interaction with contractors on OHS issues. In September 2019, a conference was held on issues concerning interaction in OHS and ensuring safe working conditions, which was attended by representatives of contracting organizations. The conference was held in the format of a roundtable on the principles of partnership.

Collaboration between NLMK and its contractors begins at the preparatory stage and continues throughout the entire project lifecycle. NLMK is ready to share best practices in OHS with its partners. On 21 October 2019, the OHS Director held a seminar for heads of contractor organizations on *The Vision Zero concept of zero injuries. Improvement of the occupational safety management system at the enterprise*. The seminar was attended by the general directors of more than 50 organizations; event participants discussed relevant issues from the perspective of the Seven Golden Rules of the Vision Zero concept. Enterprise managers need to become safety leaders for their companies and show their adherence to safety principles through their own personal example.

OHS VERIFICATION PROCESS FOR CONTRACTORS



NLMK regularly assesses contractors that are involved in production at its enterprises for their compliance with OHS requirements according to a specially developed methodology. Based on the results of the evaluation, a rating is awarded that may affect whether the Group decides to continue working with the contractor in question. The Group provides tools for motivating contractor employees to comply with OHS rules.

Partnership lies at the heart of the Company's strategic approach to working with contractors. If a contractor is exposed to certain OHS risks, the Company is willing to help improve the OHS system in order to maintain a working relationship with the contractor.

As part of the contractor management process, OHS specialists actively

Four-hour training programme followed by testing of contractor personnel

In 2018, new rules on the admission of contractors' employees to work on the territory of NLMK Lipetsk came into force at the plant. In order to obtain a pass to the plant's territory, NLMK contractors must undergo four hours of OHS training and pass the final test successfully.

Training goal: *develop a safety culture among NLMK Group's contractors and subcontractors (creating safe working conditions and improving the culture of safe behaviour).*

Training objectives: *develop a personal commitment to safe behaviour among contractors and subcontractors as well as raise awareness among contractors and subcontractors about the OHS standards adopted at NLMK Lipetsk for contractors.*

cooperate with the Risk Management, Investment Projects Execution, Corporate Security, and Procurement functions.

In 2019, onsite OHS teams hosted 2,026 courses throughout the Group and trained 31,813 employees from contractor companies. The final test failure rate among contractor staff was quite low at 3.74%.

ASSESSING THE MATURITY OF THE OHS SYSTEM

NLMK has implemented a unified approach to the internal evaluation of the OHS system. Each year, OHS team employees complete maturity assessment reports. This report is a tool that is used to assess the extent to which the OHS approaches that are in place

at each company comply with corporate regulations. A quantitative assessment of the Group's compliance with each of the existing corporate regulations is compiled based on these reports. In the event of any inconsistencies, remedial measures are adopted and changes are made to the current approach to OHS management. To improve the quality of OHS system assessments, the Group is working to establish an internal institution of OHS auditors.

2019 PERFORMANCE

The Group carried out extensive work in 2019 to reduce injuries and occupational illness.

In 2019, the Company continued to implement the maintenance and overhaul programme that aims to reduce fatal and high risks. This programme is being implemented in full and had a total cost of \$16 m. This approach is based on the Vision Zero concept that all incidents can be prevented.

In addition to improving the OHS management system, developing partnerships with contractors, and implementing training activities, NLMK actively promoted the development of a safety culture through internal employee engagement channels during the reporting period. In particular, two new news sections dedicated to OHS were created on the Group's internal corporate portal: *Safety Heroes* and *Safety Flash*. In addition, the OHS Director created a blog where articles on the Company's past and upcoming OHS events are posted on a regular basis as well as relevant information about safety issues affecting seasonal risks.

In December 2019, as part of the pilot project's implementation, NLMK conducted a real-time test of the electronic work permit system. All the procedures for the processing of electronic work permits were carried out step by step using gadgets (tablets).

Vision protection programme at NLMK Group

In November 2019, a vision protection programme was launched at NLMK Group's enterprises. It is designed to reduce the risk of injury, introduce a culture of wearing safety glasses, and provide employees with comfortable and effective personal protective equipment (PPE).

Key parts of the programme:

- 1. Develop information materials (memos, posters, and video clips) to inform employees and discuss at shift meetings*
- 2. Provide training on the importance and correct use of PPE*
- 3. Organize vision safety stands*
- 4. Purchase additional equipment, conduct staff surveys, and purchase corrective glasses*

As part of this programme, NLMK Lipetsk has established vision safety zones. Thematic zones are located in the administrative buildings of BF Shop No. 1, the Sinter Shop, and the Refractory Shop. A stand named Safety Spot displays the rules that are important to know and observe in order to protect your eyesight at work. A separate section is dedicated to the storage and care of protective glasses. In the future, the stand will also display interactive and handout materials. The stand helps people focus on the problem, look at it comprehensively, and visualize the process of vision safety. The pilot 'Safety Spot' stand is expected to prompt shop managers to start organizing vision safety at their production sites by checking the convenience of glasses, analysing care accessories, and also determining where eye-washing stations can be installed.

The Transformer Steel Shop and the Cold Rolling Shop received about 100 eye-washing stations.

INJURY RATES IN 2015–2019

Indicator	2015	2016	2017	2018	2019
Total number of occupational accidents	129	95	121	89	105
Employees	107	75	90	65	72
Contractors	22	20	31	24	33
Industrial fatalities	6	5	11	3	6
Employees	5	2	5	3	2
Contractors	1	3	6	0	4
Lost time injury	123	90	110	86	99
Employees	102	73	85	62	70
Contractors	21	17	25	24	29
Near Miss	–	–	–	140	212
Total man-hours worked for employees	95,173,771	91,943,948	92,677,015	93,637,091	95,179,559
Total man-hours worked for contractors	17,223,532	19,901,080	15,108,161	22,612,132	26,995,931

WORK-RELATED INCIDENTS

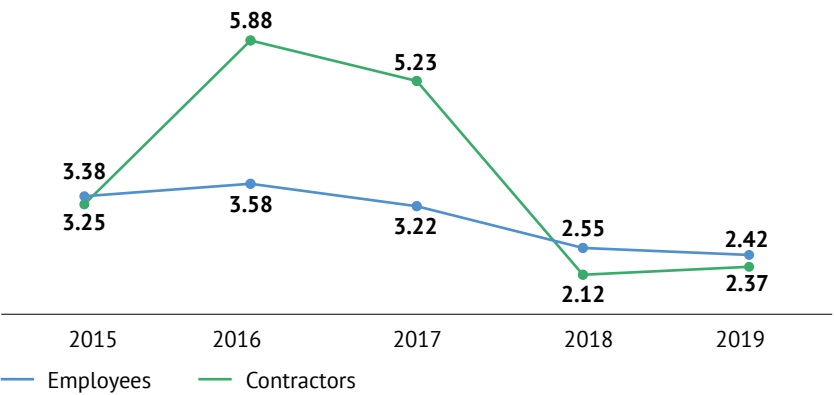
Thanks to efforts to improve the NLMK safety system, including developing methods to respond to emergencies and incidents at work, the Company is able to minimize the consequences of incidents when they occur.

In 2019, 294 injuries were reported at NLMK Group companies and contractors, of which 105 resulted in disability and injury to employees and contractors, including fatal and severe injuries.

The system for recording work-related injuries at NLMK Group is based on common industry-specific methods that have been adopted by the World Steel Association. NLMK regularly provides the WSA with relevant statistics in order to access comparative information for the industry.

Lost Time Injury Frequency Rate (LTIFR) is the main injury rate indicator used at the Group. The indicator is calculated on a monthly basis for each company taking into account data for both NLMK employees and contractors. During the reporting period, the LTIFR increased to 0.86, an 11.69% increase against 2018. The increase is due to improved incident registration among contractors as well as an increase in the number of contractors who work at NLMK Group's sites and perform work with a higher risk level.

TRIFR (RI) FOR NLMK GROUP EMPLOYEES AND CONTRACTORS¹ IN 2015–2019 GRI 403-9

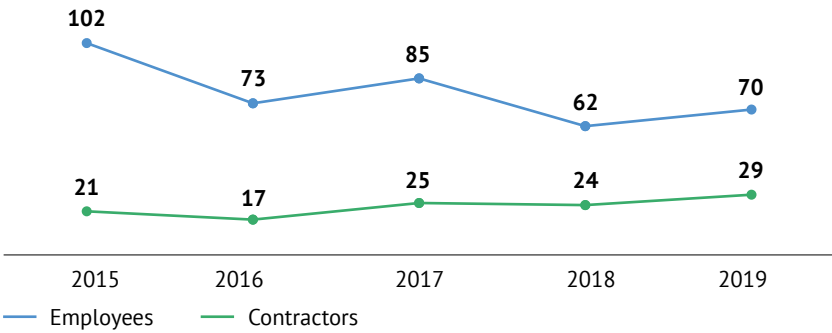


¹ TRIFR includes fatalities, disability cases and cases requiring treatment. It is calculated on the basis of the method adopted by the Group for determining recordable injuries (RIs).

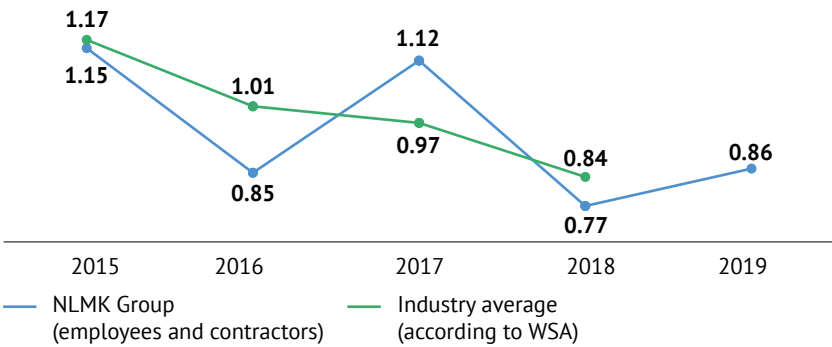
The Group also keeps records of all work-related injuries and measures the Total Recordable Injury Frequency Rate (TRIFR)¹, which is calculated every month for each subsidiary, including data on contractors. In 2019, the TRIFR (total) decreased to 2.41 compared with the previous year (2.47) due to a decrease in the total number of registered injuries among the Group's own staff.

The Company deeply regrets the six fatalities that occurred to employees and contractors at its Lipetsk and Novosibirsk facilities. The accidents were investigated to identify the root causes and re-evaluate the relevant risks. In order to avoid a recurrence of such cases in the future, the Company is focusing on the top five risks and has also launched a project to improve the efficiency of work permit procedures, including the launch of an electronic work permit pilot project. In addition, the Company plans to build a process for improving work with contractors.

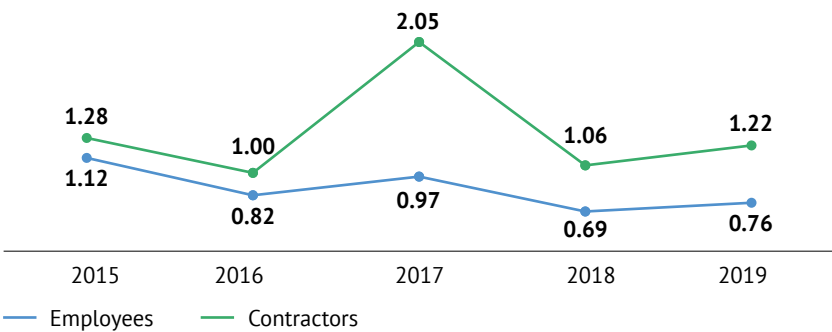
WORK-RELATED ACCIDENTS RESULTING IN INJURY TO NLMK GROUP EMPLOYEES AND CONTRACTORS IN 2015–2019¹ GRI 403-9



NLMK GROUP'S LTIFR COMPARED WITH THE INDUSTRY AVERAGE IN 2015–2019 GRI 403-9



LTIFR FOR NLMK GROUP EMPLOYEES AND CONTRACTORS IN 2015–2019 GRI 403-9



PLANS FOR 2020 AND THE MEDIUM TERM

Going forward, we will continue to implement programmes and measures to improve safety, reduce injuries, and develop a culture of safety among the Group's employees and contractors. Zero fatal accidents will be NLMK's key goal in upcoming periods.

We will continue to carry out planned activities to minimize and eliminate the top five risk categories identified during the current reporting period. We also plan to implement a pre-work risk assessment process (changes will be made to the current regulations on occupational health and safety risk management at NLMK Group's facilities).

The following three important areas of occupational safety and health will be prioritized in 2020:

- 1 Personnel injury risk management system: risk assessment and managing a reduction in injury risk
- 2 Development of a safety culture: defining safe behaviour rules and promoting safe conduct among personnel
- 3 Development of the OHS role model

The following measures will be implemented as part of a comprehensive programme to systematically reduce the risks of working at heights:

- Audit of the system for ensuring work safety at heights from organizational, technical, and technological standpoints
- Development of a programme to ensure work safety at heights at Russian companies

- Development of an Engineering Standard for Working at Heights for the Group's own employees and contractors (including capital construction as well as major and routine repairs)
- Visualization of a properly organized workplace at heights that takes into account the requirements of the Standard and the creation of an album and a video for use during safety briefings

The Company plans to approve and introduce regulations on emergency medical care at production facilities at all NLMK Group's companies. According to the regulations, the Group is planning to develop:

- Reporting and notification systems (emergency reporting systems) regarding employee injuries and methodological guidelines for supervising victims at medical institutions
- A free mobile application teaching how to provide first aid to accident victims and sick people
- A system of unified dispatcher services for emergency calls and alerts

The Group will continue to hold training programmes for NLMK employees and contractors at its Corporate University. It plans to update and develop new educational solutions for OHS tools that aim to achieve the Company's goals to reduce injuries, such as the investigation of accidents, work permits, pre-work risk assessments, stop work, line round routes focusing on the top 5 risks as well as interactive briefings and safety behaviour dialogues. The programme will target the Company's employees as well as managers of contractor companies. Tools will be implemented through project teams and OHS specialists. In 2020, the first phase of the projects will start at NLMK Lipetsk and Stoilensky.

In addition, the Company is planning to conduct advanced training on international best practices for 300 people.

NLMK also plans to establish an internal institute of auditors to assess the efficiency of the OHS system at the Group's enterprises. In 2020, the Company plans to carry out an action plan to implement the LOTO (lock-out tag-out) pilot project at NLMK Group. This programme aims to reduce injuries and ensure control over hazardous energy sources at NLMK Group's enterprises.

In 2020, NLMK plans to launch an electronic work permit system throughout the entire Group. The system will make it possible to achieve the following objectives:

- Minimizing risks during the preparation and execution of high risk work
- Avoiding errors in the issuance of work permits
- Issuing high quality work permits in a timely manner and eliminating forgery
- Reducing overall work preparation time
- Reducing the non-productive downtime of equipment and personnel
- Accelerating the work permit process

¹. Due to changes in the accounting methodology, the number of accidents for previous periods has been corrected.



RUB 5.7 bn

NLMK’s total social investment

RUB 571 m

investment in external social programmes

41

projects supported through the Steel Tree grant competition

DEVELOPING LOCAL COMMUNITIES

MAJOR THEMES

- Indirect economic impact
- Local communities

KEY EVENTS IN 2019

- Metallurgists’ Park reconstruction (Lipetsk)
- The Steel Tree grant competition geography expansion

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

<div>4</div> <div>QUALITY EDUCATION</div>	<div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div>	<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div>
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OUR APPROACH TO MANAGING EXTERNAL SOCIAL ACTIVITIES

As a major extraction, steelmaking, and steel product manufacturing company, NLMK has a significant impact on the environment as well as local communities. The Company’s extractive and production facilities are located in cities and regions across Russia, Denmark, Belgium, Italy, France, and the United States. GRI 203-2

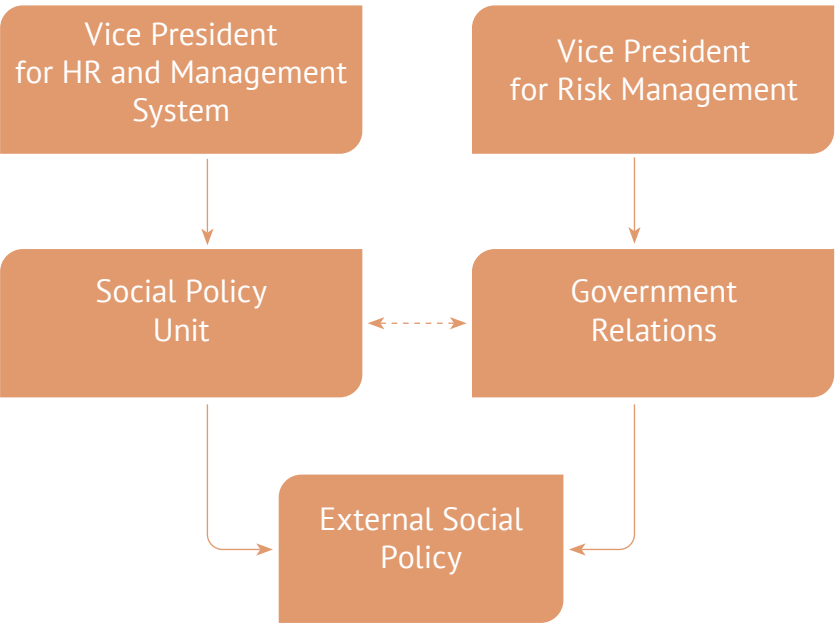
The Social Policy Unit within the Human Resources function, together with Government Relations, coordinates local community engagement and the implementation of projects that fall under NLMK’s external social policy.

The chief aim of these units in terms of developing local communities is to determine common interests shared by the Company, its employees, local communities as well as governmental and local administrative bodies related to the sustainable development of the Company and the regions in which it operates and to create a positive environment for both employees and local communities.

In an effort to improve the approaches taken to implement social programmes in 2019, NLMK Group developed and approved its Sustainable Development Policy. According to the standards set forth in this document, one of NLMK Group’s key goals in sustainable development is to contribute to the social development of the regions in which the Company operates.

NLMK’s social and charitable activities to support and develop the regions in which it operates are pursued chiefly in collaboration with the Company’s social partner, the Miloserdie (Mercy) Charitable Fund for Social Assistance. The Fund supports the development of sport and healthcare, the preservation of cultural heritage, and provides assistance to retirees, veterans, and other vulnerable social groups. The Miloserdie

ORGANIZATIONAL STRUCTURE OF EXTERNAL SOCIAL POLICY MANAGEMENT



<-.-.-> Collaboration
 <-==> Subordination

Fund is a longstanding trusted partner of NLMK in the Lipetsk and Belgorod Regions and in Altai Territory.

Over 30,000 people benefit from the Miloserdie Fund each year. Miloserdie implements charity projects in the following key areas:

- 1 **Assistance for veterans:** supporting veterans’ organizations and former NLMK employees in their retirement, providing assistance in obtaining medicines and reimbursing treatment costs, and organizing cultural events.
- 2 **Health:** providing assistance by paying for expensive surgeries, targeted funding for medical organizations, and health resort packages for children with disabilities and wheelchair users.

- 3 **Sport:** support for sports federations, funding for children’s and young people’s sports schools, and purchasing equipment.
- 4 **Children:** supporting children’s homes and residential schools and conducting charity campaigns for children.
- 5 **Science and culture:** supporting gifted children (winners of science, music, and art competitions), creative groups, libraries, museums, and art galleries.
- 6 **Environment:** purchasing specialized equipment, feed, and medicines for use in nature reserves and parks, forests, and veterinary practices.
- 7 **Cultural development:** funding charity concerts, drama festivals, and holiday events for residents of Lipetsk and the Lipetsk Region.
- 8 **One-off assistance:** providing one-off assistance to public organizations, municipal institutions, and citizens affected by terrorist attacks or natural or man-made disasters.

The Miloserdie Fund has received a number of awards: it was named Benefactor of the Year by the Lipetsk Chamber of Commerce and Industry, and is also a two-time recipient of the Golden Badge for Services to the City of Lipetsk. In 2017, the Chairman of the Miloserdie Fund Board, Sergey Melnik, was presented with the Lipetsk Municipality’s highest honour, the Mitrofan Klyuev medal, for his many years of charitable work.

In 2019, the Fund won the ‘Starting Point’ 10th All-Russian Competition of Voluntary Public Annual Reports by NGOs. The Miloserdie Annual Report was awarded the highest prize, the competition’s gold standard.

The Fund may have some outstanding achievements to its name, but it nevertheless continues to evolve. In 2019, it celebrated the 20th anniversary of its charity activities for the benefit of local communities in the regions where NLMK Group’s companies operate.

NLMK is committed to enhancing the tools it uses to collaborate and engage with communities. Since 2017, the Fund, together with NLMK Group, has

Development of a personal donation programme for employees

In 2019, a personal donations programme for employees evolved further and extended to the Miloserdie Charitable Fund’s website. A total of more than RUB 900,000 have been raised for the treatment of seriously ill children since August 2019. One initiative put forward by employees at one of the Company’s divisions is particularly noteworthy: instead of buying gifts for one another on February 23 (Defender of the Fatherland Day) and March 8 (International Women’s Day), they transferred

Also in 2019, employees at the Company’s Moscow office took part in a national charitable event called #TheFartherIn in support of children and adolescents with Down syndrome in partnership with the Downside Up Family Support Centre and the Love Syndrome Foundation. Company employees sent money for useful gifts that help children develop, for example, consultations with a speech therapist or a special-needs expert, literary works, or an annual subscription to a specialized magazine for parents, among other things.

Steel Tree grant competition

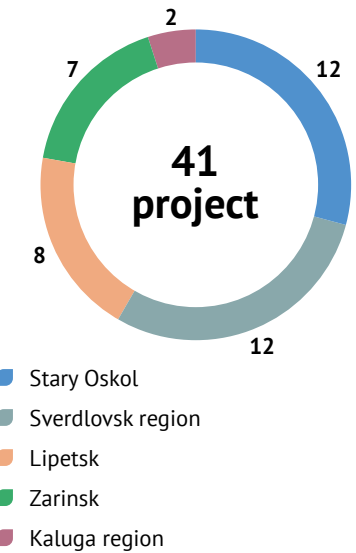
In 2017, NLMK Group’s social partner, the Miloserdie Charitable Fund, launched the Steel Tree grant competition in Lipetsk. The competition offered local employees the opportunity to develop their own programmes to support the environment and to obtain grants to fund them. In 2018, the competition included a wider range of areas: the grant programme encompassed social projects aimed at improving the quality of citizens’ life. In the reporting period, the programme expanded its reach to include employees at NLMK’s companies in the Sverdlovsk and Kaluga Regions as well as in Stary Oskol (Belgorod Region) and Zarinsk (Altai Territory). The grant competition was open to employees at the Lipetsk site and residents of Lipetsk and the Lipetsk Region. The winners of the competition received a grant of up to RUB 300,000 for the implementation of their projects. A total of 41 projects were supported, with NLMK allocating RUB 11 m for the grant competition.

been implementing the Steel Tree programme – a grant competition to support social and environmental public initiatives.

Another charity fund operating in the Sverdlovsk Region is Zabota, Pomosch, Miloserdie (Care, Help, Mercy).

NLMK also operates various volunteering and charity programmes and conducts research on the needs of local communities in areas where it operates. It determines such needs through surveys and public hearings as well as various internal corporate communication channels.

STEEL TREE PROJECT GEOGRAPHY, NUMBER OF PROJECTS



Steel Tree in Yekaterinburg

The kids in Verkh-Isetsky neighbourhood of Yekaterinburg got a new delightful playground on Tatishchev Street. A modern outdoor sports-and-play area was installed as part of the Steel Tree grant programme of Miloserdie Charitable Fund, a social partner of NLMK Group.

Corporate volunteers turned the inaugural opening of the playground into a fun holiday with sporting contests and sweet treats.

The playground on Tatishchev Street is not the first project of the Steel Tree programme to get realized in the Sverdlovsk Region. Other projects were a playground in the Yekaterinburg 50 Years of Komsomol Park, a beach volleyball court built in Nizhniye Sergi as well as a park plaza that was revamped. Newly built facilities in Beryozovskoye were an extreme sports park, a playground and a sporting ground. In a waste dump was cleaned up in a residential area.

TOOLS USED TO ENGAGE AND DETERMINE THE NEEDS OF LOCAL COMMUNITIES GRI 413-1

No.	Measure	Description
1	Assessment of existing social programmes	NLMK regularly analyses ongoing social programmes in order to determine their impact and audience reach and to obtain feedback from the intended beneficiaries.
2	Direct engagement via internal communication channels	<p>Given that many of NLMK Group's companies are the main employers in their respective areas and that a significant proportion of the regional population work for them, the social needs of local people can be determined with the help of internal communication channels, including telephone hotlines, text messages, and the intranet portal. The portal can be used to leave messages, which a specialist then responds to; these messages can be read and commented on by all portal users.</p> <p>For more details about the internal communication channels used, see the Stakeholder Dialogue section.</p>
3	Working with local authorities	<p>The Company works with regional and local authorities that are fully aware of the current needs and requirements of local communities in the regions where the Company operates. Using this information, NLMK collaborates with representatives from these authorities to develop social initiatives that meet the needs of local communities.</p> <p>For additional information, see the Stakeholder Dialogue: Government Authorities section</p>
4	Public hearings	<p>NLMK holds public hearings, which are primarily devoted to environmental issues. The results of these hearings help NLMK identify the needs of local communities and consider their opinions as it conducts its business.</p> <p>In 2019, NLMK Group held a series of public hearings and public discussions in Lipetsk and Stary Oskol on six major investment projects. All the projects considered were approved by the residents.</p>

2019 PERFORMANCE

Each year, NLMK allocates significant resources to social programmes in a variety of areas. In 2019, NLMK Group allocated RUB 571 m to external social programmes, including support for veterans and retired employees.

SUPPORT FOR HEALTHCARE

Projects in this area aim to support the development of medical centres, including through procuring essential healthcare equipment, and to provide targeted assistance for people with serious illnesses, including by helping to pay for expensive operations, medicines, and rehabilitation.

A total of RUB 4 m was allocated for healthcare support in 2019, or 1% of the Company's total investment in external social programmes.

DEVELOPING SOCIAL INFRASTRUCTURE OF REGIONS WHERE NLMK GROUP OPERATES

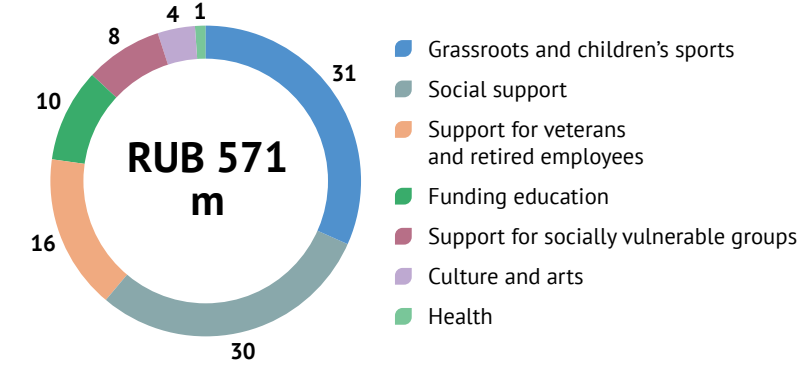
The main priorities of NLMK Group's external social programmes include social infrastructure development as well as determining and facilitating solutions to issues that currently affect the regions where the Company operates.

In 2019, a total of RUB 169 m was allocated to develop the social infrastructure of the regions where NLMK Group operates, or 30% of the Company's total investment in external social programmes.

SUPPORT FOR GRASSROOTS AND CHILDREN'S SPORTS

The development of grassroots and children's sport is one of the priorities within the Company's social activities. NLMK creates conditions for engaging in sports not only for the Company's employees and their family members, but also for local communities, regularly allocating resources for the maintenance

INVESTMENT IN EXTERNAL SOCIAL PROGRAMMES, 2019, % GRI 203-1



Health School

In 2019, the Company opened a Health School in Lipetsk. The Health School is a joint project of NLMK and ROSBANK that aims to promote a healthy lifestyle and improve the quality of preventive care against chronic diseases among the Company's employees and other residents of the city. The School was established on the basis of the Novolipetsk outpatient clinic with the support of NLMK's social partner, the Miloserdie Charitable Fund. Anyone can take part in the classes offered at the Health School. The subjects taught at the classes include such topics as healthy eating, prevention of cardiovascular diseases, good sleep, psycho-emotional balance and the prevention of emotional burnout, proper breathing techniques, the prevention of excess weight, and physical activity, among other things. The Health School's first students were NLMK veterans and employees, participants in the 'Healthy Choice' programme as well as members of their families.

Reconstruction of Metallurgists' Park

A key infrastructure project in 2019 to support the regions where the Company operates was the large-scale reconstruction of Metallurgists' Park. The Russian architectural bureau Front Architecture together with landscape architect Ivan Zanchevsky developed the reconstruction project. Metallurgists' Park is the largest park in the Lipetsk Region: the project covers a total area of 25 hectares. Work on the reconstruction of Metallurgists' Park began in April 2019. NLMK Group and the city of Lipetsk funded the project together. Architects from Front Architecture utilized a fully ecological approach that made it possible to preserve the park's existing ecosystem as much as possible: not a single tree was cut down during the project. The territory of the park, which had previously been in decline and a state of neglect, was completely cleared and thoroughly landscaped. Bike paths and eco-trails have been opened all around the perimeter of the park.

of sports facilities and to provide assistance to children's and young people's sporting academies and groups as well as sports clubs and promising athletes. For example, NLMK covers all costs for the Lipetsk Metallurg sports club in Lipetsk and for Olympic Reserve School No. 13, which was set up on the core of the club. The school trains world-class athletes in skeet shooting: around half of the current Russian skeet shooting team are former students.

In 2019, the Company allocated RUB 184 m to support grassroots and children's sports in the regions where it operates, or 31% of total investment in the Company's external social programmes.

SUPPORT FOR SOCIALLY VULNERABLE GROUPS IN REGIONS WHERE NLMK GROUP OPERATES

As part of its social support measures, the Company provides targeted assistance to those in need. It also supports social initiatives and helps involve employees and interested citizens in the process of resolving social issues, including through grant competitions.

The Company pursues charitable activities at a number of its international companies through specially organized Charity Councils. NLMK is also actively implementing a vision for corporate charitable activities whereby employees are given the opportunity to make their own personal contribution to resolving specific social issues by becoming volunteers. **GRI 413-1**

In 2019, a total of RUB 43 m was allocated to provide support for socially vulnerable groups in regions where NLMK Group operates, which amounted to 8% of the Company's total investment in external social programmes.

Helping charities at NLMK Pennsylvania (USA)

In 2019, NLMK Pennsylvania employees managed to donate \$43,268 to local charities. In total, NLMK Pennsylvania employees have raised \$257,505 and made donations to 23 local charities since 2013. Although some recipients change from year to year depending on the needs or the amount collected, there are certain organizations that receive support each year. These include the Community Food Warehouse of Mercer County: for every dollar donated, the warehouse can purchase \$5 worth of food.

SUPPORT FOR VETERANS AND RETIRED EMPLOYEES

NLMK places considerable emphasis on supporting veterans and retired employees. This includes organizing regular trips and other cultural events, regular exhibitions of creative works by veterans as well as sporting tournaments and healthy lifestyle activities. One important aspect of our work with veterans is computer training, which helps elderly people use computers, mobile apps, and the Internet to find useful information, access electronic services, and communicate with family and friends online.

In order to bolster ties between generations, NLMK works with local veterans' organizations and trade unions to host meetings with veterans, organize visits to war memorial sites, and give lessons on courage in schools and colleges basic educational institutions.

A total of RUB 89 m was allocated to support veterans and retired employees in 2019, which accounts for 16% of NLMK's total investment in external social programmes.

SUPPORT FOR EDUCATION

The main focuses of scientific and educational development pursued in NLMK Group's social policy consist of multifaceted support for certain educational institutions in the regions where the Company operates, and support for high-quality technical education for young people. The Company provides targeted funding for scientific and educational activities at educational institutions, and also arranges

NLMK sponsors IT-Cube, a new digital education centre for schoolchildren in Lipetsk

IT-Cube is a platform for the continuing education of schoolchildren in information technologies that is equipped with modern gadgets for acquiring knowledge and developing skills in such areas as information technology, robotics, and IT engineering. The Company allocated RUB 2.5 m for the purchase of virtual and augmented reality equipment, a classroom for robotics studies as well as other computer equipment. As many as 400 students will study at the Lipetsk IT-Cube. Training includes joint practical projects with leading federal and regional companies. The centre will become a base camp for the specific business tasks of NLMK.

and sponsors conferences dedicated to scientific research as well as scientific and technical competitions for students. In order to introduce the next generation of employees to the Company, NLMK organizes open days and trips to production facilities for schoolchildren as well as industrial internships at the Company's enterprises for students from certain educational institutions. NLMK also finances a range of grants.

The Company also allocates significant resources to improving facilities at nursery schools, schools, secondary schools, vocational institutions, children's centres for the creative arts, children's homes, and residential schools.

In 2019, a total of RUB 59 m was allocated to support science and education in regions where the Company operates; this amount represented 10% of the Company's total investment in external social programmes.

SUPPORT FOR CULTURE AND ARTS

As part of efforts to support culture and arts, NLMK Group provides assistance to organizations that promote cultural history and education in the regions where the Company operates and makes financial contributions to the preservation and proper maintenance of cultural and architectural monuments and other sites with cultural and historic value.

The Group also supports the activities of corporate museums, including NLMK

NLMK partners with CASE-IN international engineering championship

NLMK became the general partner of the international engineering championship CASE-IN 2019 (Student League) in the Iron and Steel category. The CASE-IN Championship is the largest case-solving competition among engineers in Russia and the CIS. The championship consists of five leagues, including a student league. During the qualifying stage, participants need to solve an engineering case study that is relevant to a particular enterprise. In 2019, employees from the NLMK Data Analysis and Simulation Department offered a case study on 'Digital Transformation' that was solved by students from 10 universities in Russia and CIS countries.

Stoilensky supports youth theatre festival

In 2019, Stoilensky Mining and Beneficiation Plant supported 'Stary Oskol – the City of Youth', a youth theatre festival in memory of director Boris Rovenskikh. The festival was held in Stary Oskol for the first time. Stoilensky allocated RUB 1 m for the events of the festival. The initiative to hold the festival came from Vera Vasilyeva, an honoured Soviet actress. Moscow drama schools held their graduation performances at the festival. Stoilensky Director Sergey Napolskikh, who also heads the theatre's Board of Trustees, invited all the festival participants – close to 200 students and teachers – to take a tour of an open-pit mine and Stoilensky's Paleontological Museum.

Museum in Lipetsk, the Demidov Centre in the Sverdlovsk Region town of Revda, and museum sites at Stoilensky and Altai-Koks.

A total of RUB 22 m was allocated to support culture and the arts in 2019, which amounted to 4% of the Company's total investment in external social programmes.

PLANS FOR 2020 AND THE MEDIUM TERM

The Company plans to update its Charity Policy in 2020 in order to further structure it and improve the efficiency of social investments.

In 2020, the Company plans to expand the Steel Tree grant programme to include residents of Yekaterinburg, Revda, Beryozovsky, and Nizhniye Sergi as well as residents of the Kaluga Region.