



Leadership in sustainability

November 2020

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- **Key highlights**

- Corporate governance
- Health & Safety
- Environment
- Tailings dam management
- Social
- ESG Ratings



NLMK's key principles of sustainable development:

- Creating long-term shareholder value
- Caring about health, wellbeing and development of employees
- Treating environment responsibly
- Delivering value-added products to our customers
- Adhering to high ethical standards in conducting business
- Developing, supporting and respecting the interests of local communities
- Maintaining transparency & high quality information disclosure

Selected non-financial indicators for 2019 were independently verified

WE SUPPORT



NLMK IS THE UN GLOBAL COMPACT'S PARTICIPANT



ENVIRONMENT



HEALTH & SAFETY

1.91 t/t

NLMK's CO₂ specific emissions target by 2023

56%

Reduction in LTIFR since 2013

97%

of water used in production is recycled

16k

More than 16K employees passed safety trainings in 2019

4th

Every 4th tonne of steel is made of scrap



SOCIAL

53%

Reduction in air emissions intensity (per tonne of steel) 2000-2018

18k

In 2019, 18,000 of training sessions were achieved at NLMK's Corporate University

92%

of generated waste is reused

5.6%

Turnover rate

- Key highlights
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The Group's governance structure and practices are aligned with G20/OECD Principles of Corporate Governance, Russia's Corporate governance code

Focus is on superior shareholder returns – dividend policy provides visibility and predictability

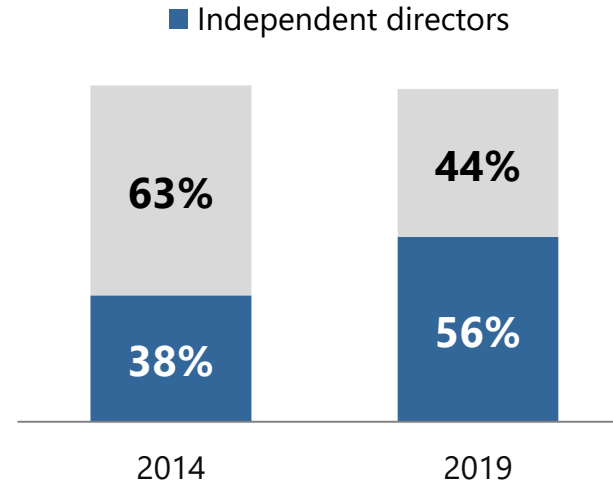
Voting rights: "one share/one vote", equitable treatment for all shareholders

The company's Board of Directors:

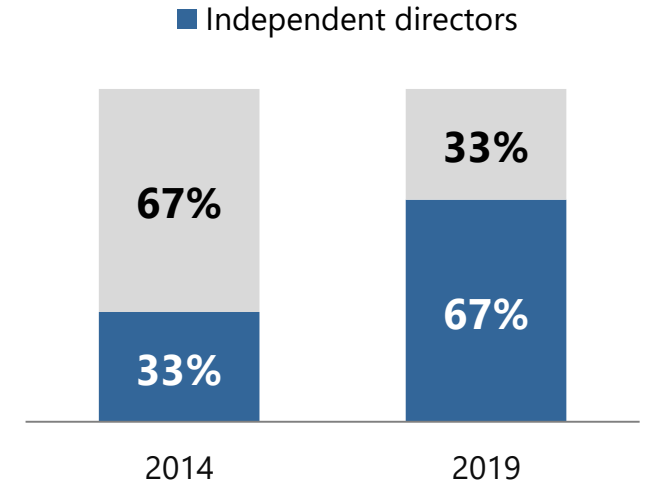
- Reputable board with superior track record
- Directors are not over-boarded with mandates
- Board performance is evaluated annually

Remuneration system based on clear KPIs, including ESG targets

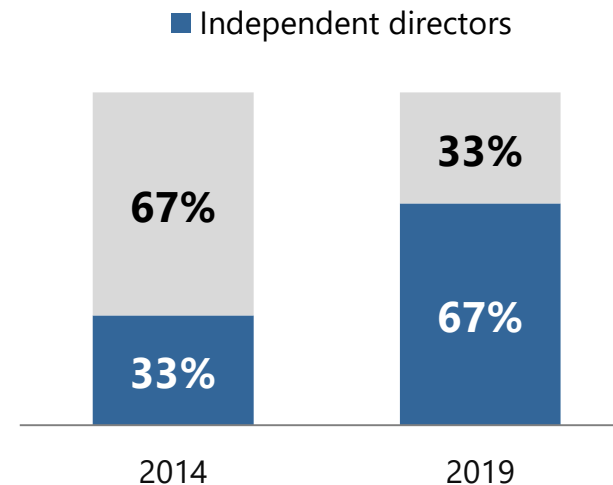
THE MAJORITY OF THE BOARD IS INDEPENDENT



THE MAJORITY OF THE COMMITTEES ARE CHAIRED BY INDEPENDENT DIRECTORS



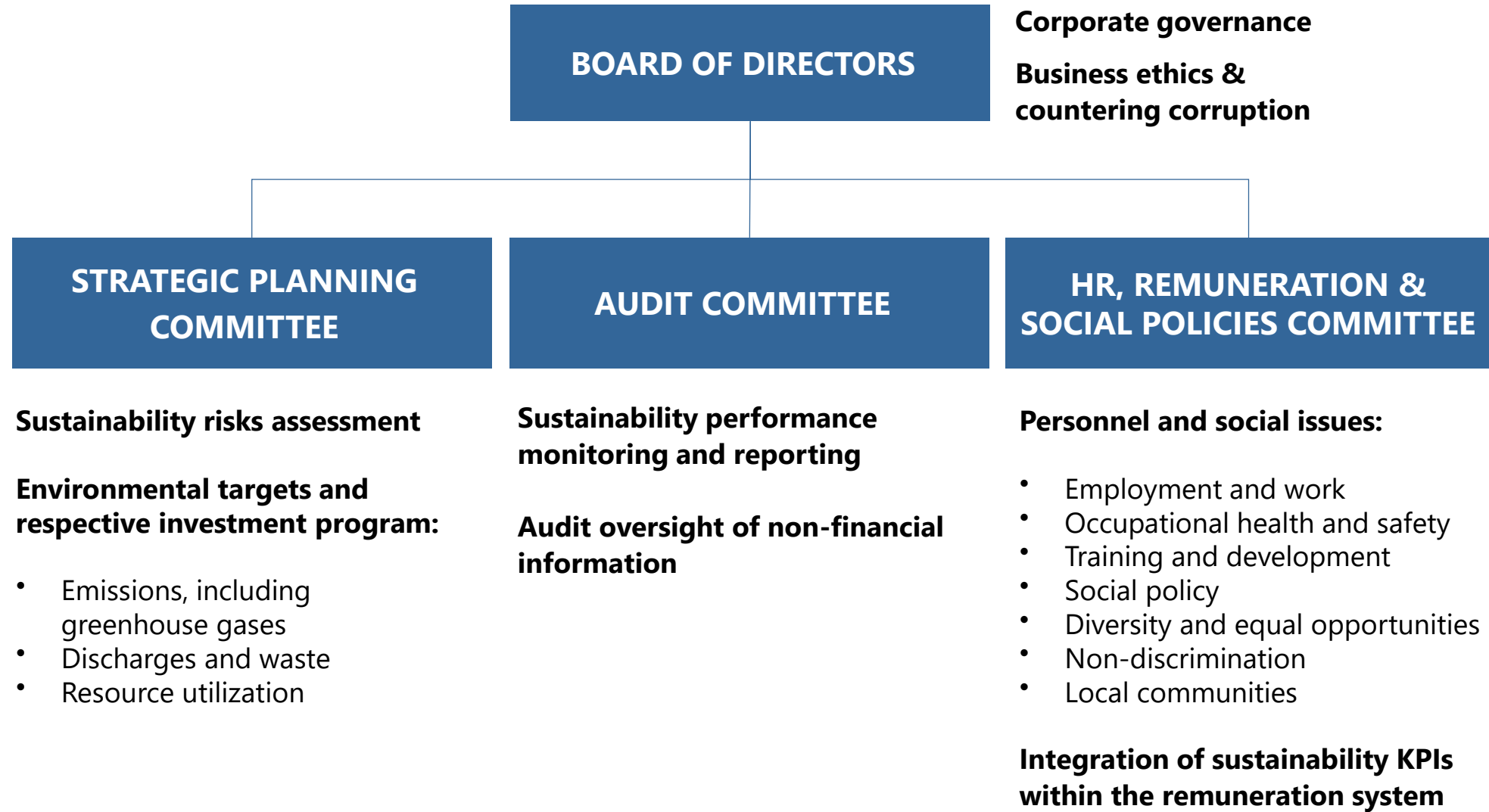
COMMITTEES WITH A MAJORITY OF INDEPENDENT DIRECTORS



NLMK's approach to sustainability management is governed by Sustainable Development Policy (SDP) approved by the Board in October 2019

The Board's activity covers every ESG aspect

The Board is responsible for the complying with Sustainable Development Policy as well as for defining goals and objectives



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NLMK's governing document: Integrated Management System Policy in Quality, Environmental Protection, Energy Efficiency, Occupational Health and Safety

OHSAS 18001:2077 certified;
ISO 45001:2018 is in process

In 2019, about \$100 m was invested in safety systems and equipment

"No blame" policy for incidents reporting

The company is signatory of "Vision Zero"*

Safety development programs

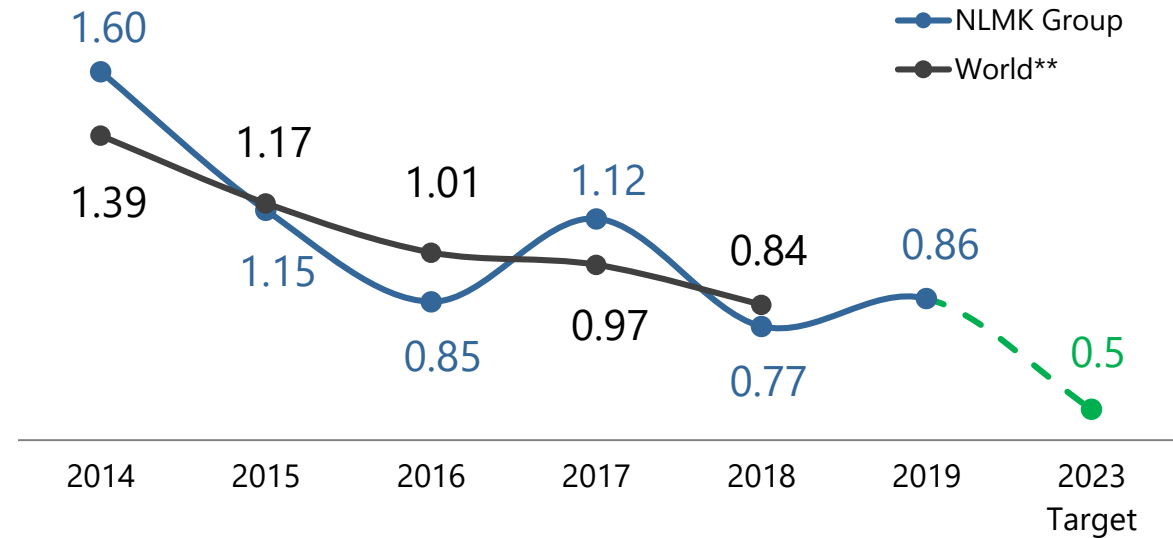
- Safety culture programs and communications
- Contractors management
- Safety risk management

Targets:

- Zero fatalities
- LTIFR of 0.5 (vs. 0.84 in 2018 as per WSA)

* <http://visionzero.global>

LOST TIME INJURY FREQUENCY RATE (LTIFR*)



* LTIFR refers to Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million man-hours worked, employees and contractors

** Worldsteel data

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Measurable target to reduce CO₂ emissions by 2023

NLMK's (Lipetsk site) CO₂ intensity will be close to 30% of the most efficient mills in the world by 2023

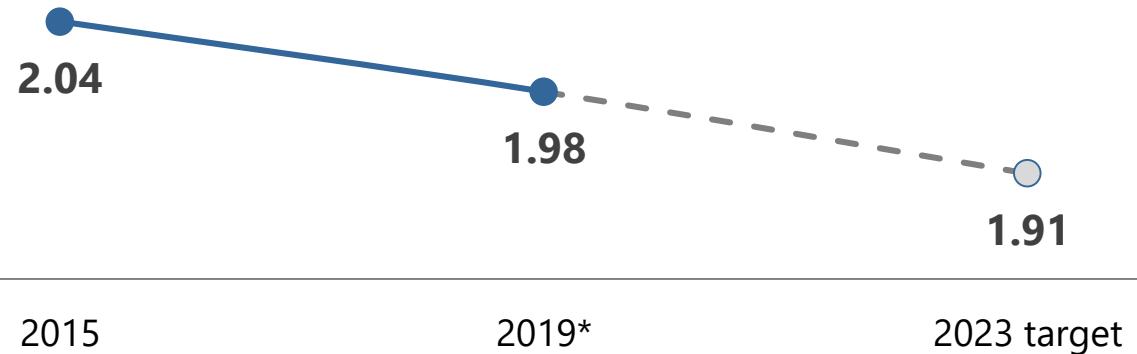
NLMK joined Worldsteel's Step Up program to search ideas for further improvement in CO₂ efficiency

Portfolio of projects for future footprint reduction

NLMK is a strategic partner for Russia's first green startup accelerator

DIRECT & INDIRECT CO₂ EMISSIONS DYNAMICS

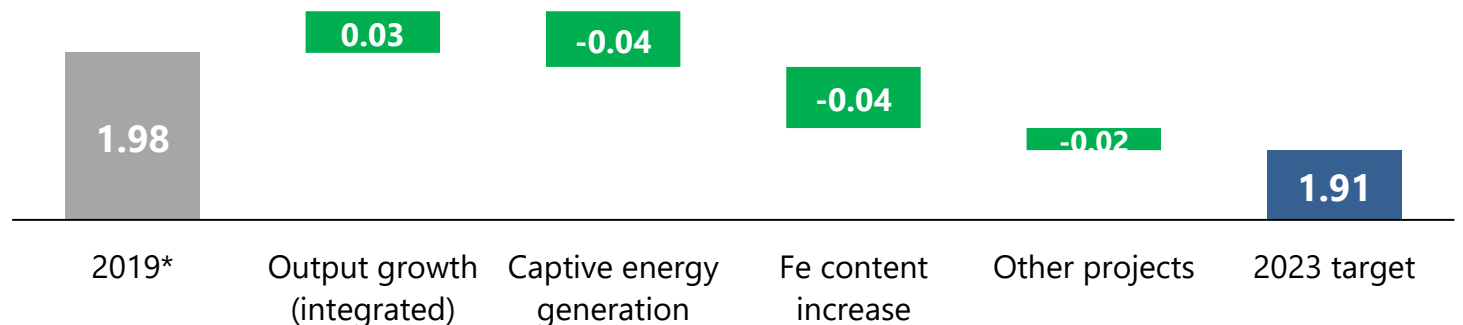
t/t NLMK Group (Scope 1+2)



*Adjusted for temporary production decrease at the Lipetsk site, based on 2018 Group's steel output

CO₂ EMISSIONS INTENSITY TARGET

t/t NLMK Group, (Scope 1+2)



NLMK has reduced air emissions intensity by more than two times since 2000

The Group operates more than 500 modern dust and gas purifying facilities

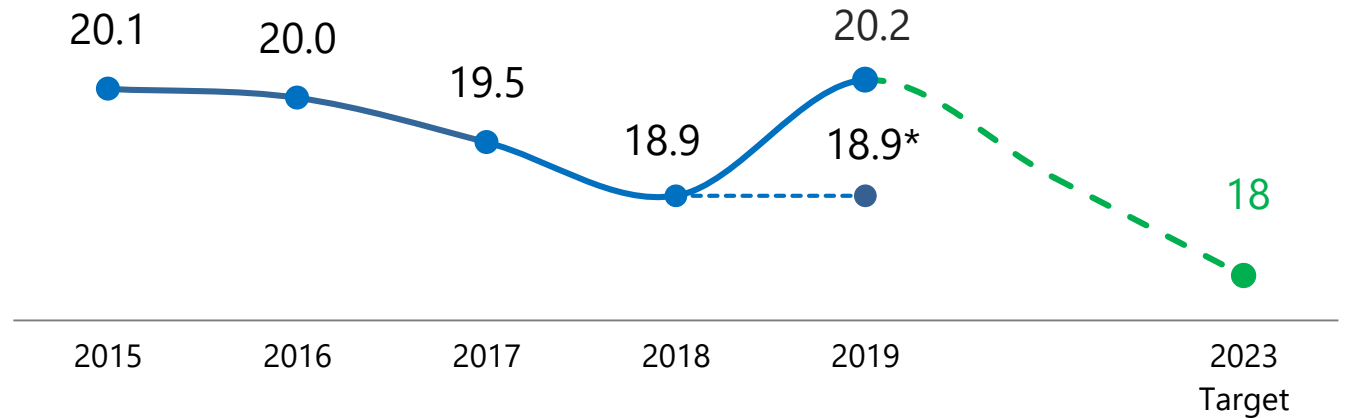
ISO 14001:2015 standard implemented at 14 of the Group's facilities

Targets:

- Reaching the EU BAT level for air emissions intensity

AIR EMISSIONS INTENSITY

kg/t, NLMK Group



**ISO 50001:2011 certified
(recertification under ISO 50001:2018
is underway)**

**Improved energy intensity was
achieved via equipment upgrade and
better processes**

**Higher share of captive electricity
generation contributes to lower CO₂
emissions**

Targets:

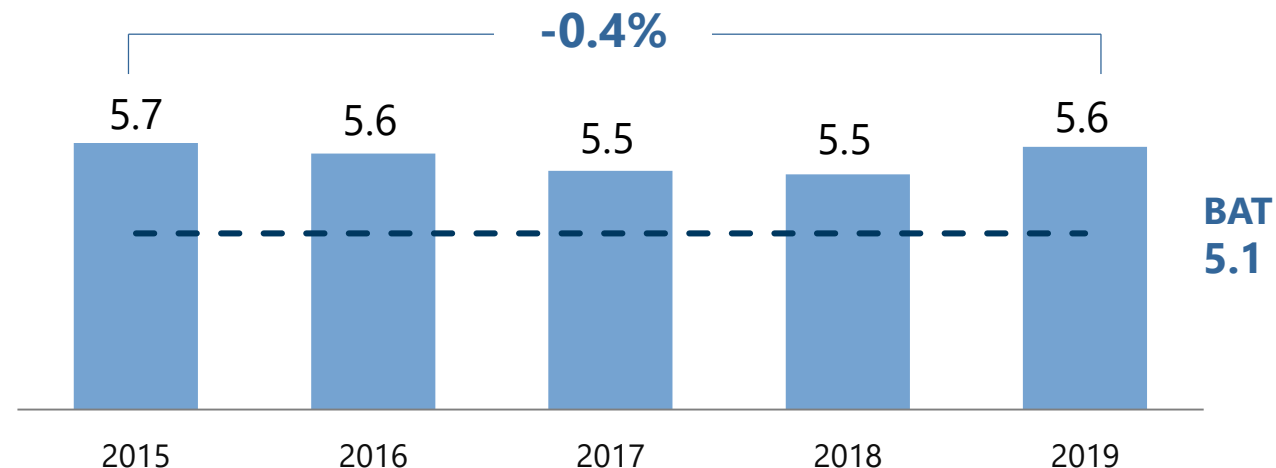
- Attaining a minimum level of economically and technologically feasible level
- Increasing electricity self-sufficiency to 94%

**In 2019, the use of electrical power
generated from renewables accounted
for 5.1% of total power consumption***

**The share of renewables in the total volume of electrical power generation is shown without transit flows; NLMK Group companies made no direct purchases from renewable energy suppliers*

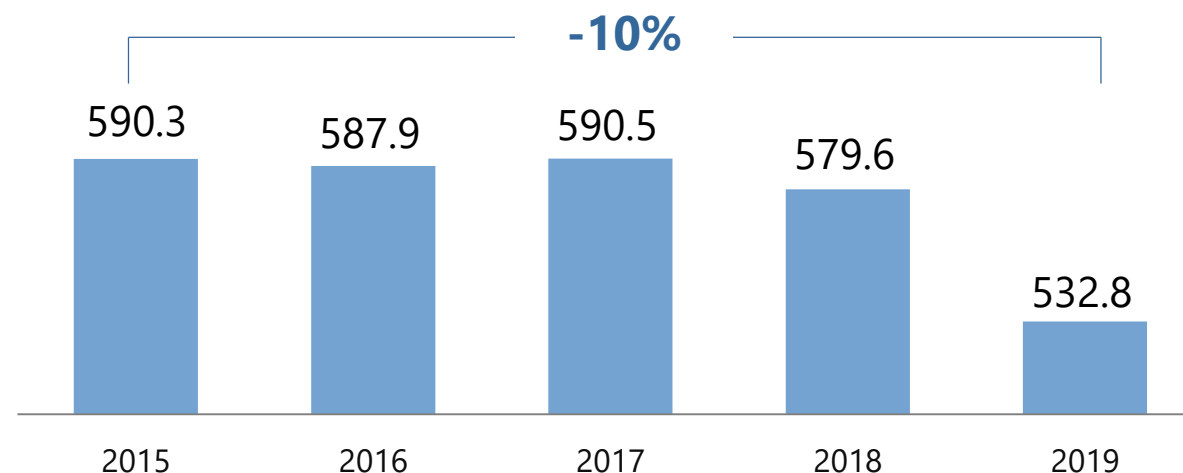
ENERGY INTENSITY

GCAL/t, NLMK Lipetsk



GROSS ENERGY CONSUMPTION

PJ, NLMK Group





Strategy 2022 envisages construction of the 3rd captive power plant at NLMK Lipetsk:

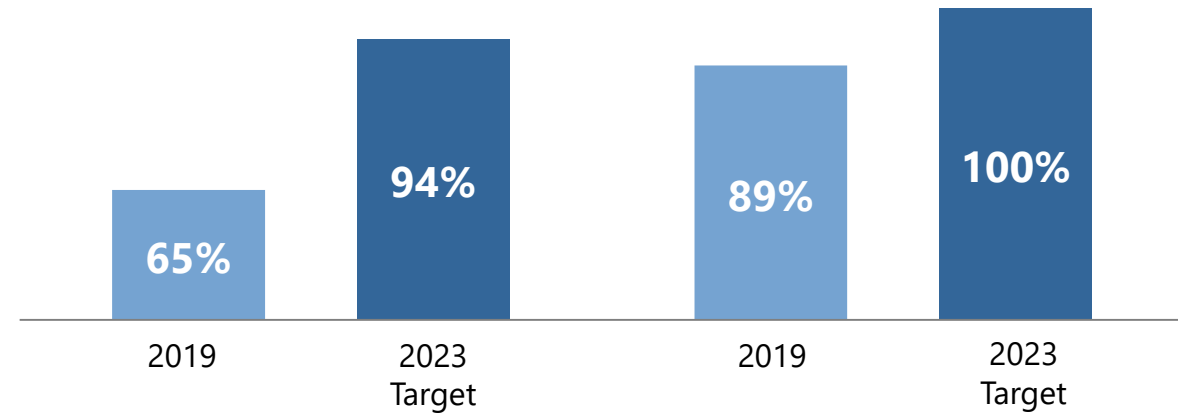
- The power plant will run on by - product fuel gases
- Leveraging successful experience of by-product gases reuse
- Unique technology for Russia of utilizing basic oxygen furnace gas
- Positive environmental impact

In 2019, NLMK Group signed the contracts for the supply of the main equipment, and design of the plant is in progress

ENERGY SELF-SUFFICIENCY TARGETS, NLMK LIPETSK

Captive energy generation

Secondary fuel gas recovery



ADDITIONAL PROJECT INDICATORS

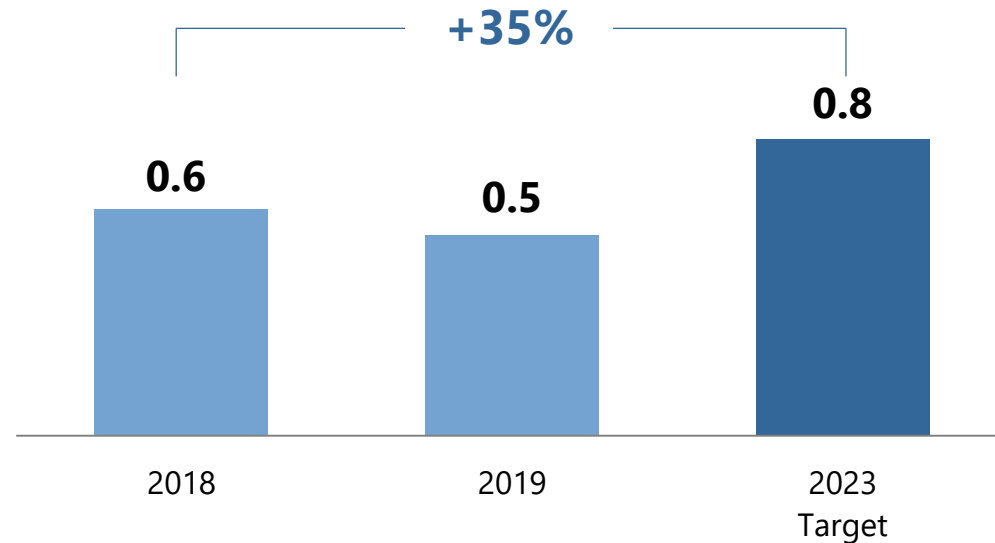
Power plant capacity	300 MW
Reduction in CO₂ emissions per annum	650k t
Investments	\$420 M



NLMK targets to increase production of electrical steel (GO and NGO) at its Russian facilities for global markets to benefit from growing energy demand and shift to low carbon economies:

- **+0.1 m t** of high grade **GO** for more efficient power and distribution transformers
- **+0.1 m t** of premium grade **NGO** for electric vehicles and energy-efficient motors

TARGET ELECTRICAL STEELS SALES, m t





NLMK's Dansteel (Denmark) is a leading producer of steel plates used for wind energy equipment in Northern Europe

The wind energy market trends in the EU:

- Steel consumption by the wind energy sector is expected to rise significantly in the EU driven by the *Clean Energy for All Europeans* legislative package

NLMK's targets:

- **+0.2 m t** production growth

TARGET PREMIUM PLATES SALES BY DANSTEEL, m t

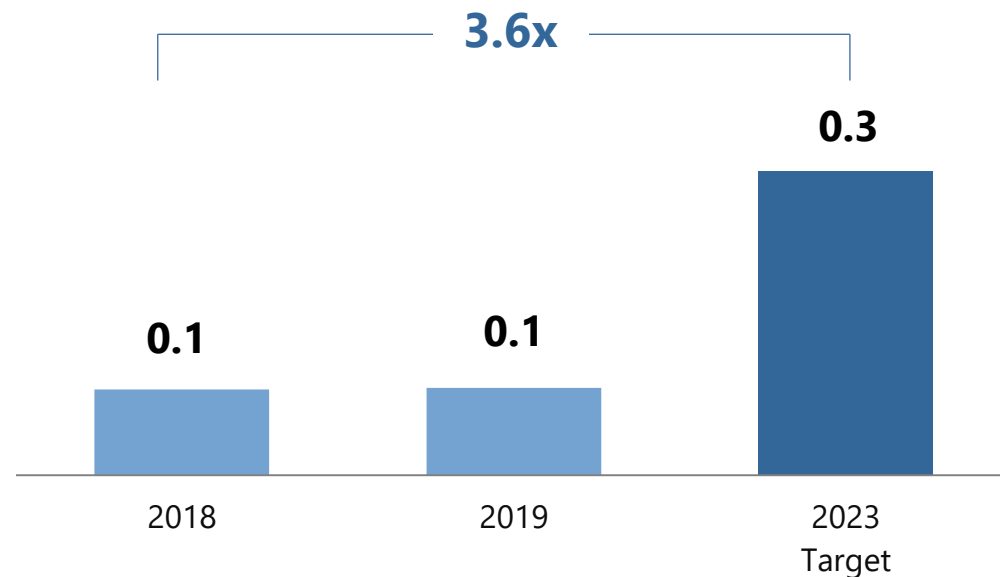


Photo source: World Steel Association

NLMK has substantially reduced water consumption in relative (per tonne of steel produced) and absolute terms

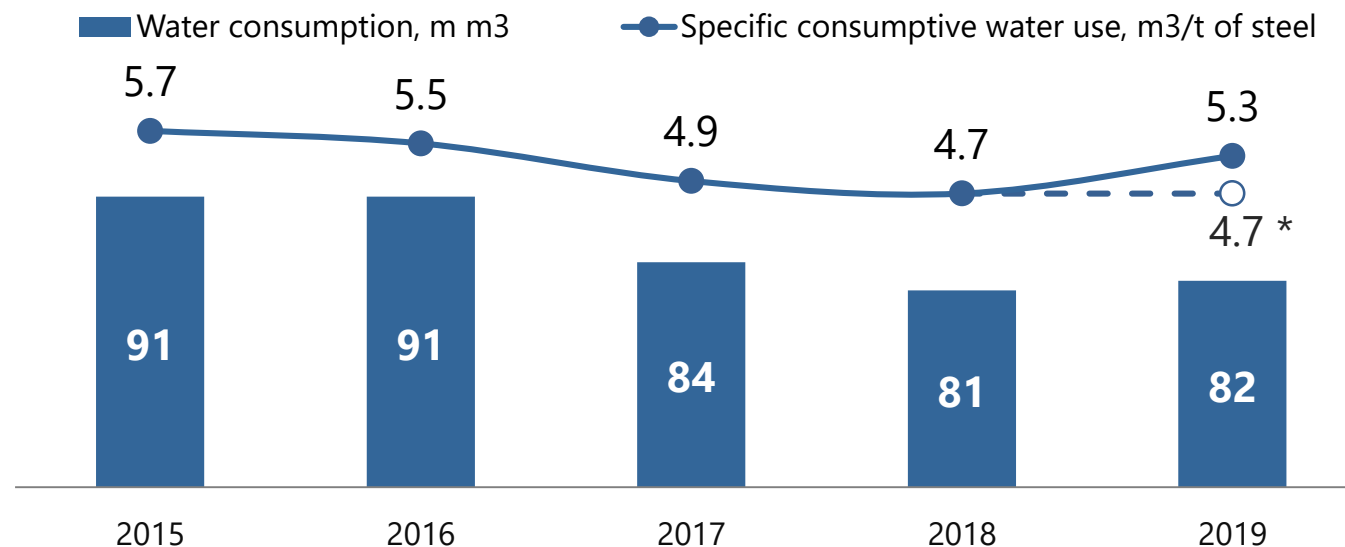
The Group doesn't operate in water-stressed areas

All of NLMK's production facilities are equipped either with closed loop water systems (no waste water discharge) or water recycling solutions

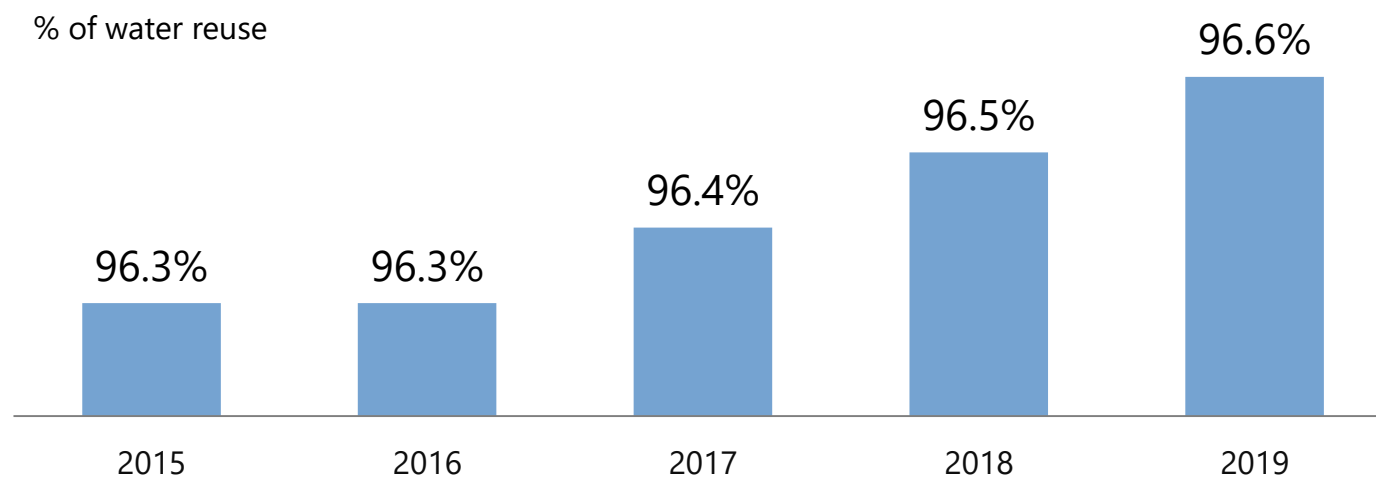
Target:

- Minimizing water consumption

WATER CONSUMPTION & USE INTENSITY



WATER REUSE IN TOTAL WATER CONSUMPTION



*Adjusted for temporary production decrease at the Lipetsk site, based on 2018 Group's steel output

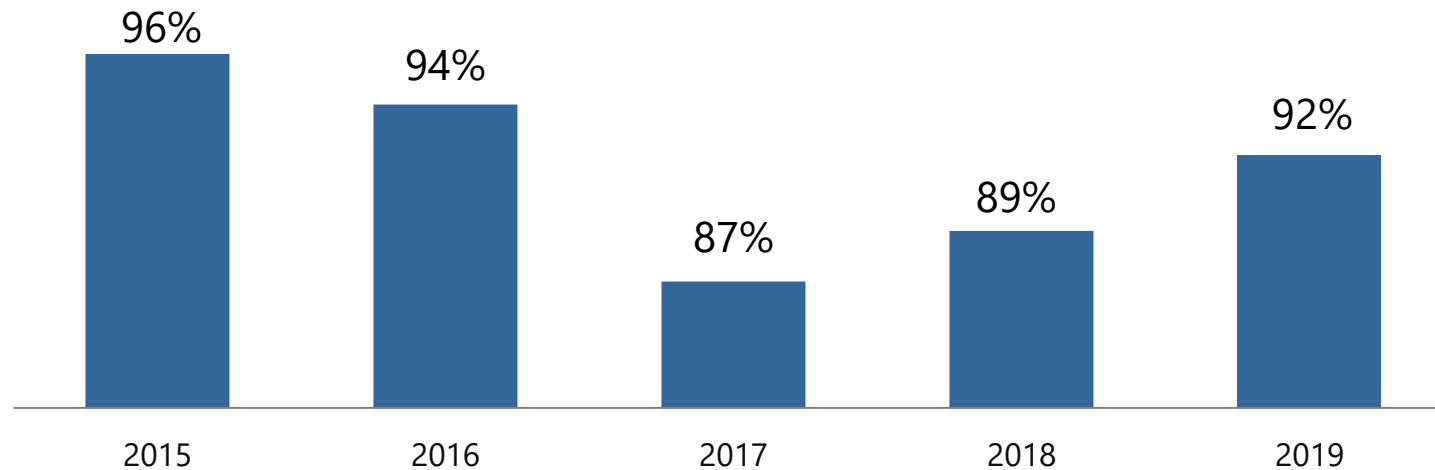
NLMK targets lower waste generation and higher share of waste reuse in its operations to 96% by 2023

Briquetting plant launched in May 2019:

- All newly accumulated Fe containing waste will be reused for briquettes production at NLMK Lipetsk as feedstock in BOFs
- This project will help to achieve the Group’s Environmental Programme 2022 target of increasing waste utilization to 96%

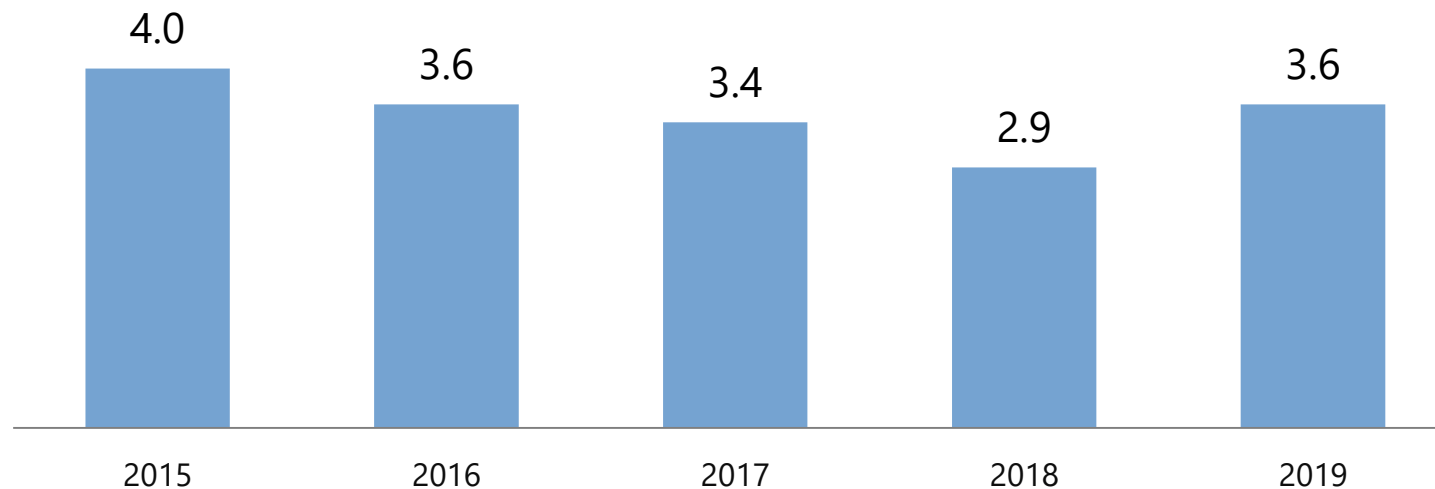
WASTE RECYCLING

%, NLMK Russia, excl. mineral waste



WASTE GENERATION INTENSITY

t/t, NLMK Group



- Key highlights
- Corporate governance
- Health & Safety
- Environment
- **Tailings dam management**
 - Social
 - ESG Ratings





NLMK's tailings dam was put into operation in 1984

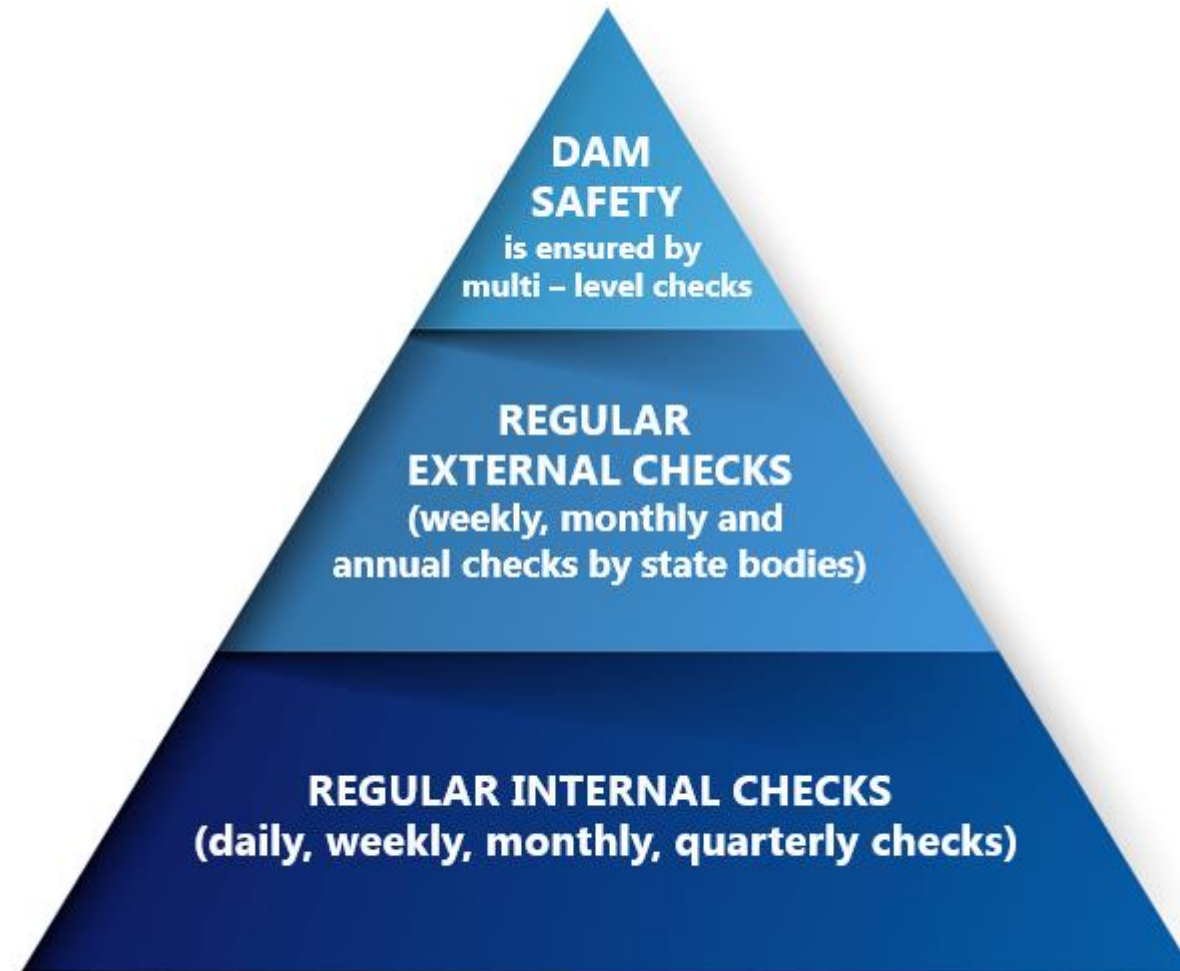
Tailings dam development plan was independently audited

Emergency preparedness is regularly assessed and response procedures are developed

Safety drills are regularly performed with the participation of Russia's Ministry of Emergency Situations

Water recycling system is in place

NLMK responded to the Church of England Pensions Board request



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NLMK Group employs 52.8 thousand people

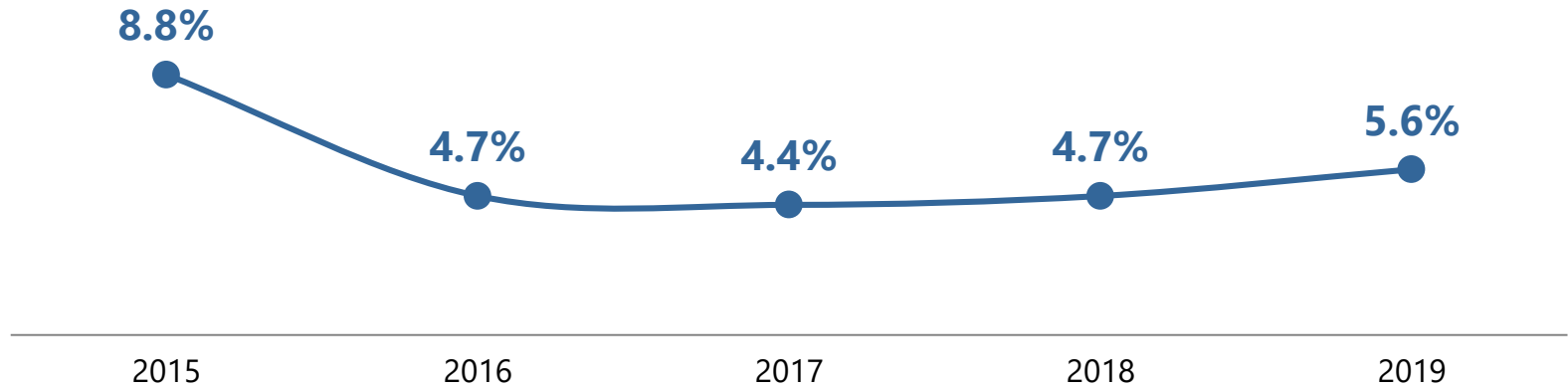
Employee turnover rate increased in 2019 due the implementation of the program to increase labor productivity

Regular staff satisfaction surveys are conducted

Feedback channels were developed and launched

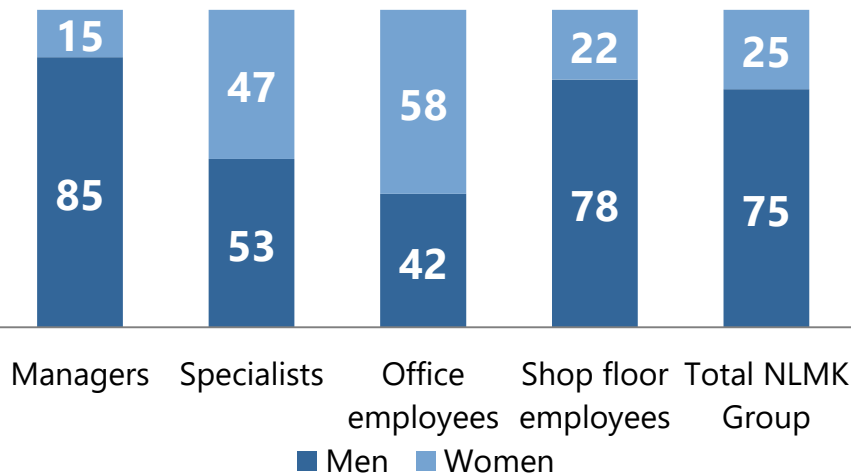
Group employees completed 52.9 training sessions in 2019

NLMK GROUP'S EMPLOYEE TURNOVER RATE



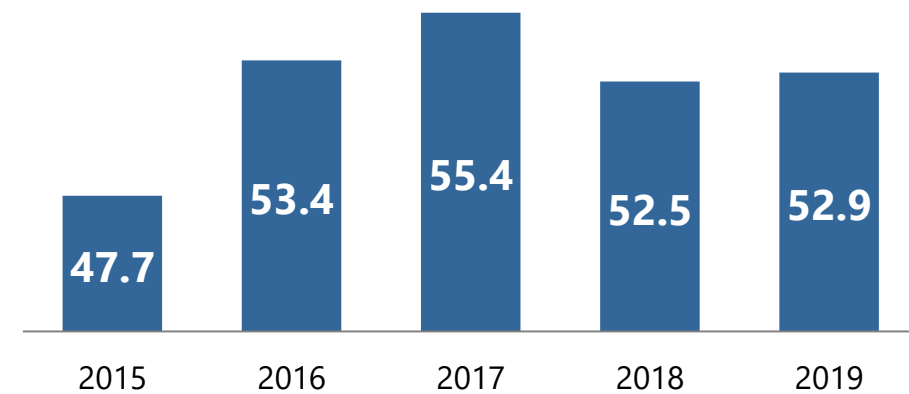
STAFF BREAKDOWN BY GENDER & CATEGORY

NLMK Group, %



NO. OF TRAININGS COMPLETED BY EMPLOYEES

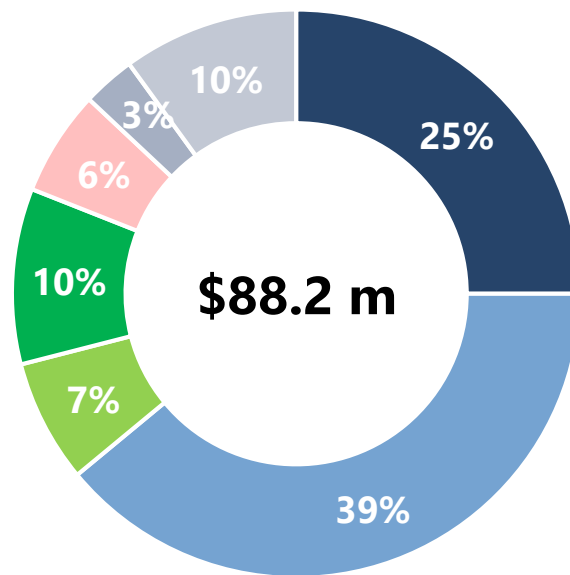
NLMK Group, thousand trainings



Tools for community engagement:

- Assessment of existing social programmes
- Direct engagement via dedicated channels
- Public hearings
- Cooperation with regional governments
- "Steel tree" project - a grant competition for social and environmental public initiatives

INVESTMENTS IN SOCIAL PROGRAMMES IN 2019



- Monetary support and benefits
- Medicine and health improvement
- Transport to/from work
- Local communities development
- Corporate meals
- Mass sports and cultural events
- Pensions co-financing



Adhering to UN Global Compact principles on human rights and labor

- Human Rights Policy and Corporate Ethics Code are in place to reflect issues around respect of human rights

Key developments 2019:

- NLMK Group joined the UN Global Compact
- Participated in the BHR Peer Learning Series hosted by the Office of the UN High Commissioner for Human Rights and the UN Working Group on Business and Human Rights
- Member of the Committee on Corporate Social Responsibility and Demographic Policies of the Russian Union of Industrialists and Entrepreneurs (RSPP)

FUNDAMENTAL HUMAN RIGHTS PRINCIPLES AT NLMK

Fundamental principles	Areas of activity
Prohibition of forced and child labor	NLMK only signs employment contracts with individuals that meet the minimum age requirements stipulated by prevailing legislation. The Company does not make use of child labor. The Company also forbids the use of forced labor, penal and military labor, slavery, and human trafficking. All employment at the Company is exclusively voluntary in nature.
Prohibition of discrimination	NLMK 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.
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 the Group.
Support for freedom of association and collective bargaining	NLMK 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 NLMK employee interests by making corporate communications tools available and by supporting employee volunteering initiatives.
Providing safe working conditions	The health and safety of employees is a priority for NLMK. The Company's management monitors and reduces risks associated with working conditions, increasing safety levels at the production sites of every operating unit of the Group.

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Continuous improvements across the board resulted in NLMK's ESG ratings upgrades by the leading research agencies in the area of sustainability

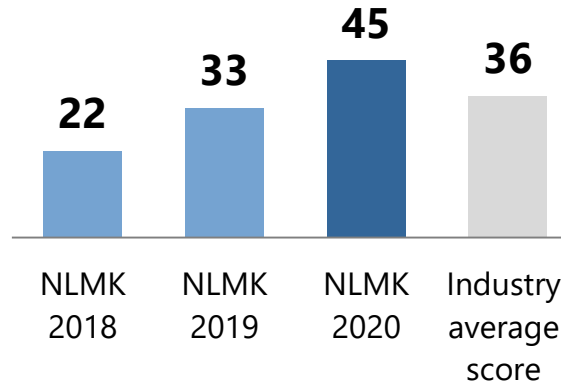
Sustainalytics revised NLMK's ESG rating score from the 31.5 in 2019 to 28 this year: the lower the number – the stronger management of ESG issues by a company

NLMK is currently ranked among top-3 steel companies analyzed by Sustainalytics

NLMK remained a constituent of the FTSE4Good Index following June 2020 review

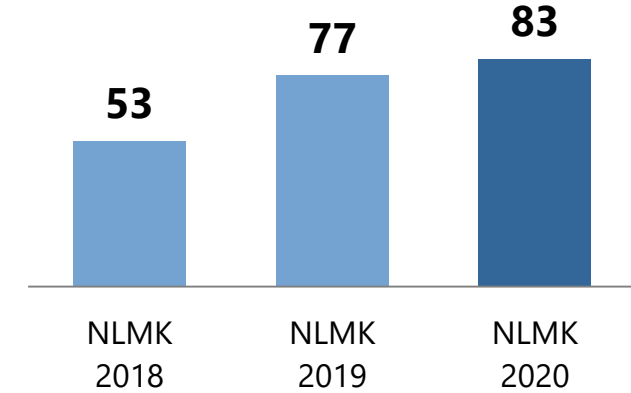
ROBECOSAM

Out of 100



SUSTAINALYTICS

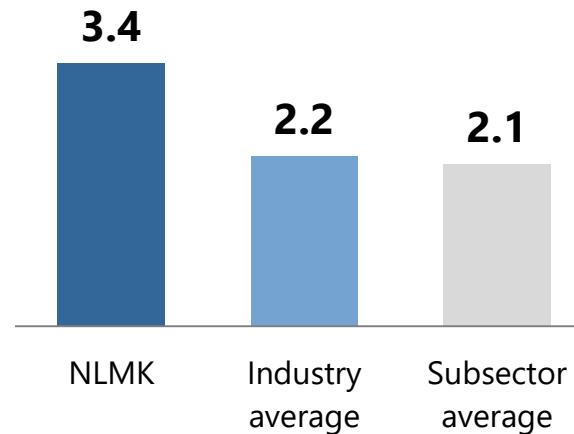
Out of 100



FTSE4Good

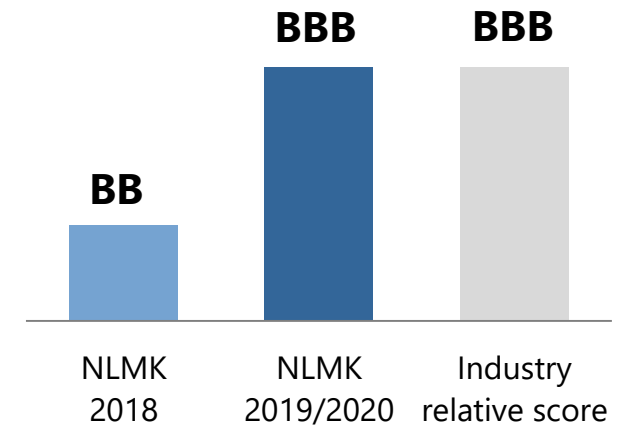
FTSE RUSSELL ESG RATING

Max 5



MSCI

Max AAA





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