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Corporate governance system

Corporate governance in action

NLMK's corporate governance system plays a key role in the Company's operations, its sustainable development, risk management, and in balancing the rights and interests of shareholders, Group management, and other stakeholders.

The system is built on best international practices, the requirements of the prevailing Russian legislation and laws of the countries where the Group companies operate, the OECD Principles of Corporate Governance, applicable listing rules, and provisions of the Corporate Governance Code recommended for use by the Bank of Russia.

The Group's corporate governance system secures the rights of shareholders and potential investors, and is considered a driving force for enhancing NLMK's efficiency and investment appeal.

Key principles lying at the core of our Corporate Governance

- 1 Sustainable development and long-term growth of return on equity investment
- 2 Equal and fair treatment of all shareholders when they exercise their right to be involved in management processes, participate in meetings, vote on issues on the agenda, and receive dividends
- 3 Equal treatment of all shareholders, including non-Russians and minority shareholders
- 4 Commitment to ensure reliable and effective registration of title to shares and guarantee the opportunity to dispose of them freely and without encumbrances
- 5 Compliance with existing laws, principles of the Corporate Governance Code recommended by the Bank of Russia, and international corporate governance standards
- 6 Observing the rights of third parties, including creditors and NLMK employees, as required by the law, the Charter, and other regulatory documents
- 7 Adherence to a common corporate policy in respect of subsidiary companies, affiliates and other legal entities in which NLMK is the founder, a participant, or a member
- 8 Complying with business ethics in conducting operations

© The key documents regulating corporate governance practices and principles are available on [NLMK Group's official website](#).

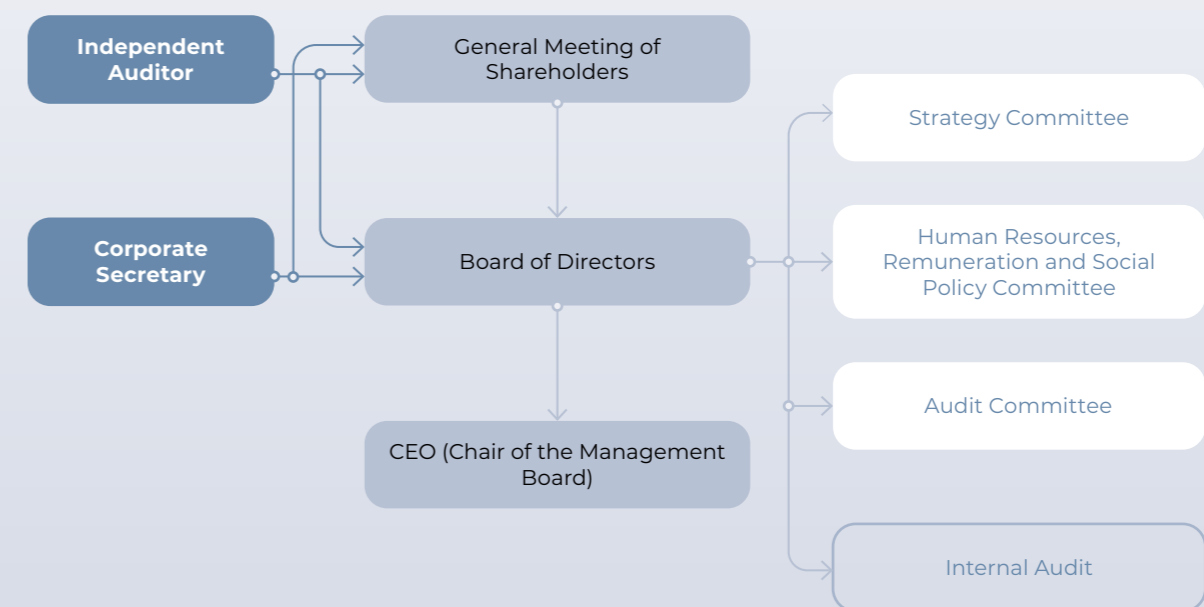
NLMK Corporate Governance Structure

[GRI 2-9]

According to internal Company documents, NLMK corporate governance structure includes:

- **The General Meeting of Shareholders**, which is the NLMK's supreme governing body that makes decisions on key business issues
- **The Board of Directors**, which handles the overall management of the Company's activities, excluding issues that fall within the purview of the General Meeting of Shareholders according to the NLMK Charter
- **Committees of the Board of Directors**, which were established to preliminarily review key matters concerning the Company's activities
- **The CEO (Chair of the Management Board) and the Management Board**, which manage the Company's day-to-day activities and ensure its efficient operation, while implementing the objectives set by the Board of Directors
- **The Corporate Secretary**, who handles interaction with shareholders, coordinates the Company's activities that aim to protect the shareholders' rights and interests, and supports the Board of Directors
- **Internal Audit**, which oversees the Company's financial economic activities

NLMK's Corporate Governance Structure



Improving Corporate Governance practices in 2023

In 2023, the Company continued to improve its corporate governance system to ensure that it complies with international standards focusing on safeguarding the rights and interests of its shareholders and investors amid the significant regulatory changes and the associated risks.

As of the end of 2023, NLMK complies with all principles of the Corporate Governance Code: 70 principles are fully observed and 9 principles are partially observed. The Company uses recommendations of the Bank of Russia on preparing a report on compliance with the Corporate Governance Code as a methodology to assess compliance with corporate governance principles.

At the Meeting of Shareholders held in 2023, the Company employed an electronic voting service, which enables shareholders to vote regardless of where their shares are registered, as well as an additional electronic voting service on the website of NLMK's registrar that was launched keeping in mind the shareholders' convenience.

NLMK shareholders were ranked among the most active users of the NSD's e-voting service

General Meeting of Shareholders

NLMK's General Meeting of Shareholders procedures

The General Meeting of Shareholders is NLMK's supreme governing body that functions based on the legislation of the Russian Federation, the NLMK Charter, and the Regulations on the General Meeting of Shareholders. The Federal Law "On Joint-Stock Companies" and the NLMK Charter establish the General Meeting's competence. The procedure for preparing, convening, holding, and summarizing the results of NLMK's General Meeting of Shareholders is set forth in the [Regulations on NLMK's General Meeting of Shareholders](#) published on the Company's official website.

Shareholders have two options for online voting: through the e-voting service of the National Settlement Depository

89%

the share of the Corporate Governance Code recommendations implemented by NLMK

Annual General Meeting of Shareholders on 2022 performance was held by absentee ballot¹.

Plans for 2024 and the medium term

In 2024, NLMK will continue to analyse the best corporate governance practices and evaluate them in terms of their applicability to the Company's activities. Particular attention will be paid to implementation of sustainability practices. As always, the Company will analyse rankings, ratings and benchmarks, which allow to assess issuers' achievements objectively and to identify practices that might bring the greatest benefit to the Company and are important for its stakeholders. The Group is going to keep analysing best practices, new approaches and tools for ensuring alternative ways of corporate meetings participation, and to maintain its focus on the aspects associated with protecting the rights and interests of shareholders and investors amid significant regulatory changes and the associated risks.

and the online voting service on the website of NLMK's registrar, the Regional Independent Registrar Agency. These services are available to all Company shareholders, regardless of whether they are the depository's clients or if their share rights are recorded in the register.

The notice about the upcoming General Meeting of Shareholders and materials to the meeting are published on the Company's website in Russian and English. In addition to the mandatory materials required by law, NLMK provides its shareholders with additional information pertaining to the agenda items of the General Meeting of Shareholders in line with the recommendations of the Corporate Governance Code of the Central Bank of Russia.

NLMK's independent registrar functions as the counting commission of the General Meeting of Shareholders.

Activities of the General Meeting of Shareholders in 2023

In 2023 the Company held one General Meeting of Shareholders.

Board of Directors

NLMK Board of Directors procedures

A key component of the Company's corporate governance system that is responsible for the Company's strategic management, the Board of Directors determines its strategic vectors, lays down the principles of and approaches to the risk management and internal control system, monitors the activities of executive bodies, and has other key functions within the Company. NLMK's Board of Directors reports to the Company's shareholders and is elected by a resolution of the Company's General Meeting of Shareholders. The NLMK Charter and the Regulations on the Board of Directors published on the Company's [official website](#) govern the procedures of the Board of Directors.

In addition to the main functions of the Board of Directors stipulated by the legislation and NLMK's Regulations on the Board of Directors, NLMK Directors are involved in assessing various kinds of risks, matters of compliance with corporate governance and sustainable development principles, and monitoring compliance with the Sustainable Development Policy and Information Disclosure Policy.

Members of the Board of Directors participate in the Company's operation both within the Committees and the Board, and beyond the above. They ensure effective cooperation and share experience with the management through informal meetings among other things. With the view to reflect long-term trends and challenges in the Company's development strategy, the Board established working groups that include both members of the Board and the management.

Members of the Company's Board of Directors ensure the reliability and stability of the Company's operations, facilitate the adoption of balanced decisions by management, make objective independent judgements and act in the best interests of NLMK and its shareholders.

NLMK's Annual General Meeting of Shareholders on 2022 performance was held on 30 June 2023 by absentee ballot using the electronic voting service. During the meeting, resolutions were passed on the matters stipulated by Item 1, Article 47 of the Federal Law "On Joint-Stock Companies".

The [Regulations on the Board of Directors](#) establish the procedure of preparing for and holding its meetings, as well as the procedure for the nomination and selection of potential Board members. Board members are elected by the General Meeting of Shareholders through cumulative voting from among candidates nominated by the shareholders or the Board of Directors. The candidates who have polled the majority of votes are considered elected to the Board of Directors. The quantitative composition of the Board of Directors is determined by the corporate documents. **[GRI 2-10]**

Independent directors are elected to NLMK's Board of Directors to ensure well balanced decision-making process and improve operational efficiency, which is a global corporate governance practice. The Company is interested in no less than three independent directors to be members of the Board of Directors. Moreover, NLMK seeks to diversify the composition of the Board of Directors in terms of competencies, experience, field of expertise, gender and other indicators.

Members of the Company's Board of Directors have sufficient time to fulfil their obligations efficiently and in good faith, including for participation in meetings of the Board of Directors and its committees. This requirement is enshrined in NLMK's Corporate Governance Code.

Meetings of the Board of Directors are held on a regular basis at least six times a year in accordance with the approved schedule. The format of NLMK Board meetings is determined based on the importance of the agenda items.

The most important items within the Board's remit are resolved at in-person meetings, and as a rule, are first reviewed by the Board's committees, thereby ensuring their thorough consideration and informed decision-making

¹ In accordance with Federal Law No. 25-FZ dd. 25.02.2022 and a resolution of NLMK's Board of Directors.

Chair of the Board of Directors

[GRI 2-11]

The Chair of the Board plays a key role in organizing its activities and ensuring that the committees function efficiently. The Chair is elected by Board members from among themselves by a majority of votes.

Functions of the Chair of the Board of Directors:

- Ensure the functioning of the Board of Directors and develop its plans
- Control the execution of the Board's decisions
- Set agendas
- Ensure the most efficient decisions on the agenda items

The Chair of NLMK's Board of Directors has extensive experience, professional expertise, and authority among the Company's shareholders, members of governing bodies, and employees

The Chair of the Board of Directors does not hold any executive positions in the Company.

Independent members of the Board of Directors

Participation of the independent members in the Board's activities contributes to the formation of objective opinions on the items discussed, improves management efficiency, and has a positive impact on the Company's image.

Independent directors play an important role in the Board's activities and make a decisive contribution to discussions and decision-making on issues that may affect the interests of shareholders, including

- Devising the Company's development strategy
- Assessing the conformity of its activities with the Company's chosen strategy and interests of all shareholders
- Preventing and resolving corporate conflicts
- Assessing the quality of work performed by the executive bodies
- Establishing an efficient incentive system

The Corporate Secretary regularly conducts a preliminary analysis and assessment of the Board members' compliance with independence criteria stipulated by the Regulations on the Company's Board of Directors and the Corporate Governance Code of the Bank of Russia. The latest assessment confirmed that the directors fully meet the independence criteria.

Composition of the Board of Directors

[GRI 2-17] [GRI 2-9] [GRI 405-1]

The composition of the Company's Board of Directors is balanced in terms of qualification, experience, knowledge, business acumen, and diversity. The Directors have an impeccable professional reputation in the business community, as well as extensive expertise thanks to their managerial experience with leading international companies across various sectors. Many of them have occupied CEO positions, which enabled them to obtain competencies in steelmaking, mining, finance, investment, risk management, and ESG. Most Board members have substantial work experience on supervisory boards and boards of directors of other companies.

The Board of Directors of nine people in force as of 31 December 2023 was elected at the Annual General Meeting of Shareholders on 30 June 2023.

Board of Directors' activity in 2023

In 2023, NLMK's Board of Directors held nine meetings. The Board considered 23 items at the meetings. The main issues were related to the strategy implementation and priority areas for development, designations and remuneration, as well as issues of corporate governance and financial reporting.

100%

All members of the Board of Directors took part in 100% of the meetings scheduled after appointing of the respective director

Sustainability management at the Board of Directors level

[GRI 2-12] [GRI 2-13]

Sustainability management is integrated into NLMK Group's corporate governance system and is carried out at all NLMK companies, including international ones. Sustainability issues consistently feature on the agenda of NLMK Group's leadership. The Board of Directors, the Board's committees, CEO (Chair of the Management Board), and the Management Board determine strategic growth priorities and ensure overall sustainability management.

Vice Presidents of functional areas are responsible for identifying specific tasks and initiatives to manage the social, economic, and environmental aspects of the Group's activities, and monitor their implementation. Departments responsible for developing approaches and implementing measures in matters concerning sustainability report to these Vice Presidents.

The Group's functional departments and teams are directly responsible for executing the tasks assigned to them and for local management of sustainability issues at the Group's companies.

The detection, monitoring, and management of sustainability risks is an integral part of the corporate risk management system.

🔗 See the Operational Control and Risk Management section for more detail

All stakeholders of the Company, including employees, have the opportunity to bring any issues related to the actual and potential negative impact of the Company's activities on them to the attention of the members of the Board of Directors through, among other means, contacting the Corporate Secretary. [GRI 2-16]

Sustainability agenda management at the Board of Directors level

[GRI 2-12] [GRI 2-14]

| Board Committee | Key aspect of sustainability |
|---|--|
| Strategy Committee | Sustainability risk assessment. Environment: <ul style="list-style-type: none"> • Air emissions • Discharges and waste • Use of resources • Biodiversity • Climate change |
| Human Resources, Remuneration and Social Policy Committee | Integration of ESG KPIs in the remuneration system. Social and employment: <ul style="list-style-type: none"> • Operational health and safety • Training and development • Social policy • Diversity and equal opportunities • Non-discrimination • Local communities |
| Audit Committee | Performance monitoring and sustainability reporting Corporate governance: <ul style="list-style-type: none"> • Corporate governance; • Business ethics • Anti-corruption |

Organizational structure for managing sustainability issues at NLMK [GRI 2-12]



Board of Directors succession planning

Considering high significance of succession and performance assessment the Company approved a Succession Policy in 2022. This document reflects the recommendations of the Bank of Russia, the Corporate Governance Code, research by leading international consultants, and the best experience of global companies with advanced corporate governance practices.

The Board of Directors Succession Policy includes such aspects as:

- Principles of the Board of Directors formation, ensuring diverse, competent and efficient composition
- Succession goals
- Succession stages
- Approaches and tools for performance assessment

Board of Directors performance assessment

[GRI 2-18]

The Board of Directors is one of the key bodies in the Company's corporate governance system. The quality of the Company's governance depends on the efficiency of its activities, and its decisions directly affect the Company's market capitalization. The Board of Directors' performance assessment is a reliable tool for improving the corporate governance system, each component of which is related to the work of the directors.

The main purpose of the assessment is to determine the efficiency of the Board's performance as a collective

governing body and enhance its role in achieving the Company's goal of successful development. The assessment of the Board of Directors' performance helps to determine the focus and changes in the performance of the Board of Directors and its committees, get a comparative analysis of their engagement in the Company's successful development, as well as identify areas for the continuous improvement of the Board's procedures. In line with the recommendations of the Corporate Governance Code of the Bank of Russia and best international practices, NLMK has been conducting an annual assessment (self-assessment) of the Board of Directors' performance since 2016. The assessment covers the Board of Directors, its committees and their chairmen. It includes an analysis of such aspects as the Board's composition and qualifications, its agenda, meeting efficiency, interaction with the management and the Corporate Secretary, as well as benchmarking with the practices of other companies' boards of directors with advanced corporate governance.

Results of the Board of Directors performance assessment

The annual Board of Directors performance assessment held in 2023 covered the activity of the Board of Directors, including best practice benchmarking, taking into consideration a number of corporate governance studies. Recommendations were given on developing certain aspects of the Board of Directors activities. Results of the assessment were issued in the form of a report that was considered at a meeting of the HR, Remunerations and Social Policy Committee.

Induction of newly elected members of NLMK's Board of Directors and the onboarding process

In order to enhance the efficiency of the Board and support succession planning, the Company has introduced an induction course for newly elected members of NLMK's Board of Directors. It was approved by the HR, Remunerations and Social Policy Committee.

The programme includes an introduction to NLMK Group's key operational and financial indicators and its systems of risk management, internal control, and corporate governance.

Meetings with the CEO (Chair of the Management Board), members of the Board of Directors, the Management Board, and other senior executives of the Company are arranged as part of the course. The newcomers also have an opportunity to get acquainted with the Group's core facilities, processes, and products. Other Board members and of the Company management are engaged in integrating newly elected Board members into the work of the Company's governing bodies and its operations.

Preventing a conflict of interest among Board members

[GRI 2-15]

Members of the Board of Directors must act in good faith and reasonably in the interests of the Company and its shareholders based on sufficient awareness

and with due care and discretion. Given that the reasonable and good-faith actions of the Board members require the adoption of decisions based on all available information without any conflict of interest and taking into account the equal treatment of shareholders the Company has developed a number of measures to prevent conflicts of interest. As part of these requirements, members of the Board of Directors shall:

- Notify the Board and put the Company's interests above their own under all circumstances in case there is a potential conflict of interest (including an interest in the Group making a transaction)
- Refrain from any acts that will or may lead to a conflict between their personal interests and those of the Company
- Promptly inform the Board of Directors of any conflict of interest before the start of a discussion on the item with respect to which the Board member has a conflict of interest at a Board Meeting or a Board committee meeting
- Abstain from voting on items in which they have a conflict of interest. Where the nature of the item discussed or the specific aspects of a conflict of interest so require, the Board member experiencing said conflict of interest should not be present at the Board's meeting when the item is discussed

According to the information available to the Company, there was no conflict of interest among the members of the Board of Directors in 2023 including any conflicts related to their participation in the governing bodies of NLMK's competitors.

Committees of the Board of Directors

The Board of Directors has set up the following standing committees in order to improve the efficiency of the decisions, ensure the preliminary examination and study of the most essential matters and prepare the appropriate recommendations:

- Strategy Committee
- Audit Committee
- Human Resources, Remuneration and Social Policies Committee

The committees of the Board of Directors report to the Board and serve as its advisory bodies. The resolutions of the committees are advisory in nature.

The status, goals, objectives, and functions of the committees, as well as the procedures for their composition, formation, and operation are set out in the Regulations on Committees, which are approved by the Company's Board of Directors and published on [NLMK's official website](#).

Due to the need for a comprehensive discussion of the issues under consideration, the committees are composed of Board members with specialized knowledge, skills and professional experience. Committee composition is balanced to ensure optimal application of the members' competencies and professional experience.

If necessary, a committee chair may engage experts and consultants to work with their committee on a temporary or permanent basis with no right to vote during the decision-making.

In order to balance approaches to problem solving with respect to risk management and the protection of shareholders' interests, in two out of three committees the majority of members, including their chairpersons, are independent directors.

Audit Committee

The Audit Committee's main purpose is to draft and submit recommendations to the Board of Directors in order to ensure its effective involvement in the supervision of the Company's financial and business activities, including matters related to:

- Conducting an annual independent external audit of NLMK's accounting (financial) statements, the quality of the auditor's services, and their compliance with the requirements of auditor independence
- The independent assessor's appraisal of property in cases stipulated by the legislation and other documents
- Disclosing information associated with the Company's sustainable development, monitoring performance and reviewing reporting on sustainable development matters, including the environment, labour protection and industrial safety

The Audit Committee analyses and evaluates information disclosure on sustainable development matters and monitors its completeness, accuracy, and reliability. [\[GRI 2-14\]](#)

The Committee is chaired by an independent director. Most of its members are also independent directors with a background in the preparation, analysis, evaluation, and audit of accounting (financial) statements.

In 2023 the Audit Committee held 5 meetings, where draft documents on financial reporting, risk management, internal control and corporate governance, as well as reports related to asset protection and significant risk management, were reviewed, including the report on statistics of calls to the hotline at the Russian and international sites of NLMK Group.

The key issues reviewed were related to external and internal audits, including non-audit services provided by the independent auditor.

Risk management and internal control

The Audit Committee exercises control over the reliability and efficient functioning of the risk management, internal control, and corporate governance systems, and the drafting of proposals on their improvement. It reviews reports on performance of the internal control and risk management system prepared by the external auditor, internal auditor, and other Group bodies responsible for fulfilling the risk management, oversight, and compliance functions.

The Committee holds regular meetings with the external auditor, the internal audit team, and other Company managers.

Internal Audit

The Audit Committee is responsible for monitoring the operation and evaluating the efficiency of the internal audit function. The Committee ensures this by discussing significant matters with the Audit Director, approving the annual internal audit plan and report on the internal audit activities, and reviewing reports on the conducted audits, which contain key conclusions and recommendations.

The Audit Committee, which assessed the effectiveness of the internal audit, was satisfied with the quality of the services provided by it.

Reports on monitoring the execution of the Internal Auditor's recommendations are submitted to the Committee to ensure that the actions taken by the executive management are efficient.

In an effort to ensure independence, the Audit Director reports directly to the Board of Directors, has the right to raise any matter that they deem to be important, and meets with the external auditors as required.

The Internal Audit undergoes regular self-assessment for quality, and independent external assessment. The results of these assessments are submitted to the Audit Committee for consideration.

External audit

Technologies of Trust Audit JSC (formerly PricewaterhouseCoopers Audit JSC, hereinafter TeDo) is the Group's auditor. From time to time, group entities engage TeDo for the provision of non-audit services. NLMK management has concluded that such services do not impair the auditor's independence and are not related to financial statement preparation. In 2023, the share of non-audit services was at an acceptable level of no more than 5% of the total services provided by TeDo. TeDo regularly rotates key audit staff (at least once every seven years) to ensure compliance with independence requirements.

🔗 See the External Auditor section for more detail

Strategic Planning Committee

The Strategic Planning Committee provides support to the Board of Directors in resolving matters that involve

- Enhancing the efficiency of the Company's activities in the long-term
- Promoting asset growth, profitability, and investment appeal

The Committee defines the goals for minimizing the Company's environmental and climate impact,

including greenhouse gas emissions, and reviews and approves the appropriate investment programme.

The Strategic Planning Committee includes one independent director. All members of the Committee, including those who are not members of the Board of Directors, have the right to vote on the Committee's agenda items.

There were no Committee meetings in 2023.

Human Resources, Remuneration and Social Policy Committee

The main purpose of the Human Resources, Remuneration and Social Policy Committee is conducting preliminary reviews and developing recommendations for the Board of Directors to ensure the efficient operation of its decision-making on the following issues:

- Appointment of members of the Company's management and other key employees and training of succession candidates for their positions
- Performance assessment of the Company's management and other key employees
- Remuneration of the Company's management and other key employees
- NLMK's social policy

The Committee is chaired by an independent director. Most of the Committee members are also independent directors. The Human Resources, Remuneration and Social Policy Committee includes an independent director knowledgeable in matters concerning motivational management and personnel administration.

In 2023, the Committee continued to analyse and evaluate the implementation of the Company's HR Strategy, the performance of key executives, and the execution of the Committee's instructions.

The Committee continued its systematic succession planning efforts for the position of CEO (Chair of the Management Board). Several documents were approved and recommendations were given to the Board of Directors, including those related to Board of Directors succession.

In 2023, the Human Resources, Remuneration and Social Policy Committee held 3 meetings (1 in presentia and 2 absentee meetings). The Committee reviewed and passed resolutions on the following issues:

- Implementation of NLMK Group HR Strategy 2018–2022
- Status of the succession pool for the position of CEO (Chair of the Management Board)
- Progress against target KPIs by the NLMK Group CEO (Chair of the Management Board) in 2022 and approval of 2023 target project KPIs
- Performance of the Board of Directors in 2022 and nomination of candidates to the Board of Directors in 2023
- Eligibility of the nominees proposed for independent directors to be voted on at the NLMK Annual General Meeting of Shareholders on the Company's 2022 performance
- Professional background of the nominees to the Board of Directors to be voted on at the Annual General Meeting of Shareholders on the Company's 2022 performance

Corporate Secretary

NLMK's Corporate Secretary ensures day-to-day interaction with shareholders, coordinates the Company's activities to protect shareholders' rights and interests, and supports the efficient operation of the Board of Directors.

The Corporate Secretary's activities, rights, and obligations are fixed in the Regulations on the Corporate Secretary, developed in accordance with the recommendations of the Corporate Governance Code of the Bank of Russia. The Corporate Secretary is also in charge of the induction of newly elected members of the Company's Board of Directors, corporate governance in subsidiaries and affiliates, working with insiders, and registering affiliates of the Group's companies. This enables the establishment of a dynamic and balanced corporate governance system that ensures efficient interaction between the Company's shareholders, Board of Directors, and management.

The Corporate Secretary is functionally subordinate and reports to the Board of Directors and administratively to NLMK's CEO (Chair of the Management Board). The Corporate Secretary is appointed and dismissed by the CEO (Chair of the Management Board) based on a resolution from the Board of Directors.

The Corporate Secretary oversees the Corporate Secretary's Office.

Valery Loskutov has been the Company's Corporate Secretary since 2005.

Valery Loskutov

Year of birth: 1969.

Mr. Loskutov graduated from the Lipetsk Polytechnic Institute and the Academy of National Economy under the Government of the Russian Federation with an MBA.

- For more than twenty years, he has been a member of the governing bodies of a number of Russian companies
- Valery Loskutov has been with NLMK since 1998 and has served as NLMK's Corporate Secretary since 2005
- Mr. Loskutov is a co-founder of the National Association of Corporate Secretaries. He was elected to the Board of the National Association of Corporate Secretaries on 20 December 2019
- He won the XIII Director of the Year national award in the Corporate Governance Director/Corporate Secretary category

Management Board

Management Board procedures

[GRI 2-9]

The Management Board is in charge of managing the Company's day-to-day operations and implementing the approved strategy and specific resolutions of the General Meeting of Shareholders and the Board of Directors. The main objective of the Management Board is to ensure that the Company is operating efficiently. In its efforts to reach this objective, the Management Board is guided by the following principles:

- Efficient and objective decision-making that favours the interests of the Company and its shareholders
- Fair, timely, and efficient execution of the resolutions of the General Meeting of Shareholders and the Board of Directors
- Cooperation with trade unions to engage with the employees
- Cooperation with government agencies and local authorities on the most socially important issues

© The list of issues in the Management Board's remit is regulated by the [NLMK Charter and the Regulations on the Management Board](#), which are available on the Company's website.

Activities of the Management Board in 2023

[GRI 2-13]

The Management Board functions in accordance with the approved meeting plan or as necessary. The CEO (Chair of the Management Board) determines the format of the Management Board's meetings.

In 2023, the Management Board held 36 meetings, including 14 by absentee ballot. The following issues were considered at these meetings:

- Achievement of the Group's targets and status of the development programme on occupational health and safety
- Execution of NLMK Group's budget
- Implementation of the strategy regarding operational efficiency, investment programme, and sales portfolio management
- HR and Social Strategy implementation
- Development programmes for functional areas and production facilities
- Development avenues and projects
- The Group's participation in and withdrawal from other companies, defining position on participation of subsidiaries in other companies.
- Recommendations to the governance bodies of subsidiaries

NLMK Management Board members had no conflict of interest in 2023.

The Company has no particular share ownership requirements for the CEO (Chair of the Management Board) and other Management Board members.

6 members

NLMK Group's Management Board consisted of six members as of 31 December 2023

CEO (Chair of the Management Board)

The CEO (Chair of the Management Board) is a permanent sole executive body, whose main responsibility is to manage the Company's day-to-day activities, arrange for the execution of resolutions passed by the General Meeting of Shareholders and the Board of Directors, organize the work of the Management Board, and ensure the timely adoption of resolutions by the Management Board.

The rights and obligations of the CEO (Chair of the Management Board) are outlined in the existing legislation of the Russian Federation as well as the CEO's contract with the Company.

The CEO (Chair of the Management Board) is elected by the shareholders for a period lasting until the next Annual Meeting unless otherwise stipulated by the resolution.

According to the prevailing corporate documents, the CEO (Chair of the Management Board) cannot simultaneously be the Chair of the NLMK Board of Directors.



Report on remuneration paid to governing bodies

The level of remuneration the Company pays to members of governing bodies is sufficient to attract, motivate, and retain persons with the expertise and qualifications NLMK seeks.

Approach to remuneration and reimbursement paid to members of the Board of Directors

[GRI 2-19] [GRI 2-20]

Members of the Board of Directors are paid remuneration during the period in which they perform their duties, and they receive reimbursement of expenses related to the performance of their duties. The [Regulations on Remuneration](#) of Members of the Board of Directors approved by the General Meeting of Shareholders establish the amount of remuneration and determine the terms and conditions as well as the procedure for remuneration payment. The Regulations are available on the Company's official website.

The Remuneration Policy for members of the Board of Directors serves to align their financial interests with the long-term financial interests of shareholders

The Regulations contain transparent mechanisms for determining the amount of remuneration paid to the directors and govern all types of compensation, benefits, and privileges offered to them.

Remuneration is paid to members of the Board of Directors for executing their rights and duties reasonably and faithfully in the interests of the Company. It consists of the basic remuneration and a bonus.

Members of the Board of Directors are entitled to basic remuneration if they participated in over half of the Board meetings over the reporting period.

Members of the Board of Directors are also paid remuneration for chairing the Board, as well as for being a member or Chair of one or more Board committees.

A member of the Board of Directors may receive a bonus that shall not exceed the amount of two basic remuneration packages. The amount of bonuses is determined based on the member's contribution and based on the recommendations of the Human Resources, Remuneration, and Social Policy Committee.

The remuneration is paid to the members of the Board of Directors based on the resolution of NLMK's General Meeting of Shareholders.

The following expenses are considered to be reimbursable:

- Transportation expenses of Board members incurred while travelling to and from meetings
- Accommodation costs incurred while attending meetings
- Representation expenses
- Costs associated with obtaining the professional advice of experts on issues under consideration at Board meetings

Compensation shall only be paid if the member of the Board of Directors participated in more than half of its meetings. The maximum amount of the compensation shall not exceed the amount of the basic remuneration package.

The Company does not have other forms of remuneration, including short-term or long-term incentive programmes that depend on financial performance, or stock option programmes.

Approach to remuneration and Compensation for Management Board members and other top executives

[GRI 2-19] [GRI 2-20]

The material interest of the members of the Management Board in achieving the Company's strategic goals is ensured by short-term and long-term incentive systems. Short-term motivation system is based on the current system of key performance indicators (KPIs). The amount of bonuses paid to the members of the Board depends on their KPIs. The variable part of remuneration for Management Board members amounts to approximately half of the total yearly remuneration.

The KPIs used to determine rewards for senior management are related to NLMK's financial and operating performance and are intrinsically linked to shareholder value. They include operational performance, social responsibility and occupational safety, ecology and energy efficiency, and organizational development indicators.

KPIs for the CEO (Chair of the Management Board) include annual financial performance, as well as long-term indicators of NLMK's strategy implementation, such as achieving the sustainable development targets. For example, the weight of the LTIFR indicator is 10% of the CEO's annual compensation

Top executives including heads of NLMK Group's main production sites, have KPIs related to reducing air emissions and CO₂ emissions, as well as increasing the share of recycled waste. In addition, energy efficiency KPIs are set for the relevant executives, including heads of sites and the Vice President

for Energy and Environment. For top executives, KPI data is recorded as financial gains from implementing the corresponding operational efficiency projects. The KPIs of all top managers include targets for the injury rate reduction and OHS-related indicators.

The Company also has a long-term incentive programme for members of the executive bodies and other senior executives of the Company. The current programme adopted in 2019 covers the 2019–2023 strategic cycle.

Long-term incentive programme payments depend on attainment of NLMK's strategic goals. 50% of the payment depends on achieving structural effect of the Company's strategy while the other 50%, on achieving the target value of the Company's EBITDA over the five-year horizon.



Operational control and risk management

In order to safeguard shareholder value and sustainability, we employ the latest operational control and risk management practices and methods.

As a major international steel producer, NLMK is subject to a variety of risks that could have a negative impact on the Group's business and our stakeholders if materialized. NLMK Group's approach to operational control is based on a clear segregation of authority and functions between the entities involved

in its Internal Control and Risk Management System; it also provides for 'three lines of defence' and four levels of management. Control procedures apply in the Group's Russian and international operations and are an integral component of key corporate decision-making activities and processes.

Internal Control and Risk Management System

The internal control and risk management system employed by NLMK is designed to ensure reasonable certainty that the Group's strategic and operational goals will be achieved, to create and protect value for the Group, and to ensure sustainable development. The above is implemented through rapidly identifying, assessing, and effectively managing risks and opportunities.

The NLMK Board of Directors, which determines the principles and approaches to the organization

of the risk management system and regularly reviews reports on the status of the Company's risks, plays a key role in the risk management process. [\[GRI 2-12\]](#)

The Internal Control and Risk Management Department functions as a separate structural unit within NLMK. Its goals and objectives include analysing risks associated with key business processes, ensuring that risk management processes are effective, implementing monitoring procedures, and developing a corporate culture of risk awareness.

Division of functions within the Internal Control and Risk Management System

| Participant | Key functions |
|--------------------|--|
| LEVEL I | |
| Board of Directors | <ul style="list-style-type: none"> Defines principles for and approaches to the organization of the internal control and risk management system |
| Audit Committee | <ul style="list-style-type: none"> Monitors the reliability and effectiveness of the internal control and risk management system Monitors procedures to ensure the Group's compliance with legislative and trade exchange requirements, and with corporate ethical standards, rules, and procedures Carries out analysis and assessment of execution of the conflict-of-interest management policy Oversees compliance with policies and operational controls over environmental and social risks, as well as occupational health and safety risks |

| Participant | Key functions |
|---|--|
| LEVEL 2 | |
| Management Board | <ul style="list-style-type: none"> Defines the strategy and approves critical risk management measures Ensures the effective functioning of the Internal Control and Risk Management System |
| Management Board Risk Management Committee | <ul style="list-style-type: none"> Approves the principles, strategy, and regulatory instruments for risk management processes and the internal control system Regularly reviews the Company's risk map (a list of significant risks, indicating their weight and trends for a certain period) and ensures the overall monitoring of the implementation of risk management measures Approves and performs general monitoring of risk management measures Regularly reviews the results of an analysis and assessment of the internal control system, approves and ensures the general monitoring of the implementation of measures to enhance the system Ensures overall organization of activity to enforce the Code of Corporate Ethics and Anti-Corruption Policy Regularly reviews reports on anti-corruption issues Coordinates the work of subdivisions participating in the risk management process and internal control system |
| Investment Committee | <ul style="list-style-type: none"> Provides general control over the magnitude of risks and over the selection, implementation, and inclusion into the budget of investment project risk management measures |
| LEVEL 3 | |
| <ul style="list-style-type: none"> Risk Management and Internal Control OHS <ul style="list-style-type: none"> See the OHS section for more detail Environment and Climate <ul style="list-style-type: none"> See the Environmental protection section for more detail Legal Support Compliance <ul style="list-style-type: none"> See the Compliance section for more detail Corporate Security Financial Controlling Information Security <ul style="list-style-type: none"> See the Information Security section for more detail | <ul style="list-style-type: none"> Ensures assessment and regular monitoring of the level of risks taken and assessment of the efficiency of management activities Coordinates and provides methodological support for risk management process Drafts regulatory and methodological documents concerning risk management and internal control Records and processes incidents associated with deviations in the internal control system and risk management, plans and monitors corrective measures Systematically looks into the risk coverage by the internal control and risk management system in cooperation with line managers, plans and monitors the implementation of corrective measures Builds a system for effective internal communication about risks Increases the Company's resilience to business interruptions Ensures effective response and business recovery after interruptions. Ensures compliance of NLMK's operations to the relevant legislation and internal documents Promotes and assesses the effectiveness of measures to counteract corruption and fraud implemented in accordance with the Group's anti-corruption policy Creates a risk-awareness culture |
| LEVEL 4 | |
| Risk owners (business subdivisions) | <ul style="list-style-type: none"> Risk identification Implement risk management measures Monitor key risk indicators (KRIs) |
| Internal Audit | <ul style="list-style-type: none"> Assesses the reliability and effectiveness of internal control and risk management, and evaluates the corporate governance system with a view to provide independent and objective guarantees and consultations to the Board and the CEO Provides advice and recommendations, promotes knowledge sharing |

Our approach to risk management

Risk management is a continuous process that aims to reduce risk to an acceptable level and prevent events that could have a negative impact on NLMK achieving its business goals. The Group is committed to effectively and proactively managing risks and opportunities on a day-to-day basis and to the ongoing development of a risk-awareness culture.

NLMK's internal control and risk management system was developed to take into account the challenges posed by the external environment and in accordance with the principles set forth in international risk management standards. NLMK's key internal document in risk management is the Internal Control and Risk Management Policy, approved by the Board of Directors. Internal documents have also been developed for managing individual risk categories, which are of relevance to the Group.



Assessing the probability and impact of risks is one of the most crucial factors in making informed management decisions. To this end, NLMK utilizes modern risk analysis practices and tools. By applying specially developed methods for assessing individual risk categories, anticipated losses and the probability of risk materialization can be determined with a very high degree of precision, and effective risk management measures can be developed.

The Risk Management Committee of the Management Board is an important link in the internal control and risk management process. During its meetings, it conducts a detailed review of changes in the Company's risk profile, issues related to the functioning of the internal control and risk management system, and methodological approaches to risk management. The Management Board and the Board of Directors review the map of significant risks to which NLMK is exposed and take into account information on current and emerging risks in the course of decision-making.

NLMK's functional units work on identifying and responding to risks that are relevant to their operations with methodological support from the Internal Control and Risk Management Department. The Department monitors the effectiveness of the measures used to manage risks as part of an analysis of management reporting from risk-owning functional units; this includes operational data at the business process level on current and planned KRI values, the status of risk management measures, and risks that have materialized.

NLMK is committed to continuous development of its corporate risk management culture, which aims to identify and respond to risks in a timely and effective manner. With this aim in mind, the management regularly emphasizes the importance of risk management in internal corporate communications. Systematic training in managing individual risk categories and integrating risk management into the daily activities of the Group also help to develop a corporate risk-awareness culture.

The majority of significant risks to which NLMK is exposed are assessed on a quantitative basis. The Group assesses significant risks using scenario analysis models and stress testing.

Risk management requires specific knowledge and often involves data processing and modelling. In order to cope with specific local tasks in business units, the Company runs the Risk Lab, a specialized competence centre. It develops innovative methods and tools for quantifying risk and making decisions in conditions of uncertainty to contribute to the continuous improvement of the risk management methods.

The Company regularly monitors the effectiveness of its internal control and risk management system and implements measures to improve it.

¹ Including ISO 31000:2018 and COSO ERM:2017.

Risk map

NLMK's Risk Map enables systemic identification, analysis and monitoring of risks. The Company has drawn up a list of salient (critical) risks. This list covers both financial and non-financial risks, which, according to the Group's estimations, are highly likely to materialize or may have a big impact on the Company's operations. Analysing critical risks and monitoring the implementation of measures to manage risks of this kind are a continuing priority for the NLMK Group management team.

The major changes in the Risk Map in 2023 were related to external factors: increased risks in finances (prices and exchange rates, and credit) and in supply continuity, which triggered risk exposure of the investment project management and IT&IS. The Company developed a list of measures to ensure business continuity and analysed the IT&IS risk profile. The Group continues to pay particular attention to occupational safety and the social well-being of employees.

The Risk Map is regularly updated to reflect the strategy, changing operations, and external context



Significant risks in sustainable development

Occupational and industrial safety risks →

Risks of industrial and fire safety, risks of emergency situations, occupational risks

Why is this risk important?

NLMK Group is a manufacturing company. The Company's activities involve operating hazardous production facilities and using a large amount of mechanical equipment, which creates risks related to the health of employees and contractors (one of the key human rights risks), as well as the risks of accidents, fires, equipment breakdown, the decay of buildings and structures, floods, and other natural disasters.

🔗 See Operational Health and Safety for more detail

Potential risk factors

- ▲ Design and operational errors
- ▲ Poor and untimely maintenance
- ▲ Hidden defects

Current risk management measures

- ✓ In-depth survey of buildings and structures and development of relevant repair programmes
- ✓ Building competencies in industrial safety expert reviews
- ✓ Fire safety programme based on the results of an external fire risk assessment
- ✓ Internal cross-audits on fire safety
- ✓ Regular audits of the state of production facilities (observations, inspections, surveys)
- ✓ Updated cardinal safety rules for employees and contractors
- ✓ New injury prevention programmes, including LOTO (the procedure for using energy sources aimed at safety of workers during maintenance, repair or cleaning of equipment), safety at height, eye protection, etc.
- ✓ Pre-work hazard analysis and dynamic risk assessment
- ✓ Developing a response system for emergency medical care, medical evacuation, first aid, and resuscitation, including employee training
- ✓ Introducing electronic work permits for hazardous operations
- ✓ Mobile app for risk reporting

Health & safety risks →

Risks of occupational diseases, epidemiological risks

Why is this risk important?

Due to the specifics of the Company processes, the operations at the Group's sites are associated with exposure to harmful factors. In organizing production, the Company prioritizes the health and safety of its employees above all. The management of NLMK monitors and reduces risks associated with hazardous working conditions, increasing safety levels at the sites of every NLMK company year-on-year.

🔗 See Operational Health and Safety for more detail

Potential risk factors

- ▲ Harmful working conditions
- ▲ Poor quality of mandatory medical check-ups, emergency medical aid, first-aid training
- ▲ Seasonal epidemiological risks

Current risk management measures

- ✓ Improvement of workplace conditions and personal protection equipment quality
- ✓ Early diagnosis and prevention of diseases, development of a conscious attitude of employees to their health, voluntary medical insurance, insurance against accidents and critical illnesses, health resort treatment, ensuring the availability of high-quality food and dietary regime
- ✓ Programme to prevent occupational hearing impairment
- ✓ Upgrading corporate medical institutions (purchase of medical equipment for emergency and accident care, training of medical personnel, revamps and remodelling, development of the shop-floor physician service)
- ✓ Training workers in latest first aid algorithms
- ✓ Regular drills to validate medical response plans and maintain first aid skills (including training scenarios with multiple casualties)
- ✓ Automation of pre-shift/pre-trip medical examinations at all NLMK Group sites
- ✓ Administering all mandatory check-ups as per the state regulations, operation of an in-house Occupational Disease Centre
- ✓ Voluntary vaccination against seasonal flu and pneumococcal infection in all regions where the Company operates

Environmental risks →

Risks associated with events caused by NLMK Group's operations, which may impact the environment.

Risks associated with the impact of the environmental situation on the activities of the Group's enterprises.¹

Why is this risk important?

The materialization of environmental risks may result in serious consequences for the Group's financial performance, reputation, operational efficiency, and generally for the Group's business continuity.

A responsible attitude towards the environment and the efficient use of natural resources are the key principles of NLMK's Sustainable Development Policy. The Company objectively assesses environmental risks and strives to minimize them recognizing the right of local communities and future generations to a clean environment, and invests heavily in various environmental programmes and introduction of innovative technologies.

Environmental protection is a top priority of NLMK Group's activities.

🔗 See Environmental Protection for more detail

Potential risk factors

- ▲ Environmental non-compliance of current processes
- ▲ Changes in environmental legislation
- ▲ Availability of natural resources for continuous operation

Current risk management measures

- ✓ Making sure that engineering and design are duly aligned with environmental requirements and reduce environmental impact
- ✓ Developing, implementing and annually updating the Environmental Programme, which encompasses projects to reduce emissions, waste, negative impacts on water, land and biodiversity
- ✓ Monitoring and maintaining the operability of environmental protection equipment through regular periodic maintenance, scheduled repairs and overhauls
- ✓ Collaborating with government authorities by taking part in associations and offering comments on draft documents on environmental protection
- ✓ Monitoring the availability of natural resources, regular assessment of the state of reserves and soil conditions in the locations of the Group's production facilities

Climate risks →

Risks associated with the physical effects of climate change and the transition to low-carbon economy, including water availability risks.

Why is this risk important?

Climate change is one of the greatest threats facing the world today, impacting the society, economy, and security globally. Climate risks can be classified as:

- **Physical risks** are those related to natural phenomena, emerging due to climate change, and becoming more probable due to global warming
- **Transition risks** are those associated with the transition to low-carbon economy. The main drivers of climate change are greenhouse gas emissions. According to various estimates, the iron and steel industry accounts for 7% to 9% of global greenhouse gas emissions

NLMK Group takes climate change issues very seriously and consistently reduces the carbon footprint of its products.

🔗 See Climate Change for more detail

Potential risk factors

Physical risks:

- ▲ Extreme risks (destructive events)
- ▲ Chronic risks (long-term climate change)

Low-carbon economy transition risks:

- ▲ Political risks
- ▲ Economic risks
- ▲ Reputation risks
- ▲ Technology risks

Current risk management measures

- ✓ Making sure that engineering and design are duly aligned with climate change specifics
- ✓ Adaptation activities related to more frequent occurrence of extreme heat and precipitation
- ✓ Creating a monitoring system for incidents caused by weather and climate
- ✓ Developing the Climate Programme and implementing investment and operational projects to reduce CO₂ emissions
- ✓ Improvement of quality and diversity of the steel product portfolio
- ✓ Collaborating with government authorities by participation in associations, working groups, and offering comments on draft documents on low-carbon development

¹ In this group of risks, in particular, the risks of water availability and its quality are assessed separately (see Water Availability Risks for more detail)

IT and information security risks ↗

Disruption of business continuity due to unavailability of IT systems and data networks following technical and software failures, non-fulfilment of obligations by service providers, erroneous or deliberate actions of the Company's employees, actions of third parties.

Damage caused by unauthorized access of third parties to trade secrets.

Why is this risk important?

The Company's business processes and their efficiency directly depend on IT systems and the security of confidential information in all its forms

🔗 See Information Security for more detail

Potential risk factors

- ▲ Targeted external attacks, malware
- ▲ Human error or deliberate actions of employees
- ▲ Physical loss of infrastructure and equipment (due to accidents or natural disasters)

Current risk management measures

- ✓ Integrated information security system development programme
- ✓ Improvement of information security processes
- ✓ External audits for compliance with regulatory requirements and external testing of information security system stability
- ✓ Information security incident response plans (DRP, BCP)¹

Currency and price risks ↗

Risks associated with financial losses as a result of adverse changes in prices for finished products and raw materials, as well as exchange rates.

Why is this risk important?

The key factor determining the size of the Group's revenue is global steel prices. Since most of the Group's revenue is denominated in foreign currencies and most of expenses are denominated in rubles, NLMK faces currency risk.

Potential risk factors

- ▲ Lower finished product prices
- ▲ Increase in raw material prices
- ▲ Volatile supply timeframes
- ▲ Currency exchange rate variations affecting financial results

Current risk management measures

- ✓ Formula-based pricing, concluding long-term contracts
- ✓ Hedging using derivative financial instruments (if necessary)
- ✓ Hedge accounting according to IFRS standards

The Company also considers the following risks:

- ▲ Reputational risks and risks related to stakeholder engagement;
 - 🔗 See Stakeholder Engagement for more detail
- ▲ Risks related to skills depreciation
- ▲ Equipment failure risks
- ▲ Inventory risks
- ▲ Supply continuity risks
- ▲ Liquidity risks
- ▲ Tax risks
- ▲ Credit risks
- ▲ Interest risks
- ▲ Risks of physical/economic security
- ▲ Compliance risks
 - 🔗 See Compliance and Corporate Ethics for more detail



Risk trend compared to the previous year: ↗ risk increased; ↘ risk reduced; → no changes.

¹ DRP – disaster recovery plan, BCP – business continuity plan.

2023 performance

In 2023, commodity and financial markets demonstrated a negative trend and increased volatility, especially in terms of foreign exchange rates. The Company had to operate in a constantly changing market and proactively respond to emerging restrictions and new conditions.

At the same time, it went on with the projects to improve the Internal Control and Risk Management System, and with developing approaches to risk management and risk culture. The Company focused on sustainability of the processes under transformation.

Thus, the following key projects can be highlighted:

- Processes were adapted to changing market conditions for raw materials, equipment and finished products, import substitution activities were advancing
- Production infrastructure maintenance process efficiency was improved through the introduction of more advanced diagnostic and inspection tools that allow making risk-oriented decisions
- Key business processes were refined and internal controls revised
- New controls were introduced to minimise the risks of fraud
- Support tools for automatic control of making decisions on transactions with deferred payment were cascaded to several sites of the Group.

For results of risk management programmes in individual domains (OHS, Environment, Climate, Compliance and Corporate Ethics, Information Security), see the corresponding sections.

Risk strategy and plans for 2024 and the medium term

NLMK has introduced the practice of regularly updating the internal control and risk management strategy. In 2023, three main areas for developing the internal control and risk management system were approved for the next two years.

Business continuity management

Systematic work on continuity management is one of NLMK's priorities in risk minimization. In view of this approach, a project is underway to organize a Business Continuity Management System in accordance with the international standards and best international practices in business continuity.

The Company is committed to preventing the negative impact of possible business interruptions due to external or internal factors, to ensure stability in crises and to fulfil its obligations to stakeholders.

In 2024, it is planned to introduce regular risk sessions focused on continuity of the core production chain during the implementation of large-scale investment projects.

Process maturity

NLMK is consistently increasing the maturity level of its internal control and risk management system to ensure achievement of project and process targets. This includes the following processes:

- Analysis of controls, identification of improvement needs and redesign
- Eliminating redundancy
- Developing key risk indicators and defining their boundaries
- Developing approaches to joint risk modelling, stress testing, and scenario analysis

Corporate culture of risk awareness

The Company is creating a risk awareness culture that meets the principles of engagement, responsibility, and risk prevention. As part of this commitment, NLMK delivers additional training solutions, conducts trainings, raises awareness of employees about the Internal Control and Risk Management System, as well as about communication channels.

Compliance and corporate ethics

The Company believes that by communicating honestly and openly with business partners and the public, adhering to best practices in corporate governance and business ethics norms, and maintaining its corporate culture, NLMK Group reinforces its business reputation and position on the global steel market.

NLMK Group Code of Corporate Ethics

The Company observes the applicable legislative provisions and establishes and adheres to additional ethical principles and rules of business practice.

The [Code of Corporate Ethics](#) approved by the Board of Directors in 2018 is a public document available on the Company's official website. [\[GRI 2-23\]](#)

Basic ethical values set forth in NLMK Group's Code of Corporate Ethics [\[GRI 2-24\]](#) [\[GRI 2-27\]](#)

Human rights

NLMK Group acknowledges the inviolability of human rights, prohibits human rights violations, and builds its decision-making system in line with the [NLMK Group Human Rights Policy](#) approved by the Chair of the Management Board in 2018

Efficiency

NLMK Group strives for continuous improvement of the efficiency of its business, e.g. by improving the corporate governance system, streamlining production processes, and introducing innovative technologies

Compliance with the legislation

NLMK Group and its employees meet the requirements of Russian and other applicable legislation, industrial and corporate regulations, standards, and procedures

Mutual respect and professionalism

NLMK Group employees are one of the Company's basic values, with their competence, trust, friendliness, cooperation, and team spirit enabling the Group to reach its objectives and ensure sustainable development

Transparency and honesty

NLMK Group honours its obligations towards counterparties and employees, maintains its reputation as a reliable business partner, and ensures the transparency of transactions and operations

Safety and social responsibility

NLMK Group ensures that all its production processes comply with occupational health and safety requirements, adheres to the policy of social responsibility before its employees and the population of the regions where the Company operates, and takes environmental protection measures

In addition to the Code, the Company has adopted ethical principles and employee conduct standards¹

In 2023, the principles and standards were adopted by NLMK Europe as well in the form of NLMK Europe's Code of Ethics and Business Conduct.

An Ethics Committee was set up in 2023 to facilitate peer discussions of controversial matters related to employees' compliance with the ethics norms. Executives who directly report to the CEO (Chair of the Management Board), including the Managing Director of NLMK Lipetsk, sit on the Committee. Head of Compliance was made Secretary of the Committee.

All Company employees review the Code when joining the Company and undergo regular training based on the Code. In 2023, the Company held 49 webinars on the application of the Code and on anti-corruption practices for the employees whose positions are exposed to the risk of corruption.

Knowing and complying with the requirements of the Code is an obligation for all Company employees, which is included into all job descriptions as a standard requirement. Moreover, questions assessing knowledge of the Code were included in the assessment of employees' professional competencies, which is conducted once every three years. In 2023, 908 employees were assessed for the Corporate Business Conduct cross-cutting competence. The employees had to provide correct answers to 12 questions on the Corporate Ethics Code, Anti-Corruption Policy, and the Conflict of Interest Regulations. 80 employees received the top score and were recognized via their NLMK Portal accounts and received rewards from SPHERUM, the corporate non-financial incentive programme.

The Company also expects adherence to basic values and principles of good business conduct not only from its employees, but also from its business partners. In 2022, the Company approved the Partner Code of Business Conduct, which sets out the Company's main requirements for counterparties in terms of respect for:

- Human rights
- Anti-corruption measures and preventing conflicts of interest

- Fair competition
- Labour protection and industrial safety, as well as other requirements in the most significant areas for the Company.

The Company's business partners familiarize themselves with the provisions of the Code during qualification, counterparty selection, and contract conclusion. Thus, in 2023, over 19,000 organizations confirmed their familiarization with the requirements of the Partner Code of Business Conduct and compliance with it.

In addition, the Group requires its business partners to sign the Anti-Corruption Provisions adopted in the Company.

🔗 See Supply Chain Management for more detail



~5,000

Almost 5,000 employees in positions exposed to the risk of corruption took the anti-corruption training

45

45 top managers of NLMK took specialized training in anti-corruption and ethics in January 2024

¹ Approved by a Management Board decision of 29 September 2023.

Compliance system

In 2023, the Company continued actively developing its compliance system, which aims to ensure that NLMK's operations comply with applicable legislation and internal documents.

The unified compliance system covers the following key areas:

- Anti-corruption compliance
- Antitrust compliance
- Personal data protection
- Insider compliance
- Intellectual property risk management

Established in 2020, the Compliance Unit implements anti-corruption and antitrust compliance programmes and coordinates the introduction and operation of the compliance system as a whole. The Compliance Unit reports directly to the Vice President for Legal Issues and Risk Management.

Compliance related to personal data, insider information regulations, and intellectual property risk management is curated by the corresponding functional areas. Each of them implements its own system of measures for managing corresponding compliance risks.

Independent compliance hotline

[GRI 2-25] [GRI 2-26]

Regardless of the area, NLMK Group's compliance system particularly emphasizes measures for developing a compliance culture where employees act ethically and in good faith, both within the Company and in relations with other stakeholders. To this end, the Company introduced an independent compliance hotline available to any interested party willing to report a violation.

Since 2022, the independent compliance hotline covers not only Russian but also foreign sites of NLMK Group. Highly reputable operators both in Russia and abroad are engaged as independent hotline operators. In 2022–2023, internal documents were developed for both Russian and foreign sites of NLMK Group fixing the operation procedure for independent compliance hotline channels, including non-retaliation guarantees. In line with the specified documents:

- The hotline accepts information about any event within NLMK Group's activities that is considered illegal by the caller in good faith, including violations of applicable law, and any types of corruption and fraud, as well as violations of the Company's corporate documents, including the Corporate Ethics Code, Anti-Corruption Policy and Human Rights Policy

- Any caller can contact the compliance hotline including employees of NLMK Group sites and counterparties
- For each piece of information received by the compliance hotline, a reliability check is carried out; the results of such checks are recorded in a dedicated information system and brought to the attention of the caller
- The Company protects the confidentiality of anyone who has reported a violation in good faith through the Compliance Radar (hotline)
- NLMK prohibits any retaliation for good-faith reports

Compliance Radar (hotline) statistics in 2023

Of the 38 reports related to access control and economic security, 18 have been corroborated.

Reasons for whistleblowing, %



| | |
|---|----|
| Request for clarification | 14 |
| Violations of ethics and business conduct | 12 |
| Access control and physical security | 11 |
| Procurement procedures | 10 |
| Employee pay | 8 |
| Conflicts of interests | 2 |
| Sales procedures | 1 |
| Other labour issues | 20 |
| Other violations of internal procedures | 22 |

Anti-corruption practice (compliance)

[GRI 3-3] [GRI 205-1] [GRI 205-2] [GRI 205-3]

In its day-to-day operations, NLMK Group is guided by high ethical standards, principles of business transparency, as well as the stipulations of international and regional documents, such as the United Nations Convention against Corruption. The Group denounces corruption in any form or manifestation, guided by the principle of zero tolerance. The Company engages in targeted work to prevent and counteract corruption and fraud. These matters are in the area of constant attention of the Company's management.

NLMK Group's anti-corruption compliance programme aims to prevent and detect corruption in due time by integrating and developing:

- The internal control system
- The corporate culture of zero tolerance for corruption
- The effective use of feedback mechanisms in the Company for reporting instances of corruption.

The new version of the Anti-Corruption Policy approved in 2021 by the Board of Directors bans financing political parties and other participation of the Company in political activities.

The Compliance Unit is responsible for ensuring that employees are aware of the anti-corruption requirements. Its activities include:

- Regular publications on the internal portal and in printed editions of *Nash Kombinat (Our Plant)* corporate newspaper
- Publishing printed leaflets on information boards at production sites and HOTO rooms on sites
- Videos with the participation of senior management on NLMK TV.

In the run-up to the UN International Anti-Corruption Day, the Company annually holds dedicated employee contests and quizzes about corruption prevention.

In 2023, implementation of the project to develop the internal control system included an assessment of corruption risks associated with sales and marketing processes at the Group's international sites. No significant corruption-related risks were identified.

Identification, analysis and assessment of risks associated with corruption and fraud are carried out at all levels of management and in all Group companies

Anti-corruption system

[GRI 3-3] [GRI 205-1] [GRI 205-3]

The distribution of responsibilities and powers between the Company's units in the anti-corruption system is enshrined in the Appendix to the Anti-Corruption Policy.

The Audit Committee of the Board of Directors, the CEO (Chair of the Management Board) and the Risk Management Committee of the Management Board all play a key role in establishing an operating anti-corruption system that functions efficiently.

The Audit Committee regularly considers the performance of the compliance hotline, as well as the results of specific process audits including the corruption and fraud risk assessments. In 2023, the Committee reviewed the reports on operation of the independent compliance hotline in 2022 and 9M 2023.

The Risk Management Committee deals with issues of corruption risk identification and assessment, approval and control of the efficiency of corruption risk management measures. In 2023, the Committee reviewed 3 reports on process audits, including the risks as identified in relation to potential corruption and fraud.

The CEO (Chair of the Management Board) appoints the person responsible for anti-corruption in the Company and is responsible for the overall control of the implementation of anti-corruption measures. The Vice President for Legal Affairs and Risk Management has been appointed as the person responsible for anti-corruption activities. They are tasked with the development of the internal control system, including for prevention of corruption and fraud. Compliance Unit directly reports to the Vice President and takes responsibility for implementation of anti-corruption programmes in line with the Anti-Corruption Policy and the annual anti-corruption compliance action plan. The Compliance Unit interacts with related structural units responsible for security, human resources and personnel management, risk management and internal audit.

During this reporting period, neither the Company nor any of its subsidiaries nor affiliates were held liable for any corruption-related violations

Internal control and procedures for managing conflicts of interest

Corruption and fraud risks at the level of specific processes are managed as part of the procedures of the overall internal control system in the Company. The assessment of corruption risks in third-party relations is part of the contractor and supplier qualification procedure. The contract approval process, too, has integrated compliance control to ensure inclusion of anti-corruption provisions.

🔗 See Operational Control and Risk Management for more detail.

Managing conflicts of interest

International companies

In 2023, NLMK India adopted a Conflict of Interest Policy that requires declaration of situations having a risk of conflicts of interest by all employees. 100% of employees certified their familiarization and commitment to comply with the Policy. No conflicts of interest were detected.

The Code of Ethics and Business Conduct approved by NLMK Europe in 2023 also contains provisions on declaration of any conflicts of interest.

Russian companies

In 2023, a new version of the Regulations on Preventing, Disclosing and Managing Conflicts of Interest was approved. It contains a list of situations subject to disclosure. Members of the Company's governing bodies additionally disclose information about participation in management bodies of any third-party organizations.

🗨️ 6,900

employees filled in the conflict of interest declaration and certified compliance with the internal documents, including 100% of top-level managers (the "top 100 executives")

As a result, 34 cases of actual conflict of interest and 97 cases of potential conflict of interest were detected.

✅ 33 of 34 cases

of actual conflict of interest were resolved; the remaining one was still investigated at the end of the year

All cases of potential conflict of interest are monitored in the security service information system.

Fostering anti-corruption culture

[GRI 2-24] [GRI 205-2]

The Company dedicates particular attention to integrating a culture of zero tolerance for corruption via a programme for training and informing employees about NLMK Group's behaviour standards, including management example ("tone of voice").

Information about the Company's behaviour standards is communicated to employees via the following channels:

- The welcome email that every new employee receives
- Publications in blogs and the feed on the internal portal
- Videos on NLMK TV
- Publications in the *Nash Kombinats*, a corporate newspaper
- Speeches by representatives of the Compliance Unit at strategic sessions

In 2023, over 30 publications on compliance and anti-corruption were made through corporate communication channels, including showcasing the results of inquiries and investigations by the Security Division.

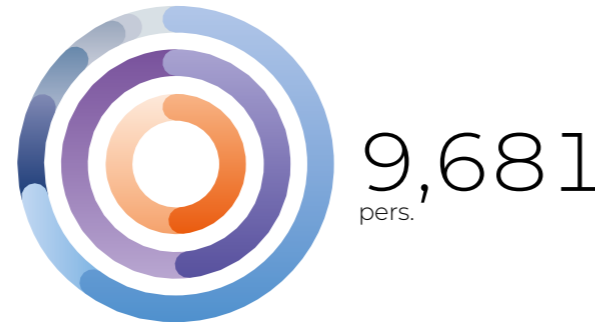
All employees of the highest management level are required to be familiarized annually with the Company's anti-corruption policies and practices as part of the annual conflict of interest declaration procedure.

In addition to informing, the Company also has a programme for training employees in anti-corruption requirements where employees exposed to corruption risks are trained annually, alternating online webinars and e-courses. All other managers and specialists take an electronic anti-corruption course every 2 years.

In 2023, the training in anti-corruption requirements covered almost 10,000 employees, or 22% of the average headcount, including e-course delivery for half of the participants. At the same time, learning in the form of trainer-led webinars was completed by over 80% of employees in positions exposed to high risks of corruption.

The total amount of employees in positions exposed to high risks of corruption is 6,000 people, or 14% of the average headcount.

Training of employees by region and by management level in 2023



| | | |
|------------------------------|-------|-----|
| ● Lipetsk Region | 5,797 | 60% |
| ● Sverdlovsk Region | 1,139 | 12% |
| ● Belgorod Region | 965 | 10% |
| ● Moscow | 609 | 6% |
| ● Altai Region | 493 | 5% |
| ● Kaluga Region | 488 | 2% |
| ● Other Russian regions (31) | 190 | 5% |
| <hr/> | | |
| ● Specialists | 5,004 | 52% |
| ● Managers | 4,677 | 48% |
| <hr/> | | |
| ● Webinars | 4,999 | 52% |
| ● E-course | 4,682 | 48% |

70%

of top-level managers (62 persons) took training webinars on anti-corruption requirements and corporate ethics standards in January 2024

0.3 hours

average duration of training on anti-corruption per employee (based on average headcount)

In addition to developing a compliance culture in the Group, NLMK is also taking steps to inform and train its partners in the anti-corruption requirements that the Company abides by.

More than 19,000 representatives of business partners were familiarized with the anti-corruption requirements in 2023.

Efficiency assessment and audit

The Compliance Unit regularly assesses the efficiency of the anti-corruption compliance programme and provides information to the person responsible for anti-corruption efforts. Reports on the overall operation of the compliance system are presented to the CEO (Chair of the Management Board) annually.

The anti-corruption and fraud system efficiency is assessed during internal audits. Thus, in 2023, the Internal Audit conducted audits of individual processes of the Procurement and Logistics Functional Areas and issued recommendations aimed at improving the processes, including, among others, the ones combating corruption and fraud

In 2023, external experts audited the Company's anti-corruption compliance system as well. As a result of the audit, NLMK Group was rated as Class A2 — Companies with a high level of anti-corruption compliance

Antitrust compliance [GRI 206-1]

In 2023, the Company continued developing the system ensuring compliance with the requirements of antimonopoly legislation (antitrust compliance).

Key changes in 2023:

- Over 900 employees from dedicated departments were trained through e-courses in line with the previously approved training programme on antimonopoly requirements
- 7 analytical reports were prepared and circulated among the staff of dedicated departments as part of monitoring of actual changes in antimonopoly legislation and law enforcement practice.

Plans for 2024 and the medium term

In 2024, the Company plans to continue developing its compliance system, including compliance programmes for specific areas.

Planned actions:

- Introduction of a simplified version of the Code of Ethics for the employees to raise awareness of both the requirements in the Corporate Code of Ethics of 2018 and the Ethical Principles and Business Conduct Standards of 2023
- Development and launch of an e-course on the Code of Ethics for the Group's international companies
- Design and execution of communication programmes for the international companies on compliance and ethics, and on reporting channels for violations
- Testing of employee knowledge on compliance and ethics as part of the cross-cutting competency checks
- Conducting in-person training on antimonopoly requirements for employees of the dedicated departments.

Independent Auditor

The Company engages an independent auditing firm to audit and confirm the accuracy of NLMK Group's IFRS (International Financial Reporting Standards) consolidated financial statements, and NLMK's RAS (Russian Accounting Standards) accounting (financial) statements.

The independent auditor is selected from among recognized independent auditors with an impeccable professional reputation. The main criteria for selecting an independent auditor are:

- The qualifications of the auditing firm
- The quality of the services provided
- Compliance with the audit independence requirements

The candidate for an independent auditor is reviewed by the Audit Committee of the Board of Directors and the Board of Directors and is approved by NLMK's Annual General Meeting of Shareholders.

In 2023, NLMK's Annual General Meeting of Shareholders approved Technologies of Trust Audit (hereinafter — TeDo) as the Company's auditor.

TeDo (formerly PricewaterhouseCoopers, or PwC) has been the auditor of the Group since 2003. The Board's Audit Committee, which is responsible for evaluating the efficiency of the current independent auditor, was satisfied with the quality of the services provided.

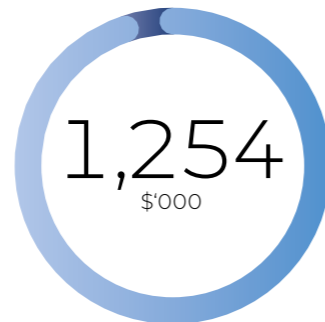
In 2023, it recommended that the Board of Directors and the General Meeting of Shareholders re-appoint TeDo as the Group's auditor 2023.

In addition to providing auditing services to verify financial statements, NLMK Group companies may hire TeDo and other companies under TeDo umbrella to provide consulting (non-audit) services. The management of NLMK Group and, in particular, the Audit Committee, are confident that these services do not affect the independence of the auditor and are not related to financial reporting. In 2023, the share of non-audit services in the total volume of services provided by TeDo was at an acceptable level and did not exceed 5%.

Remuneration of Independent Auditor

The value of remuneration for the provision of audit (verification) services of NLMK's 2023 interim and annual IFRS consolidated financial statements, as well as for the audit of the 2023 RAS statements amounts to RUB 90.35 million (VAT excluded).

Remuneration paid to NLMK Group's Independent auditor for 2023, \$ '000 (VAT excluded)



- Audit and reviews 1,201
- Non-audit services 53

Compliance with the auditor's independence principle

TeDo has several systems that ensure audit independence and maintain a high level of professionalism and quality of the services provided. For example, TeDo rotates key audit personal on a regular basis (at least once in seven years) with the latest rotation in 2020.

Information security

NLMK Group follows a unified approach to countering cyber threats enabled by its comprehensive information security system (CISS). This enables NLMK Group to ensure a high level of maturity in information security.

In 2023, offensive activities aimed at Russian companies persisted. The well-established process for round-the-clock monitoring of IT infrastructure by NLMK Cyber Security Centre enabled a 11x reduction in the number of information security incidents compared to 2022.

A special focus was given to countering threats mediated via email. The newly introduced protections and employee training on security rules enabled NLMK to detect and suppress attempts by attackers to gain access to corporate networks through electronic messages. This reduced the risks of the Company considerably and secured confidential data from leaks or unauthorized access.

Another focal point for cyber security at NLMK Group is the culture of information security both at the workplace and in personal life. Awareness raising activities include e-courses on information security available to all employees, regular vigilance checks aimed at prevention of phishing attacks, publication of instructional materials, and circulation of information on the risks and threats in the digital domain. Each employee of NLMK Group recognizes their role in maintaining information security and commits personally to adhering to the relevant information security requirements.



11x

decrease in the rate of information security incidents vs. 2022