



Sustainability Report

2023

About the Report

Approach to reporting

This Sustainability Report of Public Joint Stock Company Novolipetsk Steel and its subsidiaries (hereinafter collectively referred to as “NLMK Group”, “NLMK” or the “Company”) discloses data on the Company’s activities in the field of sustainability for the period from 1 January to 31 December 2023 as well as plans for 2024 and the medium term. NLMK prepares the Report on an annual basis. The Company’s most recent Sustainability Report was published in May 2023. Electronic versions of the reports are available on the Company’s official [website](#). [GRI 2-3]

In case of restatements of data disclosed in the previous reporting periods due to methodology improvements or corrections, explanatory comments are provided in the Report. There were no significant restatements of the indicators relative to the previous year, unless otherwise indicated in the text. [GRI 2-4]

Scope of reporting and standards

Sustainability information and data is presented within the scope indicated in the Reporting boundaries table in the Appendix to the Report unless otherwise indicated in the text. [GRI 2-2]

In 2023, there was a significant change in the composition of NLMK Group’s assets, which was reflected in the boundaries of disclosure in this Report. NLMK Group sold the assets and business of NLMK Long, including steelmaking plants and part of the scrap network. Part of the network, which provides the necessary volume of scrap supplies for the Lipetsk site, remained in the Company. In this regard, the Report presents indicators with the assets of NLMK Long

or without them. In each individual case of disclosure, an appropriate comment is given regarding the scope of disclosure.

Since 2018, the Company has been using The Global Reporting Initiative’s Sustainability Reporting Guidelines (The Global Reporting Initiative, hereinafter referred to as GRI Standards). The Company publishes this Report in accordance with the GRI 2021 Standards. The GRI index with the disclosed indicators is given in the Appendix to the Report.

Since 2020, the Company has been publishing the Climate Change section, which is compiled taking into account the recommendations of Taskforce on Climate-related Financial Disclosure (TCFD). The indicators are also provided in accordance with the Sustainability Accounting Standards Board (SASB) accounting standards for steelmaking industry.

When preparing the Report, the Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals (UNCTAD) was consulted. The recommendations of the Bank of Russia¹ on disclosure of non-financial information related to the activities of public joint-stock companies were used as well as the Russian Ministry of Economic Development guidelines on preparing sustainability reports². The Report contains indications of compliance with the principles of the UN Global Compact, to which the Company became a party in 2019 and in accordance with which the Company strives to carry out its activities. The Report also reflects the Company’s contribution to achieving the Sustainable Development Goals adopted by the UN in 2015 as part of Transforming our World: the 2030 Agenda for Sustainable Development publication and national projects.

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¹ Information Letter No. IN-06-28/49 dated 12 July 2021.

² Order No. 764 dated 1 November 2023.

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Management's Statement

[GRI 2-22]

Dear colleagues,

Sustainable development is an integral part of NLMK Group's business. The Company's main focus is to minimize environmental impacts and improve production safety. The Company confirms its commitment to the principles of the UN Global Compact and plans to continue implementing projects aimed at achieving both global and national sustainable development goals. This Report discloses the results of NLMK Group's sustainability performance.

According to Roshydromet Federal Service for Hydrometeorology and Environmental Monitoring, there were no violations of hydrogen sulphide concentration thresholds caused by sources at NLMK in 2023

Environment

NLMK Group has successfully achieved all key objectives as part of its Environmental Strategy 2023, reducing specific atmospheric emissions by 13%, increasing waste processing rate to 96% (recycling of secondary resources at 99%), and cutting discharges into water bodies in half.

In order to improve air quality, the Company has decreased its specific air emissions by 13% to 17.0 kg/t of steel over the last five years — this is lower than the level of best available techniques (BATs) of 18 kg/t.

A large-scale programme was executed to eliminate the hydrogen sulphide odour. According to Roshydromet Federal Service for Hydrometeorology and Environmental Monitoring, there were no violations of hydrogen sulphide concentration thresholds caused by sources at NLMK in 2023.

In order to reduce adverse impacts on water basins, 11 sites of NLMK Group have set up closed-loop water cycles. Water intake from water bodies is used for the cooling of equipment and other production processes; waste water then undergoes treatment and is re-used. Strategy projects have enabled the Company to reuse 97.5% of its water intake across all of its sites.

As part of the completed strategy cycle, NLMK Lipetsk revamped its on-site treatment facilities. This project, worth a total of RUB 170 million in CAPEX, improved the quality of NLMK municipal sewage discharge. The next step is to integrate municipal sewage discharge into the site's closed-loop system starting from 2025. In general, the course towards the complete cessation of water run-off after use is the main focus of the Company's next strategic cycle.

Waste management went up to 96% as a result of the Environmental Strategy implementation. Recycling of all types of secondary resources (including by-products) was brought up to 99%, or 20 million tonnes of raw materials being recycled per year. The largest project in this area is a new briquetting plant worth RUB 5 billion. It can process all types of sludges and dust captured by gas treatment equipment into feedstock briquettes for blast furnace operations, delivering savings of 500,000 tonnes of virgin feedstock per year.

99%

recycling of all types of secondary resources (including by-products)

People

The Company continues to improve the occupational health and safety management system. NLMK's approach is based on the Vision Zero concept: all incidents can be prevented. Thanks to the implemented programmes and measures to prevent injuries, the Group's LTIFR has decreased by 46% since 2020 (the year when the transparency policy was introduced).

Also in the reporting year, an External social programmes and charity policy was adopted. It defines the goals, principles and main lines of work to achieve one of the Company's key goals in the field of sustainable development – contribution to the social development of the regions where the Company operates.

Thanks to the implemented programmes and measures to prevent injuries, the Group's LTIFR has decreased by 46% since 2020 (the year when the transparency policy was introduced)

RUB 30 billion

were invested in external social programmes over 20 years

NLMK Group held a "Forum of Good Deeds", where the results of the Group's charitable activities, as well as its related sister companies and charitable foundations for more than 20 years were summed up. Over the years, tens of thousands of people have received assistance and hundreds of important social projects have been implemented. Close to 30 billion rubles were invested in external social programmes over 20 years.

NLMK Group remains committed to the principles of sustainable development and intends to continue the implementation of all planned projects in this area.

With kind regards,
NLMK Group management



Process to determine material topics

[GRI 3-1]

To determine the content of the Report, material environmental and social topics that are most significant for the Company and its stakeholders were identified. The approach to materiality assessment was developed based on the requirements of GRI Standards 2021.

- The process of materiality assessment consists of four stages:
- Determining current and potential impacts
 - Assessing the significance of such impacts
 - Ranking significant impacts by degree of significance
 - Approval of the final list of material topics by the Company's management

This approach allows to identify the needs and expectations of the Company's stakeholders, compare them with the Company's development priorities and identify growth points and areas for improvement.

Before identifying material topics, the heads of NLMK's functional areas, having considerable experience in preparing non-financial reporting, analyzed the Company's activities in the current environment, as well as interaction with its business partners in the context of sustainable development in accordance with the stakeholder mapping.

List of material topics

[GRI 3-2]

No.	Topic	Page
1	Occupational health and safety: <ul style="list-style-type: none"> • Reduction of occupational injuries • Promotion of a healthy lifestyle among employees 	112
2	HR policy and ensuring decent working conditions: <ul style="list-style-type: none"> • Employee structure • Training and development • Social policy • Respect for labour and human rights 	89
3	Climate change and greenhouse gas (GHG) emissions: <ul style="list-style-type: none"> • Achievement of GHG reduction goals, measures, system of accounting and reporting on GHG emissions • Improving the energy efficiency of operations and increasing the production of captive electricity 	18
4	Other significant emissions into the atmosphere and minimization of their impact	55
5	Reducing the impact on water resources, including metrics on water consumption and discharge	55
6	Reducing the impact on the soil and recycling of secondary raw materials, including reducing the impact on biodiversity	61, 71
7	Compliance and corporate ethics, including anti-corruption	159
8	Improving sustainability in the supply chain	81
9	Development and support of local communities	126

Then the working group determined the impact of the Company's activities on the economy, the environment and the population, including in the field of human rights. To assess the impact, the Company used its own data, including messages received during the year via its independent hotline, the results of internal satisfaction surveys, as well as external assessments by third parties, including rating agencies. The Company has also identified its positive impact in the field of sustainable development.

At the third stage, the materiality of all identified impacts was assessed, including through quantitative and qualitative analysis. For this purpose, the Company took into account the results of the annual risk analysis. Assessing the likelihood and impact of risks is one of the most important factors for understanding the Company's impacts.

All impacts were ranked according to their materiality and a list of material topics was compiled on their basis, which includes 14 most material topics, grouped by themes for a more comprehensive review.

Changes in the list of material topics

[GRI 3-2]

In the previous reporting period, the Company conducted materiality assessment in accordance with the updated GRI Standards 2021 for the first time. In the reporting year, the methodology for assessing materiality was updated, but the list of topics did not undergo drastic changes.

About NLMK Group

NLMK Group is the largest steelmaker in Russia and one of the top 20 global steel producers. The Group employs a vertically integrated business model from mining and primary steelmaking to finished downstream manufacturing to service and distribution, and has 17 production facilities in Russia, Europe, the US and India. [\[GRI 2-1\]](#)

The Company's products are used in a wide range of industries, including construction, production of cars, white and yellow goods, windmill turbines, cargo ships and many other.

Around 40% of NLMK steel is sold in Russia, and the rest is shipped to customers located in more than 70 countries. The Company is a major player in the international steel market. For instance, it has over 10% of the European plate market and the global transformer steel market, and around 20% of the global steel slabs market.

Thanks to the self-sufficiency in key raw materials and energy coupled with world-class technologies used throughout the production cycle, NLMK has managed to become one of the most efficient steelmakers globally. The Group's cash cost is one of the most competitive ones and the Group itself has one of the strongest margins among steelmaking companies.

NLMK Group employs 44,400 people, and in 2023, it received a platinum award in the Forbes Best Employers in Russia rating.

The Company adheres to the strict principles of sustainable development. It is committed to protecting the employees' health and well-being, nurturing talent, treating the environment responsibly, observing high ethical business standards, developing, supporting and respecting the interests of local communities.

NLMK Group is a public company listed on the Moscow Stock Exchange.

NLMK GROUP stands for:

- ✓ No. 1 steelmaker in Russia by volume
- ✓ Efficient vertical integration
- ✓ Cost-efficient steelmaker
- ✓ High profitability
- ✓ Stable financial position
- ✓ High sustainability standards

NLMK Group's business model

[GRI 2-6]

NLMK is a vertically integrated group with a well-balanced value chain controlling every stage of steel production, from the mining of raw materials through to finished high-tech product sales to end-users.

UPSTREAM

The Company has achieved the status of one of the most cost-efficient steelmakers in the world through a world-class resource base with leading-edge technology for mining and processing, an optimal process environment, and the NLMK team's high professionalism.

up to **100%**

of raw materials produced are used in the steel production stage further along the value chain.

MIDSTREAM

Leading-edge equipment and finely tuned business processes enable the production of high-quality cost-efficient steel products. NLMK Group's steel production capacity amounts to

15.4 m t

per year¹.

Cost leadership

NLMK Group enjoys sustainable cost leadership through its high utilization rates, efficient vertical integration, and upgraded production capacities.

Sales vs. further processing

Ca. 69% of NLMK steel is processed into finished products, while 31% is sold as semi-finished steel. Our reputation as a reliable supplier ensures stable demand for the Group's product offering.

Optimal logistics

Production facilities located in regions with developed infrastructure and in close proximity to raw material sources lowers outlay on logistics as well as related risks.

DOWNSTREAM

During this process we operate with a commitment to corporate responsibility for all our people, our communities and our environment.

Finished products are made locally in the Company's strategic markets of Russia, the EU, and the USA, in close proximity to consumers.

13.5 m t

Total production capacity of finished products.

High quality

The use of captive raw materials in rolled steel production guarantees consistent high quality and short lead times. The Company's products are certified according to international standards.

Optimal production footprint

Most of steel is sold in the region where it was produced. This allows the Company to meet the customers' most challenging delivery timescales and respond promptly to fluctuations in local demand.

Diversification of sales

An expansive geographical breakdown of sales and a flexible marketing policy create a global footprint, with the agility to divert sales of steel products to the most attractive market, ensuring the full utilization of production capacity throughout the value chain.

Balanced product portfolio

NLMK's extensive steel product offering, from conventional hot-rolled steel to custom electrical steels and other niche products, allows the Company to diversify sales by sector, reducing the dependency of sales volume on demand fluctuations in individual sectors.

¹ Excluding the capacities of NLMK Long companies sold in 2023.



Sustainability management

[GRI 2-23]

As one of the largest international producers of steel and steel products, NLMK Group is aware of its responsibility towards society, nature, and future

generations. Our team is united by corporate values that shape NLMK's approach to responsible leadership.

NLMK Group's values

Value	Description
Continuous improvement of processes	Continuous improvement of processes and technologies to ensure the sustainable production of steel products that help improve the quality of life
Client-oriented approach	Production of unique premium quality steel products and development of engineering solutions that help our customers be on the cutting edge of innovation and be leaders in their markets
Absolute priority of the health and safety	Unwavering commitment to protecting the health and safety of our employees and contractors and ensuring favourable working conditions that allow our employees to fulfil their potential for professional and personal growth
Ensuring equal opportunities for employee development	Ensuring equal opportunities for the professional and personal growth of our employees and motivating our employees to be proactive and innovation-driven
Sustainable use of resources	Sustainable use of resources and the pursuit of the best available environmental and energy efficiency standards, which we also expect our partners to comply with
Active approach to social responsibility	Active approach to smart social responsibility and care for cultural legacy in the regions where we operate

Sustainable development policy

In 2019, NLMK's Board of Directors approved the [Company's Sustainable Development Policy](#). The Policy defines the Group's principles, goals, and objectives in matters concerning sustainable development as well as the mechanism for managing the relevant agenda at the level of the Board of Directors.

🕒 See the Corporate Governance section for more detail.

Following the adopted Policy, the Company has implemented a number of projects aimed at achieving leadership in sustainability and safety – one of the four main goals of NLMK Group's Strategy. These projects comply with the best international practices and requirements of stakeholders, and confirm the Group's commitment to the principles and objectives of the UN Global Compact, to which the Company has been a party since 2019.

Integrated Management System

In 2020, NLMK Group approved its Integrated [Management System Policy](#) (IMS Policy). This Group-wide document lays out the Company's intentions in the areas of quality (ISO 9001), environmental protection (ISO 14001), energy efficiency (ISO 50001), and occupational health and safety (ISO 45001). The Policy, approved as part of integrated management system development, complies with international standards and reflects best global practices of sustainable development.

Integrated Management System objectives:

- To be a global leader for the quality of our steel products and raw materials by continuously upgrading and expanding our product mix with the aim of increasing our customers' competitiveness
- To comply with industry best practice concerning the rational use of material and technical resources and the safety of our production processes for both human health and the environment
- To be a global leader in adopting best practices to make our operations more energy-efficient, and to reduce energy consumption and cost of production as far as is technologically and economically feasible
- To ensure efficient production with zero accidents, incidents, and near misses through global excellence in occupational health and safety and continuous development and promotion of a safety culture among NLMK Group's employees and contractors
- To ensure our operations do no harm to the environment or the climate, and to respond to changing environmental and climate conditions by balancing them with social and economic needs

🕒 Integrated Management System objectives and management liabilities are published at [NLMK Group's web site](#).

Recognition of NLMK Group as the leader of the sustainability agenda

ecovadis

58 points (out of 100, bronze medal)

NLMK Europe sites:
 NLMK DanSteel 74/100, gold medal
 NLMK Strasbourg 70/100, gold medal
 NLMK La Louvière 66/100, silver medal
 NLMK Clabecq 65/100, silver medal



30.5¹ (vs 34.2 in 2022), No. 1 among Russian steelmakers assessed by the agency



The Company continues to cooperate with the agency and provides information on its climate impact



- NLMK Group is:
- No. 2 among the top 50 Russian companies that pay the most attention to improving sustainability in the supply chain
 - No. 3 among the top 50 Russian companies that pay the most attention to human rights, diversity and inclusivity
 - No. 4 among the top 50 non-financial Russian companies that pay the most attention to green energy transition
 - No. 4 among the top 50 Russian companies that pay the most attention to their direct impact on the climate

Forbes

NLMK Group was included in the leading platinum group of the Forbes Best Employer Russia rating



The highest category in the ESG index of Russian business



First rating group (advanced ESG practices) in the ESG ranking of industrial companies. NLMK is the only company with an advanced level of integration of environmental practices among those assessed by the agency

¹ The lower the number the better a company is at managing its sustainability risks.

NLMK Group's contribution to UN Sustainable Development Goals

NLMK Group supports the Sustainable Development Goals adopted by the UN General Assembly in 2015, which aim to address significant economic, social, and environmental issues faced by the global community. We believe that the Group makes a valuable

contribution to the achievement of global sustainability goals by engaging in responsible business and targeted activities that aim to reduce its environmental footprint, supporting local communities, and ensuring safe and decent working conditions. [\[GRI 2-24\]](#)

Field of activity	UN Goal and targets	NLMK Group's contribution	Key metrics
ENVIRONMENT			
Water resources Emission into the atmosphere Rational use of natural resources Biodiversity	 Target 6.3. By 2030 improve water quality by reducing pollution Target 6.4. By 2030, substantially increase water-use efficiency	<ul style="list-style-type: none"> Use of the closed-loop water supply system Use of water purification and treatment technologies Reducing the volume of withdrawn water 	<p>-50% Pollutants discharge into water bodies reduced by 50% following implementation of Strategy 2022</p> <p>10x Decrease in water consumption from the Voronezh river compared to 1980</p> <p>97.4% of water recycled and reused</p>
	 Target 12.4. Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle Target 12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	<ul style="list-style-type: none"> Reuse of ferrous scrap Implementation of a set of measures aimed at improving energy efficiency, resource efficiency and reducing environmental impact 	<p>100% of secondary iron-containing raw materials are reused</p> <p>99% of recyclables are reused¹</p> <p>5,500 trees were saved by recycling paper and cardboard</p>
	 Target 15.9. Integrate ecosystem and biodiversity values into national and local planning, development processes	<ul style="list-style-type: none"> Monitoring the state of biodiversity and developing programmes to prevent and reduce negative impacts 	<p>12 ha of disturbed lands reclaimed</p>

¹ Excluding the utilization of previously accumulated raw materials.

Field of activity	UN Goal and targets	NLMK Group's contribution	Key metrics
ENSURING THE HEALTH AND WELL-BEING OF EMPLOYEES AND COMMUNITIES			
Health and safety Our employees Developing local communities	 Target 3.4. By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being	<ul style="list-style-type: none"> Implementation of programmes aimed at preserving health, improving the availability and quality of medical services for employees Informing employees and contractors of the Group about the rules of industrial safety Implementation of educational OHS programmes Modernization of equipment and improvement of technologies in order to minimize their negative impact on human health and the environment 	<p>30,000 employees and contractors participate in Security Week events</p> <p>8,000 contractors trained on corporate OHS training programmes</p> <p>90% employees trained on corporate OHS training programmes</p>
FIGHTING CLIMATE CHANGE			
Climate change Energy efficiency	 Target 7.2. By 2030, increase substantially the share of renewable energy in the energy mix Target 7.3. By 2030, double the global rate of improvement in energy efficiency	<ul style="list-style-type: none"> Improving energy efficiency and switching to captive energy production Energy consumption from secondary resources Implementation of a set of measures aimed at reducing specific GHG emissions 	<p>82% Captive electricity generation from secondary fuel gases accounts for 80.2% of total energy mix</p> <p>-2,9 m t of CO₂ in 2023, due to implemented projects (Scope 1 + Scope 2) and low-carbon energy supplies</p>
	 Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards, extreme events and disasters, including gradual-onset and extreme-weather-related events, and climate change	<ul style="list-style-type: none"> Sales of products that contribute to reducing GHG emissions on the consumer side 	<p>511 m t of CO₂ emissions avoided on consumer side</p>
PARTNERSHIP AND ETHICAL BUSINESS CONDUCT			
Interaction with suppliers and contractors Compliance and corporate ethics	 Target 16.5. Substantially reduce corruption and bribery in all their forms Target 16.6. Develop effective, accountable and transparent institutions at all levels	<ul style="list-style-type: none"> Countering corruption and fraud, preventing conflicts of interest Familiarization of NLMK employees with the Code of Corporate Ethics and Anti-Corruption Policy Creation and continuous improvement of effective corporate governance practices Open interaction with stakeholders and informing stakeholders about the Company's impacts Promotion of sustainable practices in the framework of interaction with stakeholders Strengthening cooperation with other companies in the industry 	<p>10,000 employees, or 22% of the average headcount, trained on anti-corruption requirements</p> <p>Over 19,000 business partners confirmed their adherence to the corporate anti-corruption requirements</p>

Field of activity	UN Goal and targets	NLMK Group's contribution	Key metrics
DEVELOPMENT OF EMPLOYEES AND REGIONS WHERE THE COMPANY OPERATES			
Our employees Human rights Development of local communities Interaction with suppliers and contractors	<p>Target 4.4. By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p>	<ul style="list-style-type: none"> Implementation of training and development programmes for employees Implementation of external social programmes aimed at supporting education in the regions of presence Interaction with educational institutions in order to improve the quality of educational programmes 	<p>3 m person-hours of training</p> <p>More than 1,300 students took internships at the Group's companies</p>
	<p>Target 8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	<ul style="list-style-type: none"> New jobs in home regions Ensuring equal opportunities for high-performance work, professional growth and disclosure of the creative potential of each employee of the Group Partner's Code of Business Ethics mandatory for all counterparties to comply with Assessment of suppliers' and contractors' compliance with applicable standards in the field of occupational health and safety during audits and qualifications 	<p>Over 1,400 jobs created in 2023</p> <p>85 audits of suppliers and contractors</p> <p>100% business partners sign the Partner's Code of Business Conduct</p>
	<p>Target 11. A Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning</p>	<ul style="list-style-type: none"> Providing a favourable environment for employees of the companies and local population Improving the effectiveness of interaction tools and the engagement of the population and staff for the development of a culture of everyday charity 	<p>RUB 735 m invested in external social programmes</p> <p>79 projects supported through the "Steel Tree" grant competition</p> <p>Ca. RUB 30 bn Invested in external social programmes by the Group and its ecosystem in 20 years</p>

Contacts

The Company is ready to answer additional questions regarding this Report, and will be glad to receive feedback from stakeholders on the development and improvement of the content for future public reports.

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Climate change

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Environmental
Protection

Environment

**Driving energy
transition**

Climate change

Material topics

- Climate change
- Air emissions

Key events in 2023

- Strategic target for specific emissions per tonne of steel (1.91 t) was achieved
- A climate strategy was developed and approved for NLMK Europe; an action plan to reduce emissions was approved with targets (Scope 1+2) to reduce specific emissions by 30% by 2030 compared to the baseline year of 2021
- Low-carbon electric energy purchases made it possible to bring Scope 2 emissions (market-based method) to zero at NLMK Group's Russian sites
- Independent verification of slab and GO steel cradle-to-gate footprint was carried out
- Reports were prepared in accordance with the EU's Carbon Border Adjustment Mechanism (CBAM) for the first time

Global sustainable development goals



Principles of the UN Global Compact

Principle 7. Businesses should support a precautionary approach to environmental challenges.

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

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

Contribution to the achievement of national sustainable development goals and national projects

The Climate Doctrine of the Russian Federation was adopted pursuant to Decree of the President of the Russian Federation No.812 dated 26 October 2023. The Doctrine is a set of views on the purpose, principles, content, and ways of implementing the unified state policy of the Russian Federation on issues related to climate change and its consequences. The key goal of the new climate policy is to achieve a balance between emissions and their absorption by 2060. NLMK activities comply with the approved doctrine.

NLMK Group is fully committed to climate change action and takes meaningful steps towards decreasing greenhouse gas emissions, progressively reducing the carbon footprint of its products. Moreover, the Company's products (such as steel for wind energy and energy-efficient electrical steels) enable a broad range of consumer industries to substantially reduce their climate impact.

Emissions avoided with NLMK's products are comparable to emission volumes from the entire steelmaking operations of the Group

In 2023, the percentage of recycled content in the steel produced by NLMK Group almost reached 20%; apart from ferrous scrap, sources of recycled materials included recyclable iron-containing sludge, dust and scale⁴. Specific CO₂ emissions from scrap steelmaking are approximately four times lower than when using primary raw materials.

In 2024, NLMK Group published its fourth report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)⁵ updated in 2021.

Managing climate change-related issues

[TCFD Governance] [GRI 3-3]

The Company's leadership devotes continued attention to climate-related issues, which are embedded into its corporate governance system.

The agenda of the Board of Directors meetings includes such issues as the decarbonization strategy, climate projects, climate risks, methodology, benchmarking, and progress towards achieving the goals. The Board of Directors Strategic Planning Committee determines climate impact reduction goals.

[TCFD Governance a)] [GRI 2-12]

Goals related to climate impact reduction are assigned by the CEO (Chair of the Management Board) to managers of the Group's functions and

divisions, as well as heads of production units at NLMK Group companies. The Company evaluates progress towards achieving the goals annually.

[TCFD Governance b)] [GRI 2-13]

NLMK Group's management devotes particular attention to climate aspects when considering the Company's strategy, risk management, annual budget, and business plans, as well as when setting its business goals and monitoring the implementation and efficiency of major investments.

For more information on climate-related issues, please visit the [Company website](#).

Key figures for 2023

1.74 t of CO₂

per tonne of steel (Scope 1 + 2)¹

-77 kg

of solid fuel/t of pig iron through activities undertaken since 2010³

-2.9 m t of CO₂

in 2023 through projects implemented since 2018 (Scope 1 + 2) and purchase of low-carbon energy²

-511 m t of CO₂

in avoided emissions for the entire lifecycle of NLMK products sold in 2018-2023

¹ Market-based method including NLMK Long Products companies.

² Including NLMK Long Products companies.

³ End-to-end consumption of coal and petroleum coke, including coke, sinter, and pig iron production.

⁴ Internal scrap of steel furnaces and screenings of sinter and pellets are not taken into account in accordance with ISO 14021:2016 and EN 45557:2020.

⁵ The Task Force on Climate-Related Financial Disclosures (TCFD) was established in December 2015 by the Financial Stability Board (FSB), an international body created by the G20 states. In October 2021, the TCFD published its [revised recommendations](#), which set out the basic principles of climate-related disclosures for companies and organizations. In 2023, the Financial Stability Board announced that the work of the Task Force For Climate-Related Financial Disclosures had fulfilled its remit and disbanded. It was expected to be replaced by another body: the IFRS Foundation. The TCFD website is no longer updated, but its resources will remain available. NLMK Group has decided to publish the report for 2023 in the same format.

Adaptation to climate change

Russia was ranked 30th among 185 countries by the Notre Dame Global Adaptation Initiative (ND-GAIN) Index Country Rankings. The country's profile says "Adaptation challenges still exist, but the Russian Federation is well positioned to adapt."

Earlier assessments of climate change-related physical risks have determined that NLMK Group sites' exposure to such risks is low. In general, the level of adaptation risks faced by the Group is low. An in-depth analysis of physical risks for Stoilensky has been translated into the following recommendations for adapting the site to adverse weather and climate conditions:



Employee adaptation:

- Develop a special schedule for hot weather conditions
- Provide shade
- Provide drinking water and electrolyte beverages
- Encourage the use of personal protection from heat

Equipment adaptation:

- Increase research spending to improve engine and equipment performance in hot weather conditions
- Develop a special schedule for hot weather conditions

Adaptation to more frequent extreme weather events:

- Improve the leakproofness of shop roofs

Climate impact reduction strategy

The CO₂ reduction potential for BF-BOF steelmaking is limited to 5–15% of the current levels (excluding carbon capture, utilization, and storage). More significant reductions can be achieved through transition from coal to "green" hydrogen and switching to the HBI+EAF process (hot-briquetted iron + electric arc furnace).

In 2021, NLMK Group adopted its Climate Programme that envisages a phased transition to the electric arc method of steel production based on DRI/HBI as feedstock (coke-free iron ore with a high iron content). Even with the current energy consumption structure (that includes natural gas), the above route allows for a twofold reduction of CO₂ emissions compared to the BF-BOF route. Going forward, when sufficient volumes of "green" hydrogen and industrialized technologies of hydrogen-based reduction become available, the decarbonization potential of the process should exceed 90% (vs. the current levels). In light of the current restrictions on access to HBI technologies, the timeline of the programme will be determined at a later date. In 2023, the Company continued to pursue research in carbon capture, utilization, and storage, as well as in use of biofuel and electric power generation based on renewable energy sources.

In 2023, projects to increase the iron content in concentrate implemented earlier at Stoilensky produced tangible results, enabling an annual reduction of CO₂ emissions of up to 800,000 tonnes. Other investment projects and operational improvements implemented within the current strategic cycle are contributing to the reduction of specific CO₂ emissions as well.

In 2023, NLMK Lipetsk carried out the following projects: separate flux dosing², improvement of the steam-supply cycle in coke and chemical operations by switching to secondary energy resources, and energy-saving lining of lime kilns. In addition, the boiler room of the Parus health resort switched from fuel oil to natural gas. These measures will help reduce direct CO₂ emissions by 100,000 tonnes per year. Furthermore, the Company pursues other projects, including the construction of a new power plant for recovery of by-product fuel gases. Commissioning of the recovery cogeneration plant will reduce CO₂ emissions by 650,000 tonnes per year (or by 35 kg of CO₂ per tonne of steel).

¹ Though CO₂ capturing technologies are available, none of them is commercially viable for large volumes of greenhouse gases. Such projects require significant CAPEX and OPEX.

² Sintering process optimization through separate feeding of lime and dolomite (fluxes) with accurate dosing.

In March 2023, NLMK Pennsylvania launched a new reheating furnace for slabs. The new furnace will deliver natural gas savings of up to 30%.

In 2023, NLMK Europe developed and approved a climate strategy along with an action plan (operational and investment actions) to reduce specific emissions with a focus on improving energy efficiency (optimizing equipment operation, reducing electric power and natural gas consumption, transition to induction heating, and increasing the share of renewable energy sources in the division's consumption). Mid-term targets for reduction of specific emissions of the division were set (the target level for 2030 is 0.15 t of CO₂/t of rolled products or –30% to the baseline year of 2021).

Long-term CO₂ reduction goals

NLMK Group's long-term decarbonization strategy assumes the replacement of the Blast Furnace-Basic Oxygen Furnace steel production process with low-carbon technologies. A phase-in process will be timed to blast furnace overhaul schedules and other technology constraints.

NLMK Group has set long-term goals to reduce specific emissions (Scope 1+2) to 1.2 t of CO₂/t of steel (–40% of the current intensity) by 2050 with a full transition to HBI+EAF using the Group's captive iron ore, as well as procurement of natural gas and electricity at current levels of carbon intensity.

1.2 t CO₂ / t steel

NLMK Group's long-term goal to reduce specific emissions (Scope 1 + 2) by 2050.

¹ Of the 5.84 billion kWh of procured low-carbon energy, NLMK Long sites accounted for 1.29 billion kWh. The reduction of Scope 2 emission without NLMK Long sites stands at 1.45 m t of CO₂.

When the industrialized hydrogen-based iron reduction technologies come along and sufficient amounts of low-carbon electricity become available, the new process chain will reduce the Group's carbon intensity to 0.2 t of CO₂/t of steel (a 90% reduction vs. the current level). The remaining emissions can be reduced to zero through CO₂ capture projects or offset by absorption projects.

Thus, NLMK Group aims to achieve carbon neutrality when the necessary external conditions allow it.

NLMK Group continues to advance its low-carbon energy consumption

[GRI 2-25]

Increasing the share of low-carbon energy sources is one of the Company's priority initiatives aimed at reducing its carbon footprint.

Nuclear energy is one of the main decarbonization tools, currently accounting for a third of global low-carbon electricity production. In 2023, the Russian sites' external electricity needs were almost fully met by nuclear energy.

The Company is also interested in renewable energy sources. In 2023, more than half of NLMK DanSteel's energy needs were satisfied by purchased wind power. The Company is planning to develop captive electric power generation based on solar energy.

In 2023, a total of 5.84 billion kWh of low-carbon electricity was supplied to NLMK Group, which enabled the Company to reduce Scope 2 emissions by 1.87 million tonnes of CO₂¹.

Metrics and targets

[TCFD Metrics and targets]

In 2023, the Company reported its greenhouse gas emissions in compliance with Russia's new legislative requirements and in line with CBAM for the first time.

Mandatory reporting has its limitations and differs from the voluntary disclosures on greenhouse gases provided in this Report. The Company's sites in Europe and the USA have been submitting mandatory annual GHG reports for many years.

In 2023, the organizational boundaries of the Company changed significantly in view of the sale of NLMK Russia Long Products assets. In accordance with the GHG Protocol Corporate Accounting and Reporting Standard, the 2018 baseline emissions and the emissions of the following years were recalculated without the emissions of the divested companies¹.

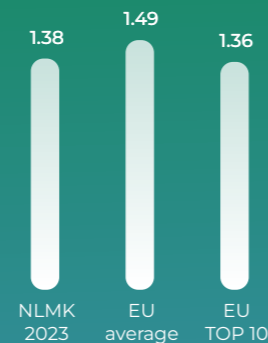
The methodological approaches and sources of data used to determine emissions are described [on the website of the Company](#). In 2023, there was a noticeable change in the approach to determining the electric power emission factors in the Russia. Now, they are determined based on the data of Trading System Administrator of Wholesale Electricity Market Transactions (TSA) for the 1st pricing zone of Russia², where all Russian assets of the Group consuming electric power from external grids operate.



CO₂ emission per tonne of pig iron under the EU ETS methodology

CO₂ emission per tonne of pig iron at NLMK Lipetsk in 2023, calculated in accordance with the EU methodology for emission allowance allocation, was 1.38 tonnes of CO₂ per tonne of steel. This is significantly better than the average level of emission by European steelmakers at 1.49 tonnes of CO₂ per tonne (as a comparison, 10% of European steelmaking companies with the lowest emissions emit 1.36 t of CO₂/t)³.

NLMK Group's CO₂ emission in line with EU ETS (Scope 1), t of CO₂/t of pig iron



¹ However, the achievement of previously set target indicators for NLMK Group for 2023 is monitored within the former organizational boundaries (see further).

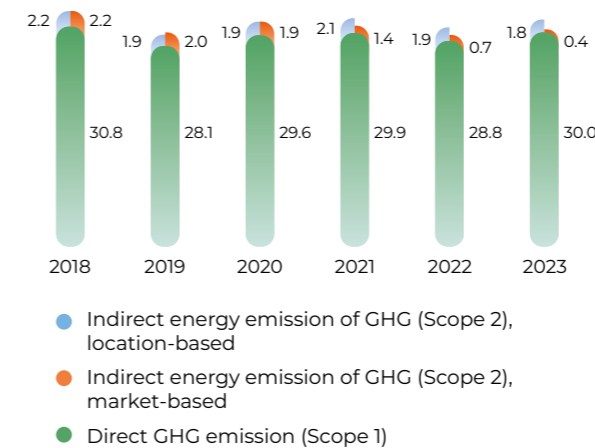
² <https://www.atsenergo.ru/results/co2all>.

³ According to Eurofer data.

Direct and indirect energy emissions of NLMK Group, '000 t of CO₂ equivalent [GRI 305-1] [GRI 305-2] [TCFD Metrics and targets b)]

Indicator	2018 ¹	2019	2020	2021	2022	2023
Direct GHG emissions (Scope 1)	30,772	28,145	29,558	29,932	28,818	29,969
Carbon dioxide (CO ₂)	30,701	28,078	29,489	29,863	28,752	29,902
including from stationary sources	30,526	27,893	29,310	29,675	28,573	29,730
Methane (CH ₄)	46	42	44	43	41	43
Nitrogen oxide (N ₂ O)	25	25	25	26	24	24
Indirect energy emissions (Scope 2) ² , location-based	2,155	1,930	1,866	2,051	1,861	1,785
Indirect energy emissions (Scope 2) ³ , market-based	2,193	1,969	1,909	1,359	743	384
Total (Scope 1 + Scope 2), location-based	32,927	30,074	31,424	31,983	30,679	31,754
including CO ₂ for stationary sources (location-based)	32,681	29,822	31,176	31,726	30,434	31,515
Total (Scope 1 + Scope 2), market-based	32,965	30,113	31,466	31,292	29,561	30,353
including CO ₂ for stationary sources (market-based)	32,719	29,861	31,218	31,034	29,315	30,114
CO ₂ emission from biomass combustion (Scope 1, for reference)	17	25	25	26	29	33

GHG emission trends (Scope 1 + Scope 2, location-based), m t of CO₂ equivalent [GRI 305-1] [GRI 305-2]



¹ The baseline year for all Scopes is the year when Strategy 2022 was launched.

² Emission of CO₂ from fuel combustion in the production of electricity received from the external grid for the needs of the Group's sites. The calculation was made using the location-based method, i.e. by the average weighted rates of greenhouse gas emissions produced in a certain territory (country, region, state).

³ Emission of CO₂ related to supplies of external electricity, including targeted procurement of all or a portion of external electricity based on free sales and purchase contracts and certificates.

⁴ Location-based for Scope 2.



Increased steel production (+7.9%) was a key driver of absolute emissions' growth compared to 2022 (+3.5%⁴)

Blast furnace operations (51%), energy production (14%), and iron ore production (11%) are the largest contributors to direct greenhouse gas emissions (Scope 1). The overall contribution of emissions from mobile units and emission of CH₄ and N₂O into NLMK Group's total direct GHG emissions is less than 1% in CO₂ equivalent.

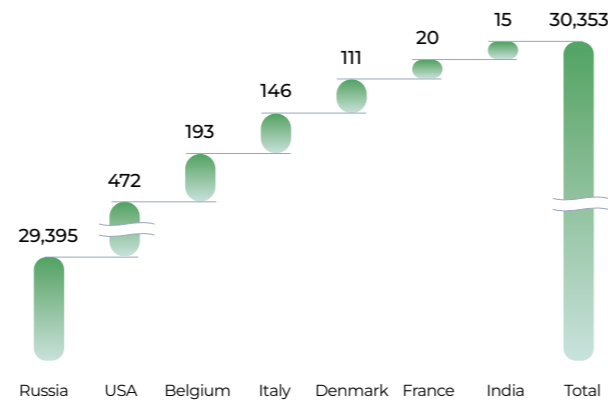
NLMK Group regularly estimates CO₂ emissions from the combustion of biomass (wood chips and charcoal) used at NLMK Lipetsk for ferroalloy production. These emissions are climate-neutral, provided for reference only, and not included in the total emission volume. In 2023, the use of biomass, including wood chips and charcoal, has increased to 10,400 tonnes. The Company is considering the feasibility of using sustainable biomass in its key steelmaking processes. The charcoal supplied to the Company is FSC certified¹, while wood chips are produced from in-house production waste. The Company has engaged an external contractor to leverage the opportunities for the manufacturing of biocoal from waste wood.

Direct GHG emissions (Scope 1) by source², % [GRI 305-1]



● Blast furnace operations	51.2
● Energy production	14.3
● Iron ore feedstock production	10.8
● BOF operations	7.8
● Coke production	5.5
● Lime production	5.1
● Steel rolling and finishing	4.0
● Mobile units	0.6
● EAF operations	0.3
● Other stationary sources	0.2
● Ferroalloy production	0.2

Total direct and indirect energy emissions of GHG by country in 2023 (Scope 1 + Scope 2, market-based), '000 t of CO₂ equivalent [GRI 305-1] [GRI 305-2]



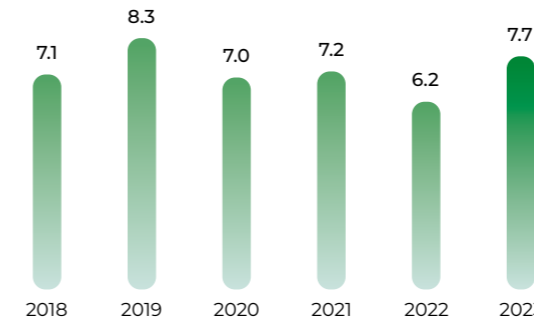
The Company continues to assess indirect greenhouse gas emissions associated with the production of the main types of external resources used by NLMK Group companies (upstream emissions) and their delivery to the companies' gates, as well as the transportation of raw materials and semi-finished products between the companies of the Group³. Estimated coverage is at least 95%. For purchased electricity, Scope 3 includes emissions associated with fuel production, processing and delivery, as well as electricity transmission losses. Scope 3 includes emissions of methane, nitrous oxide, and carbon dioxide.

The Company works with suppliers to obtain information about the carbon footprint associated with the purchased products. The calculations rely on specific CO₂ emission data for rail cargo transportation within Russia provided by the largest rail operator. The assessment of specific emissions from natural gas production and transportation within Russia is based on data provided by the largest gas market players.

Other indirect emissions in the preceding years were recalculated in view of the fact that the organizational boundaries of the Company had changed. Emission factors related to electric power, technical gases, metals and ferroalloys were also adjusted.

¹ Forest Stewardship Council.
² CO₂ emissions from the combustion of process gases (blast furnace and coke oven gas) outside the gas sources but within the Group's sites are assumed equal to emissions from the combustion of an energy-equivalent amount of natural gas adjusted for combustion efficiency. The corresponding CO₂ deduction is made for process gas sources. The "Production of energy resources" category includes emissions generated by production of heat, electricity, and technical gases.
³ This category does not include emissions associated with the semi-finished products manufactured within the Group, as they are already accounted for in Scopes 1 and 2. Also, this category excludes emissions associated with the delivery of products to customers.

Upstream GHG emissions (Scope 3), m t of CO₂ equivalent [GRI 305-3]



Purchased ferrous metals accounted for 32% of the calculated other indirect emissions, thus exceeding the share of emissions associated with coal (30%) for the first time.

In the market-based calculation, in 2023, Scope 2 specific emissions went down by 2% vs. 2022 and by 8% vs. the baseline of 2018. The reduction was driven by completed projects (see p. 36) and procurement of carbon-free energy by Russian sites.

🌱 NLMK Group continues to develop and implement projects aimed at GHG emission reduction (see p. 28)

Other indirect GHG emissions (Scope 3) in the upstream value chain by category, 2023, % [GRI 305-3]



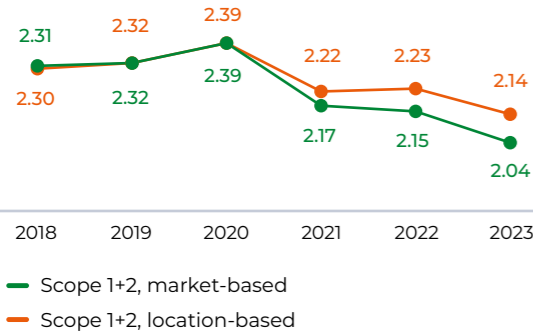
● Ferrous metals ²	32.2
● Hard coal	30.3
● Ferroalloys	6.9
● Natural gas	6.8
● Non-ferrous metals	6.2
● Railway transportation	5.0
● Petroleum coke	3.3
● Pellets and HBI	3.1
● Electric energy	2.3
● Marine transportation	0.9
● Fluxes and minerals	0.8
● Oil fuel	0.6
● Motor transportation	0.5
● Process gases	0.5
● Coal coke	0.3
● Carbon materials	0.2
● Ore and concentrate	0.1

Specific CO₂ emissions from stationary sources¹, t of CO₂ equivalent / t of steel [GRI 305-4]

Indicator	2018	2019	2020	2021	2022	2023
Specific direct emissions (Scope 1)	2.15	2.17	2.24	2.08	2.09	2.02
Specific indirect energy emissions (Scope 2, location-based)	0.15	0.15	0.14	0.14	0.14	0.12
Specific indirect energy emissions (Scope 2, market-based)	0.15	0.15	0.15	0.10	0.05	0.03
Specific total emissions (Scope 1 + Scope 2, location-based)	2.30	2.32	2.39	2.22	2.23	2.14
Specific total emissions (Scope 1 + Scope 2, market-based)	2.31	2.32	2.39	2.17	2.15	2.04

¹ In line with the corporate approach to determining CO₂ emission targets: CO₂ only, stationary sources only.
² This category mainly includes third-party semi-finished steel products used by NLMK companies for processing into finished steel.

Specific CO₂ emissions (Scope 1 + Scope 2, location and market-based) from stationary sources, t/t of steel [GRI 305-4]



Consistent efforts are made to reduce the Company's environmental footprint.

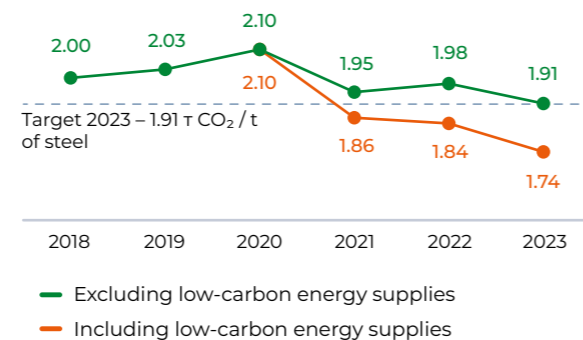
From 2010 to 2023, emissions of CO₂ per tonne of steel went down by 17% across the Group and by 16% at NLMK's flagship production site in Lipetsk.

This was driven by improvements in operational efficiency and implementation of a series of investment projects. End-to-end consumption of solid fuels (coal and petroleum coke) per tonne of pig iron went down by 77 kg, natural gas consumption went down by 22 m³, and external power consumption decreased by 31 kWh.

In 2023, target specific CO₂ emission per tonne of steel (Scope 1 + Scope 2) calculated within the previous organizational boundaries (i.e. including NLMK Russia Long companies) and not adjusted for the change of the external emission factor for electric energy was 1.91 t/t vs. 2.00 t/t of the 2018 baseline (a 4.5% decrease).

Actual specific CO₂ emission in 2023 calculated on the same basis amounted to 1.91 t of CO₂/t of steel or 1.74 t of CO₂/t of steel, if the procured low-carbon power is factored in. **Therefore, the 2023 target per tonne of steel was achieved.**

NLMK Group's specific CO₂ emissions (Scope 1+2), including NLMK Russia Long Products sites, t of CO₂/t of steel



NLMK Group reduces climate footprint by using hydrogen-containing secondary resources

[GRI 2-25]

NLMK Group uses by-product gases from steelmaking operations as fuel for power generation or as a direct energy source for core process equipment. This approach helped reduce the consumption of fossil fuels and GHG emissions by 5 million tonnes of CO₂ per year.

Some of the blast furnace gas is fed into top pressure recovery turbines that generate additional power without any fuel combustion. The total captive power generation covers two-thirds of NLMK Lipetsk's electricity needs.

By-product fuel gases also contain pure hydrogen – from 7% in the blast furnace gas to 60% in the coke oven gas. Hydrogen utilization further reduces the consumption of carbon-based fossil fuels. In 2023, NLMK Group consumed 19.5 billion m³ of blast furnace and coke oven gas, which contained approximately 2.6 billion m³ of hydrogen.

Total reduction of CO₂ emissions by projects contributing to NLMK Group's strategic target through 2023 [GRI 305-5]

Reduction of GHG emissions:	Scope 1	Scope 2	Scope 3	Scope 1+2	Scope 1+2+3
In absolute terms, '000 t of CO ₂ equivalent	-817	-90	-375	-908	-1,283
Specific, kg of CO ₂ equivalent / t of steel	-46.3	-5.1	-21.3	-51.4	-72.7

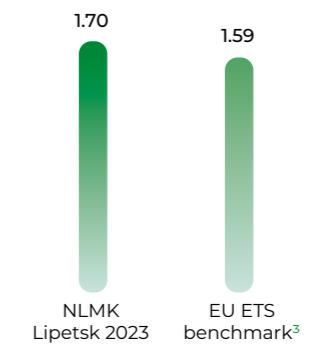
NLMK Group continues to develop and implement projects aimed at reducing the emission of greenhouse gases. These rely on proven measures to improve energy efficiency and reduce fuel consumption by process equipment, as well as on some innovative solutions, including the use of carbon resources and biofuels in blast furnace operations and innovative carbon capture, utilisation and storage technologies.

Key achievements in reducing CO₂ emissions in 2023 came through the projects implemented in 2019-2022. In 2023, the Company implemented a number of additional projects to ensure a significant reduction of CO₂ emissions (Scope 1 and Scope 2), such as energy efficiency improvement projects.

The impact of the projects was evaluated on the basis of technical effects achieved over the time period in question compared to a business-as-usual scenario (baseline). A custom model was applied to projects that affect sintering and ironmaking operations. The model used an end-to-end calculation of resources consumed per tonne of pig iron across the entire value chain and accounted for the interdependencies among the projects. Separate calculations were made for projects in steelmaking and rolling operations and power generation. In the previous year, the Company began to include Scope 3 emissions in the evaluation process. In addition to CO₂ emissions, Scope 3 takes into account CH₄ emissions from coal and natural gas.

Specific direct emissions of CO₂ per tonne of steel at NLMK Lipetsk in 2023, calculated in line with the guidance¹ for the European Union Emissions Trading System (EU ETS) was 1.70 t of CO₂/t of steel. The gap with the EU ETS benchmark² – as stricter requirements were imposed in 2021 for the period of 2021-2025 – currently stands at 7%.

NLMK Lipetsk CO₂ emissions according to the EU ETS (Scope 1), t of CO₂/t of steel



~ RUB 34 bn

or \$0.4 bn, total investment in CO₂ emission reduction projects completed by the end of 2023

¹ Commission Delegated Regulation (EU) 2019/331 of 19 December 2018 determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council.
² The EU ETS does not regulate BOF steel, but it includes benchmarks for coke, sinter, pig iron, lime, and dolomite. The provided data per tonne of steel are calculated based on specified consumption coefficients.
³ Assuming that the rates of coke and iron ore consumption are equal to those of NLMK in 2023.

Climate cooperation

NLMK Group participates in discussions of carbon regulation legislation.

In 2023, NLMK experts took part in the formulation of the indicative rates of specific GHG emission factors for the following Russian best available techniques reference documents: ITS 27-2023 "Downstream processing of ferrous metal products" and ITS 25-2023 "Iron ore mining and dressing". NLMK experts were engaged to develop a reference method for determining CO₂ emission indicators for the iron and steel industry. This method was incorporated into ITS 26-2022 "Production of pig iron, steel, and ferroalloys".

NLMK Group products facilitate the transition to a low-carbon economy

In 2022, NLMK Group updated the output volumes for products that contributed to the consumer-side CO₂ emission reduction as well as the estimate of the emission reduction effects. The estimate showed that supplying to consumers the target volumes of such products in 2018–2023 would allow them to avoid over 20 million tonnes of CO₂ emissions per year (which is comparable to the Group's total annual CO₂ emissions) and about 500 million tonnes for the entire product lifecycle (20–50 years).

Supply of heat and electric power by the Altai-Koks coke plant also drives down the CO₂ emissions from coal burning in the town of Zarinsk. The avoided emissions are estimated at 0.6 million tonnes of CO₂ per year.

Consumer-side CO₂ emissions avoided due to NLMK Group products sold within the strategic cycle of 2018–2023

Product	Sales, m t	Avoided CO ₂ emissions, m t of CO ₂	
		Annual	Throughout the product lifecycle
Thick plate for wind power installations	0.9	16.0	320
Non-grain oriented steel	1.4	6.0	181
Grain oriented steel	1.7	0.2	5
Flat steel	1.2	0.04	1
Wear-resistant and high-strength steel (Q&T & Q&P)	0.8	0.4	4
TOTAL	6.0	22.7	511

Assessment and verification of the product carbon footprint

In 2023, NLMK Group carried out an independent verification of the earlier estimates of the carbon footprint of slab and GO steel production at NLMK Lipetsk. The verification was based on the cradle-to-gate concept, that is, all the production processes from mining of the raw materials and fuel to final products leaving the factory gate were included.

Moreover, in 2023 an estimation of the carbon footprint of the core types of NLMK Europe products was prepared to be verified by a third party.

Plans for 2024 and the medium term

In 2024, the Company plans to continue developing and implementing projects that help reduce CO₂ emissions from the current processes as well as to take operations-level measures to reduce CO₂ emissions. NLMK Group will continue working on the development of its decarbonization strategy.

2024 will also see the launch of the second wave of NLMK Europe's climate programme projects designed to improve the energy efficiency of NLMK Europe operations (20% of the emission reduction target envisaged by the strategy) as well as a number of investment projects aimed at utilization of renewable energy sources and heat recovery (40% of the emission reduction target envisaged by the strategy).

The Group intends to engage with suppliers and clients to share information on the products' carbon footprint and decarbonisation targets, to continue the assessment and verification of its products' carbon footprint, and to participate in the CDP programme.

Assessment of climate risks and their impact on strategy

[TCFD Risk management] [GRI 201-2]

Risk management

Climate risk management is an integral part of NLMK Group's risk management system. Climate risks are identified and assessed based on qualitative and quantitative methods, including scenario analysis and modelling of risk materiality, probability, and velocity. Aggregate information about the climate risk profile and the related changes is disclosed in the NLMK Group Risk Radar.

🕒 see the Operational Control and Risk Management section for more detail

Every external factor is assessed in terms of the time horizon of its potential materialization. Three time horizons were identified: short-term (up to 2025), mid-term (2025–2030) and long-term (beyond 2030). It is expected that the technological transition risks will be relevant at all time horizons, and most risks will materialize in the long term, since the technology change in steelmaking will become substantial by the late 2020s. In addition, chronic and acute physical risks will develop in the long term. The same can be said for the most significant long-term opportunities since a more substantial increase in the low-carbon steel production will occur at that time frame.

Global climate change is associated not only with risks but with certain opportunities. In the context of the Company's operations, this means greater returns on investment in low-carbon iron making technologies (HBI), expansion and commercialization of carbon capture, utilisation and storage (CCUS) technologies, and opportunities to use carbon credits to finance low-carbon initiatives.

Internal carbon pricing

The Company uses internal carbon pricing to support the assessment and prioritization of climate projects, estimate costs associated with the introduction of the Carbon Border Adjustment Mechanism (CBAM), and manage climate risks. The internal carbon price is based on the projected allowance price under the EU ETS adjusted for the Company's share of exports to Europe.

Scenario analysis overview

The Company uses a variety of sources to assess the climate risks and opportunities¹. The following scenarios were selected for in-depth analysis: the *Middle of the Road* scenario (business-as-usual), the *Sustainable Development* scenario of the Paris Agreement (limiting global warming to well below 2°C), and the worst-case scenario (for physical risks only) – *Fossil-fueled Development*.

- The first two scenarios were used to analyse the following transition risks at the 2022–2030 horizon:
- Introduction of a carbon tariff on product imports into the EU
 - Introduction of a carbon tariff on product imports into the USA
 - Introduction of a tax on greenhouse gas emissions in Russia
 - Global decline in steel demand
 - Increased EAF competitiveness vs. the BF-BOF route
 - Stricter "green" legislation in the EU

🕒 For more information on major risks and opportunities associated with climate change, please visit the [Company website](#).

¹ Including the International Energy Agency (IEA), the International Institute for Applied Systems Analysis (IIASA), Shared Socioeconomic Pathways (SSP), the World Economic Forum, the World Resources Institute (WRI), and the Climate Impact Atlas of the Royal Netherlands Meteorological Institute (jointly with the CMIP5 project).

Energy efficiency

Material topics

- Energy

Key events in 2023

- The hourly consumption rate of blast furnace gas by NLMK Lipetsk power plants reached historical peaks
- NLMK Lipetsk oxygen losses are at their historical lows following the launch of a new recipient group
- NLMK completed the construction of the new RCGP power distribution system. The installation of the core and auxiliary process equipment (boilers, turbo generators, gas holders) continues
- The medium-term programme for reliability improvement of the core equipment at Altai-Koks' thermal power plant continued
- The Company continued with the project of revamping its BF-4 air stoves. The project is aimed in particular at improving the energy efficiency and reducing CO emissions from the air stove operations. The phased equipment modernization project will be completed by 2026
- The phased lighting upgrade programme at Group sites was continued. In 2023, ca. 18,000 light fixtures were replaced with energy-efficient LED alternatives

Key figures for 2023

367.8 PJ

-3.4% yoy

NLMK Group's total energy consumption in 2023

5.351 Gcal/t

-1.8% yoy

Specific energy intensity of steel production at NLMK Lipetsk



Approach to energy management

[GRI 3-3]

Metallurgy is an energy-intensive industry. NLMK Group continues its systematic efforts to increase the energy efficiency of its production activities, seeking and introducing comprehensive solutions to improve its energy efficiency and sales reliability in order to reduce costs and minimize its environmental footprint.

The Company has adopted a group-wide Integrated Management System Policy (IMS Policy). This policy in particular sets forth the vision, goals, principles, and management commitments related to the improvement of the energy efficiency.

NLMK Group aims to be a leader in adopting best practices to increase the energy efficiency of the Company's operations and to bring the specific energy consumption and production costs as far down as is technologically and economically feasible.

The main principles of the IMS Policy require reduction of the resource-intensity of the Company's operations using the following approaches:

- Reducing specific consumption of natural raw materials, water, fuel and energy
- Increasing production efficiency
- Re-using resources and adopting the best available techniques (BAT)

The Group's commitments under the IMS Policy go beyond introducing advanced energy-efficient technologies and solutions in order to reduce the consumption of energy resources. Major further commitments involve the development of captive power generation capabilities that utilize metallurgical gases and other captive recyclable energy resources as well as support of the use of renewable energy sources where applicable and viable. The purchased equipment and services are evaluated in terms of compliance with the corporate energy efficiency requirements.

Since 2014, NLMK Group's Russian companies use a unified enterprise-level [technical energy management policy](#). Its objectives are to implement the most advanced technical solutions, equipment, and technologies to bolster the reliability, efficiency, and safety of the Group's energy sector. The policy sets out the priorities and rules for the use of technical solutions related to operations of energy facilities, implementation of investment programmes for new construction, upgrade of the core steel-making equipment, complex modernization of the NLMK Group companies' energy assets.

A key performance indicator for improving the production energy efficiency is the specific energy intensity of the products (Gcal/t of output). The targets for these key performance indicators are set taking into account the best results achieved earlier, assessment of the potential of upgrading the process to the best technologically achievable level, as well as the results of benchmarking of similar equipment against the best global practices.

Certification

The Company's energy management system is in compliance with the international ISO 50001 standard, as confirmed by an international certificate. One of the main requirements under this international standard is continuous improvement of the energy performance.

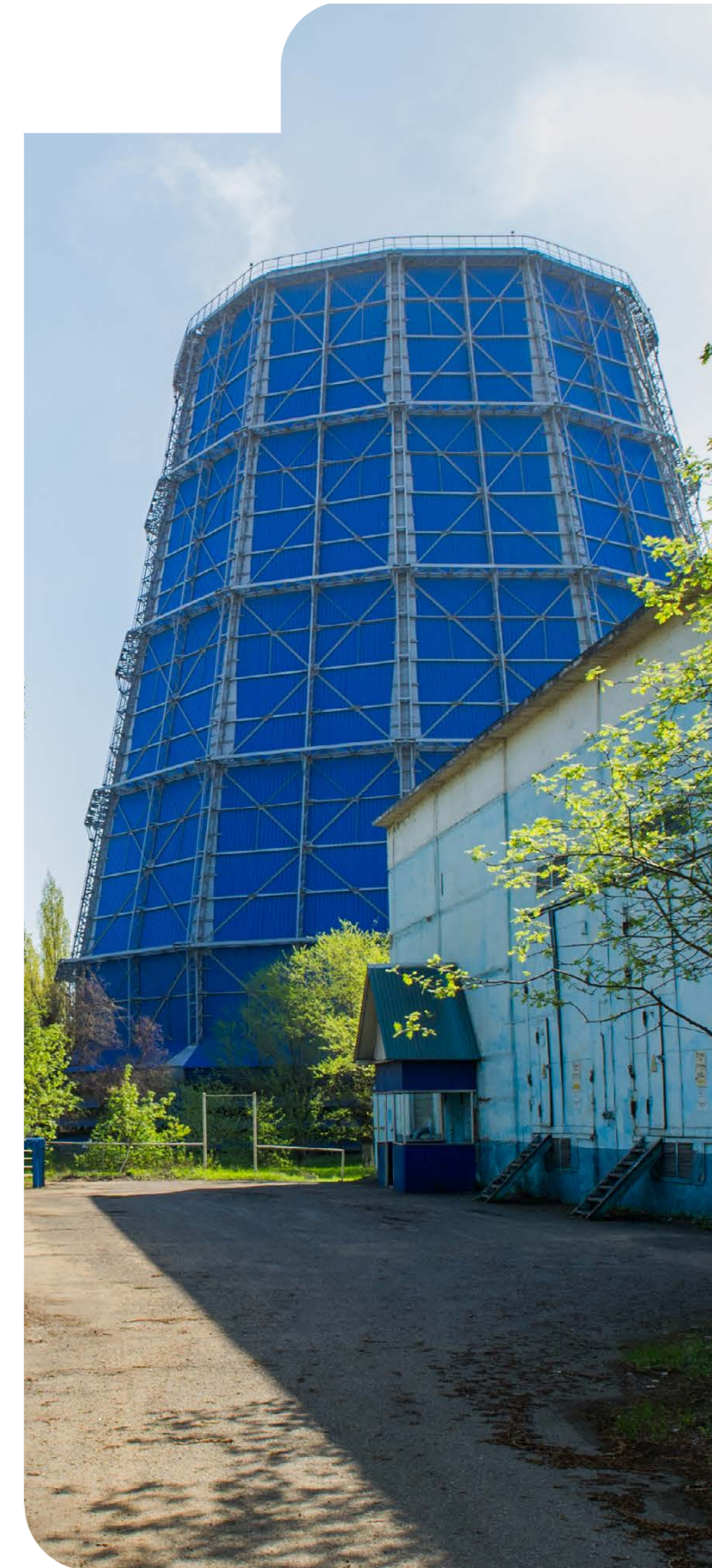
The system encompasses all core production sites of the Group¹:

- NLMK
- VIZ-Steel
- Altai-Koks
- Dolomit
- Stagdok
- Stoilensky
- NLMK Kaluga
- NLMK Metalware
- NLMK Ural

NLMK DanSteel has also been certified to ISO 50001.

In 2023, the Russian companies of the Group successfully completed an energy management compliance audit carried out by the new certification authority.

¹ NLMK Kaluga, NLMK Metalware and NLMK Ural were covered by the "umbrella" certificate of compliance with the international standard up to Q4 2023.



Energy resource consumption in 2023

[GRI 302-1] [GRI 302-3]

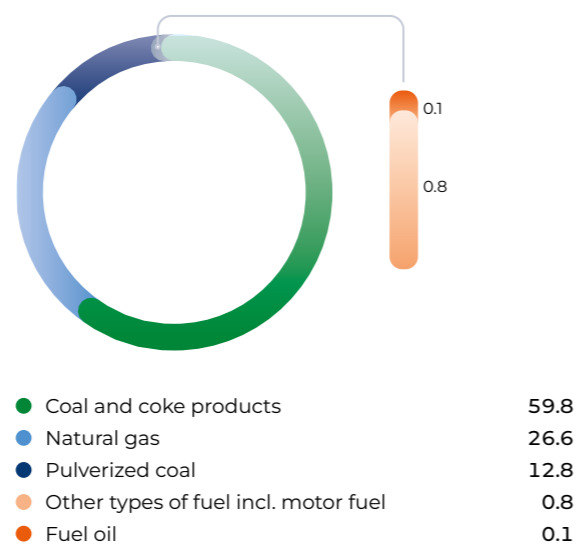
In 2023, the total energy consumption within the Company stood at 367.8 PJ, which is 14.4 PJ lower year-on-year. The reduction was driven by the divestment of NLMK Russia Long Products from the Company in Q4 2023.

NLMK Group uses a variety of non-renewable fuels in its production activities: natural gas accounts for 26.6% of the total balance, coal and coke account for 59.8%, and pulverized coal accounts for 12.8%.

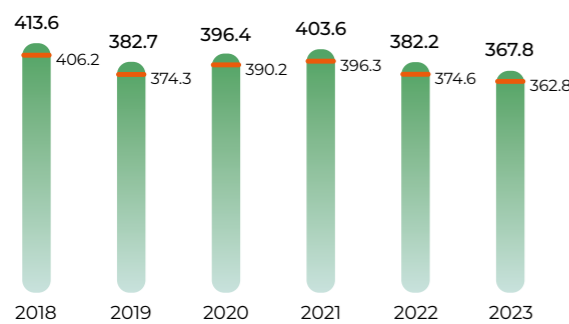
⚡ 366.6 PJ

Non-renewable energy consumption

Breakdown of non-renewable fuel consumption by NLMK Group in 2023, % [GRI 302-1]

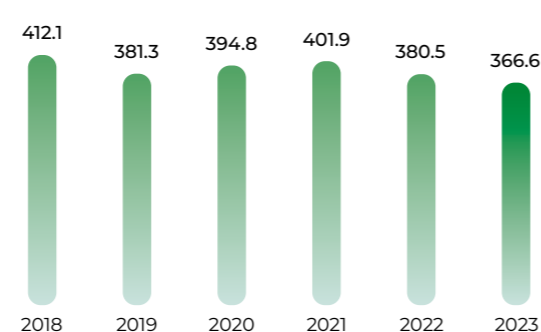


Total energy consumption by NLMK Group¹, PJ [GRI 302-1]



● Общее потребление энергии в Группе НЛМК
 — Общее потребление без дивизиона НЛМК Сорт

Consumption of non-renewable energy by NLMK Group², PJ [GRI 302-1]



Consumption of non-renewable fuel by NLMK Group, PJ [GRI 302-1]

Type of fuel	2018	2019	2020	2021	2022	2023
Coal and coke products	208.64	185.24	197.64	195.70	178.40	199.30
Natural gas	87.75	91.26	85.86	91.01	81.79	88.71
Pulverized coal	43.30	36.15	43.36	44.13	47.05	42.51
Motor fuel (petrol, diesel, liquefied gas)	2.79	2.91	2.90	3.10	2.73	2.55
Fuel oil	0.04	0.21	0.29	0.25	0.36	0.27
Total	342.53	315.77	330.05	334.19	310.33	333.34

¹ The methodology for calculating the energy consumption by Group companies: purchased energy minus sold energy (sales, shipment, transfer) at each production site. In Q4 2023, some of its assets (NLMK Russia Long Products companies and partially NLMK Vtorchermet) were removed from the Company. From 2023, this report includes the assets of NLMK India.

² Methodology for calculating non-renewable types of energy includes total energy consumption minus renewable energy.

In addition to that, renewable energy resources are also used, in particular electrical power from renewable sources, woodchips and charcoal for the production of ferroalloys.

In 2023, the share of renewable electric power decreased to 3.89% of the total electricity consumption. The reduction was driven by the switch of the Russian production sites to almost 100% low-carbon electric power supplied by nuclear power plants. The share of renewable energy in the total volume of electricity consumption is shown without transit flows. NLMK Group did not make any direct purchases from renewable energy suppliers.

The share of renewable electric energy in the total NLMK Group energy consumption is 0.34%.

Increasing the share of low-carbon energy is one of the priority areas of NLMK Group's efforts aimed at reducing the production carbon intensity. Nuclear energy is one of the main decarbonization tools, currently accounting for a third of global low-carbon electricity production. In 2023, the share of power supplied to Group sites by nuclear power plants (NPPs) grew to 6.1 bn kWh. The total share of energy from renewable sources and energy from low-carbon sources (NPPs) in 2023 stood at 6.56% of the total amount of energy consumed by the Company. The share of energy purchased from NPPs by Russian companies is determined in accordance with the terms of direct sale and purchase agreements.

Renewable electric energy consumption across NLMK Group¹ [GRI 302-1]

Year	2018	2019	2020	2021	2022	2023
Share of renewable electric energy in total energy purchased, %	4.86	5.10	5.14	5.14	5.39	3.89
Total share of renewable electric energy in total energy consumed, %	0.37	0.37	0.42	0.44	0.43	0.34
Total renewable electric energy consumed, PJ	1.51	1.43	1.68	1.79	1.64	1.23

Share of renewable electric energy in total electricity purchased by region, without transit flows, %

Country	Share of renewable energy ²	Source	Companies
Russia	~0.0	Hydro, wind, solar	NLMK, Stoilensky, NLMK Kaluga, NLMK Ural, NLMK Metalware, VIZ-Steel
USA	21.29	Hydro, wind, solar, biofuel	NLMK Indiana, NLMK Pennsylvania & Sharon Coating
Belgium	23.21	Wind, solar, biofuel	NLMK La Louvière, NLMK Clabecq
France	21.06	Hydro, wind, solar, biofuel	NLMK Strasbourg
Italy	37.05	Hydro, wind, solar, biofuel	NLMK Verona
Denmark	99.39	Wind, solar, biofuel	NLMK DanSteel
India ³	21.72	Hydro, wind, solar, biofuel	NLMK India Coating

¹ The calculation assumes a conversion factor of 1 MWh = 3.6 GJ.

² The share of generation from renewable energy sources in the Russian Federation in 2023 is represented in accordance with the Association "NP Market Council" reports:

https://ais.np-sr.ru/ru/iasen/information/IASE_OV_R11_GENERATION_tipy_gen#0/11/GENERATION;
https://ais.np-sr.ru/ru/iasen/information/IASE_OV_R16_GENERATION_tipy_gen#0/16/GENERATION;
https://ais.np-sr.ru/ru/iasen/information/IASE_OV_R19_GENERATION_tipy_gen#0/19/GENERATION;
https://ais.np-sr.ru/ru/iasen/information/IASE_OV_R41_GENERATION_tipy_gen#0/41/GENERATION.

The data for Europe are presented according to BP Statistical Review of World Energy 2023

<https://www.bp.com/en/global/corporate/energy-economics.html?ysclid=lt2karte62637382987> [page 8, 44, 45].

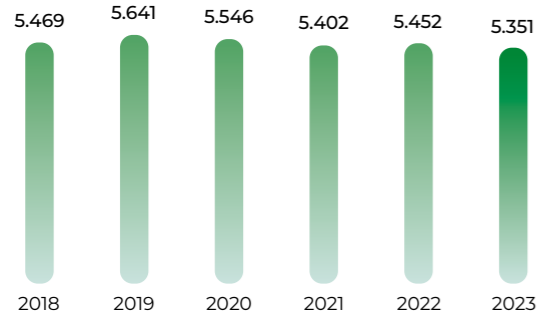
The data for the USA are presented according to Monthly Energy Review US Energy Information Administration <https://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf> [page 133].

The data for India are according to All India Electricity Statistics. General Review 2023

<https://cea.nic.in/general-review-report/?lang=en> [page 15].

³ Starting from 2023, the report includes the data on NLMK assets in India.

Specific energy¹ intensity of NLMK Lipetsk, Gcal/t [GRI 302-3]



The year-on-year decrease of NLMK Lipetsk specific energy intensity in 2023 was driven mainly by the implementation of energy efficiency projects and an increase in the steel output by 8.3%.

Captive electricity generation

One of the methods used by NLMK Group to achieve energy cost reduction is to implement investment projects and optimization initiatives aimed at increasing captive generation of electricity and thermal energy.

The electricity is generated at the Company's captive power plants, which are chiefly powered by by-product fuel gases. More than 80% of the electricity generated at NLMK Lipetsk (and used for its production needs only) and 100% of the electricity generated at Altai-Koks is produced using NLMK Group's captive recyclable resources (steelmaking gases).

The maximum possible utilization of the available recyclable energy is one of the main challenges faced by NLMK Group; overcoming this challenge will make it possible to not only minimize expenditure but also to reduce our environmental impact by cutting emissions of greenhouse gases and other substances.

Before the sale of NLMK Group's long steel products business, the Company's total installed in-house generation capacity stood at 733 MW, including

- 522 MW at the Lipetsk site
- 200 MW at Altai-Koks
- 11 MW at NLMK Ural

⚡ 722 MW

the installed in-house generation capacity of NLMK Group as at the end of 2023

Captive electricity generation at NLMK Group sites²

Captive electricity generation at NLMK Group sites

NLMK Lipetsk

⚡ 522 MW

Co-generation plant: fuel — coke oven gas, blast furnace gas, natural gas

Recovery co-generation plant: fuel — blast furnace gas, natural gas

Top pressure recovery turbine station: no fuel is used; instead, electricity is generated from excess blast furnace gas pressure

Altai-Koks

⚡ 200 MW

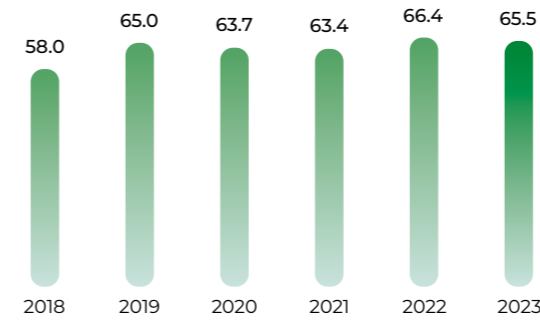
Co-generation plant: fuel — coke oven gas

NLMK Ural

⚡ 11 MW

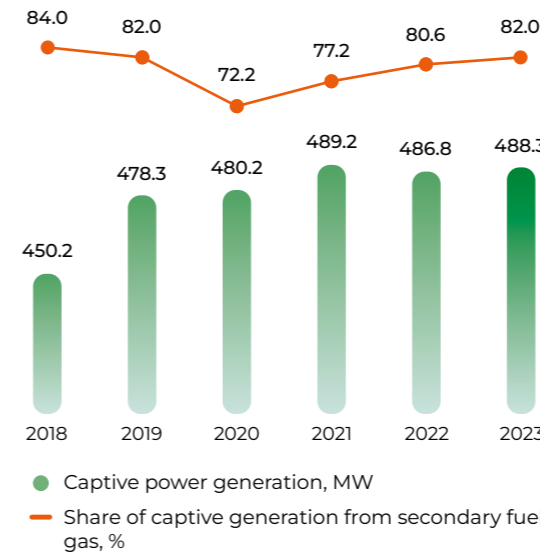
Mini gas-piston co-generation plant: fuel — natural gas

Share of captive electricity in total electricity consumption at NLMK Lipetsk, %



In 2023, the share of captive electricity generation decreased year-on-year due to higher consumption at the Lipetsk site with the generation equipment still operating at its maximum capacity.

Captive electricity generation¹ at NLMK Lipetsk



The increase in power generation capacity was driven by phased implementation of optimization initiatives aimed at higher utilization of cogeneration and recovery cogeneration equipment.

The project to build a new recovery cogeneration plant (RCGP-2) fuelled by captive recyclable resources continues. Once launched, the plant will improve NLMK Lipetsk's self-sufficiency in electricity

up to 94%

The new plant will be fuelled by the waste gases from steel production: BOF and BF. This is going to become the first project in Russia to use BOF gas for power generation. The installed capacity of the new recovery cogeneration plant will be 300 MW.

In 2023, the Company completed the construction of the plant's power distribution system. Installation of core and auxiliary equipment continues. Commissioning procedures are expected to start in 2024.

The launch of a power station fuelled by waste gases from steelmaking and blast furnace operations will enable an annual reduction in CO₂ emissions of 650,000 tonnes (36 kg per tonne of steel).

¹ Specific energy intensity = (energy consumption of steel production / energy consumption of extraction and processing of raw materials, Gcal) / (the volume of steel production / extraction and processing of raw materials, t). The following types of energy resources were used in the calculation: purchased: coking coal and additives, pitch coke, lump coke, coke breeze, pulverized coal, natural gas, fuel oil, thermal energy as hot water, steam, electricity, oxygen (NLMK Lipetsk and NLMK Kaluga), nitrogen and hydrogen (NLMK Lipetsk), and heat from chemically treated water (VIZ-Steel); sold: coke breeze, coke nut, chemical products, blast furnace gas, steam, thermal energy as hot water, oxygen, nitrogen, compressed air, industrial water, and commercial pig iron.

² Prior to Q4 2023.

¹ Captive power generation includes the energy generated by the top pressure recovery turbine station (in blast-furnace shop No.2).

Consumption, generation, and sale of electricity and thermal energy by NLMK Group, PJ [GRI 302-]

Indicator	2018	2019	2020	2021	2022	2023
ELECTRICITY AND THERMAL ENERGY PURCHASED FOR CONSUMPTION						
• Electrical energy obtained	87.30	78.47	77.72	83.45	79.97	74.79
• Thermal energy obtained as steam	0.50	0.48	0.48	0.51	0.55	0.53
• Thermal energy obtained as hot water	1.59	1.33	1.03	1.09	1.10	1.04
Total	89.39	80.29	79.24	85.05	81.61	76.37
CAPTIVE ELECTRICAL AND THERMAL ENERGY GENERATION						
• Electrical power generation	49.36	50.01	49.93	51.34	51.11	51.80
• Thermal energy as steam	21.90	21.75	22.26	22.00	20.49	20.31
• Thermal energy as hot water	9.78	7.41	7.68	7.95	7.58	7.39
Total	81.03	79.17	79.87	81.29	79.18	79.50
ELECTRICAL AND THERMAL ENERGY SOLD TO EXTERNAL CONSUMERS						
• Electricity sold and transmitted	10.70	8.99	8.63	9.23	11.66	11.33
• Heat energy sold and transmitted as steam	0.35	0.37	0.40	0.44	0.42	0.35
• Heat energy sold and transmitted as hot water	2.76	2.35	1.92	1.96	1.99	1.85
Total	13.81	11.71	10.94	11.6	14.07	13.53

Optimization initiatives undertaken by NLMK Group in 2023

[GRI 302-4]

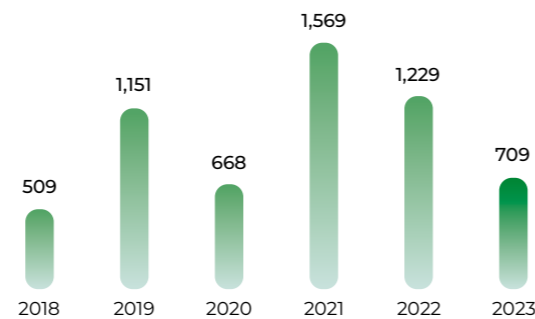
In the reporting period, NLMK Group sites implemented a series of optimization projects in the following areas:

- Improving the efficiency of fuel gas use in electric power generation
- Improving the efficiency of compressors, pumps, and cooling equipment
- Optimizing process charts for the production of energy resources
- Optimizing the utilization and layout of energy resource networks, and optimizing the operation modes of energy equipment

Cross-functional teams organized at NLMK Europe sites developed and implemented initiatives aimed at reducing electricity and natural gas consumption. The best results were achieved at NLMK Clabecq; natural gas consumption of the reheating furnaces at its hot rolling shop was reduced by 8%. This work will be continued in 2024.

NLMK Group continued implementing a targeted programme to replace lighting fixtures at its sites with newer and more energy efficient ones, and also upgraded its pumping equipment.

Savings through optimization activities within the strategic cycle, RUB m



RUB 0.71 billion

or \$8.4 m, – gains from the Company's energy efficiency projects implemented in 2023

Replacement of lighting systems at NLMK Lipetsk

In 2023, the Lipetsk site replaced 17,500 lighting fixtures as part of an energy efficiency programme to upgrade ceiling lights, achieving an economic impact of RUB 55.5 million.

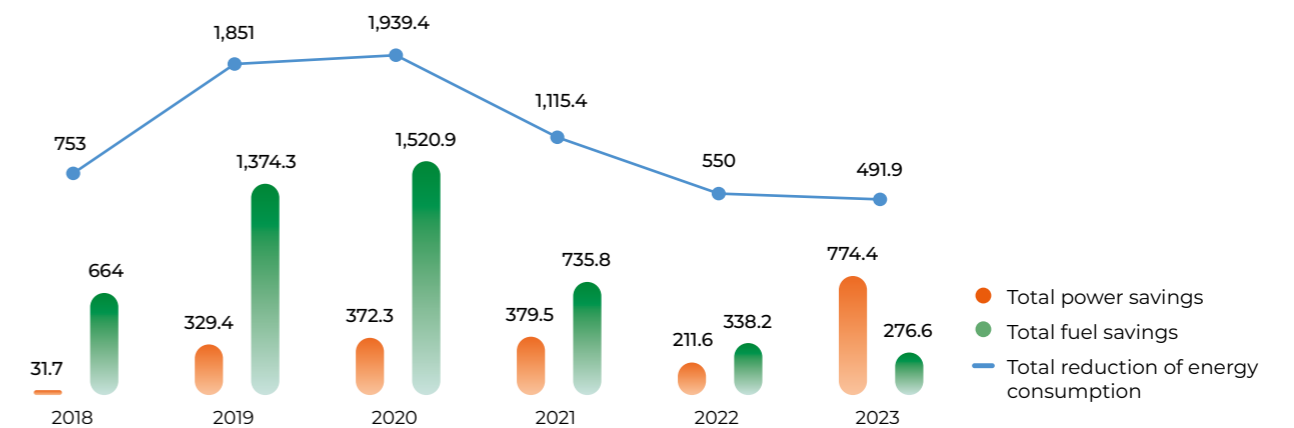
Also, the Company completed the first phase of a targeted programme to replace fluorescent lighting fixtures with LED lights, delivering an economic impact of RUB 22.6 million. The programme is aimed at improving the energy efficiency of lighting systems and eliminating Class 1 hazardous waste generated by obsolete lights.

Transition of the Lipetsk site's core steelmaking equipment to natural gas

In 2023, the Company continued implementing a series of investment projects aimed at converting the equipment used at NLMK Lipetsk's CR&CS and MSPS from blast furnace gas and/or blast furnace gas mixtures to natural gas. The unused blast furnace gas is redirected into power generation.



Reduction in energy consumption¹ as a result of energy-saving initiatives (programmes) at NLMK Lipetsk, TJ [GRI 302-4]



¹ The impact of NLMK Group's energy efficiency programmes (excluding the impact of the investment projects implemented earlier) is evaluated in terms of equivalent units of purchased energy (natural gas and electricity) used to produce a given energy resource. Project efficiency is monitored for 12 months; actual savings are analyzed vs. a similar baseline period before implementation.

Motor fuel consumption

Motor fuel is covered by the Company's energy management system.

NLMK Group continuously pursues its goal to reduce fuel consumption and achieve technically feasible levels of specific fuel consumption for each category of transport.

Well-timed vehicle repairs and maintenance of fuel injection equipment, fewer idle runs, and engine shut-offs during stops of longer than five minutes enabled a reduction in fuel consumption:

by **319,000** litres

For rail transport (litres per machine hour):

- Stoilensky – 4.9%
- Dolomit – 2.2%
- Altai-Koks – 2.1%
- VIZ-Steel – 11.6%

For motor transport (litres per 100 km):

- Stagdok – 4.6%
- VIZ-Steel – 9.6%
- Vtorchermet – 1.3%

In 2024, the Company will focus on the following key areas:

- Engine cleaning (using hydrogen units) to reduce fuel consumption by up to 5%
- Driver performance ratings and adoption of ECO-driving principles to reduce fuel consumption by up to 10%
- Use of fuel additives to reduce fuel consumption by up to 5%

Consumer-side reduction of energy [GRI 302-5]

NLMK Group produces high-strength and wear-resistant steels that deliver metal structures of lower weight, thus leading to lower fuel and steel consumption and, ultimately, driving the transition to a low-carbon economy. The Company also produces steel plates that are used in construction of wind power installations, as well as premium grain-oriented steels that allow consumers to reduce specific magnetic losses in transformers by 5-15%.

Plans for 2024 and the medium term

Improving the energy efficiency of production is one of the key goals for the next strategic cycle. The main lines of action to boost energy efficiency in 2024 and the medium term include:

- Reducing specific energy consumption at production units; in the medium term — reaching the minimum technically feasible level of consumption
- Optimizing process charts for the production of energy resources
- Driving efficiency of various types of equipment (energy, compressors, pumps, and lighting)
- Developing and introducing innovative digital energy solutions
- Implementing investment projects for infrastructure development, technical upgrades/construction of facilities with improved energy efficiency performance

The Company will also continue to implement energy efficiency projects at its European sites, including those designed to ensure compliance with the EU Directive 2023/1791.

Environmental protection

Material topics

- Air emissions
- Water consumption and discharge
- Biodiversity
- Secondary raw materials

United Nations Global Compact principles

Principle 7. Businesses should support a precautionary approach to environmental challenges.

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

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

Contribution to Russia's national development objectives and federal initiatives

NLMK is a participant in the Ecology Federal Initiative.

Key events in 2023

- NLMK Group has achieved all its environmental goals within the completed strategic cycle
- The projects implemented under the Ecology Federal Initiative delivered effects at 2.5x the plan
- NLMK Lipetsk was the first industrial site in the Central Black Earth Region of Russia to have been granted the Comprehensive Environmental Permit (CEP)
- NLMK Group has adopted a Recycling Programme
- The Company has adopted a Comprehensive Programme for Gas Treatment Equipment Maintenance

Global Sustainable Development Goals



Key figures

30 projects under the Environmental Programme planned through to 2024 have been completed successfully

50% reduction of pollutants discharge into water bodies upon completion of the Strategy

32,000 tonnes reduction of gross emission by NLMK Group upon completion of the Strategy

10x reduction of water intake from the Voronezh River compared to 1980

14% reduction of specific dust emission upon completion of the Strategy

99% recycling rate of secondary resources

RUB 173 bn or \$2.6 bn, of invested in the environment over ten years



Environmental policy commitments

[GRI 3-3]

Environmental stewardship is a top priority for NLMK Group's activities — both on the part of the Board of Directors and the CEO (Chair of the Management Board) of the Company. The Group's CEO and Board of Directors review its environmental performance on an annual basis. The Strategic Planning Committee under the Board of Directors studies risks related to sustainable development, including those related to the environment, and approves the Environmental Programme, which is updated regularly if new risks are identified, and investments in environmental protection projects. [GRI 2-12]

NLMK Group's Policy on the Integrated Management System (IMS) is the Company's foundational document in environmental protection. The policy reflects NLMK's responsible and rational approach to environmental protection management. Recognizing the right of future generations to enjoy a healthy environment, the Group objectively assesses environmental risks and is committed to minimizing them. It allocates significant resources to various environmental programmes and the implementation of innovative technologies. [GRI 2-24]

NLMK takes a comprehensive approach to environmental management by focusing on:

- reducing air emissions
- maximum possible reuse and processing of waste
- conservation of water resources and biodiversity
- rehabilitation of contaminated land

In 2023, as had been the case previously as well in its relationships with local citizens in the cities of operation, the Company did not encounter any significant differences on the issues of environment. The Company takes reduction of its environmental impacts very seriously and makes regular communications to local citizens about NLMK's projects in environmental protection and their results as part of the Green City Programme. Additionally, the Company operates an environmental hotline: NLMK carefully considers the environmental information from stakeholders received via the hotline and takes timely action in response.

The year 2023 was marked by a significant change in the Group's organizational composition following the divestment of NLMK Long. In order to maintain comparable reflection of environmental metrics against the scope of the original targets, actual environmental performance was adjusted to match the underlying structure of the Group's assets at the beginning of the strategy cycle, i.e., inclusive of NLMK Long. Other data and actual performance values that are not part of the strategic efforts do not reflect the performance of NLMK Long.

Awards

- NLMK Group won in the *Environmental Responsibility* category of the national contest *Russian Business Leaders: Dynamism, Responsibility, Sustainability*
- NLMK won the 5th national competition *Reliable Partner in the Environment in the Best Project for Ecology and Resource Management* category
- NLMK Group received a silver medal from the Metal-Expo 2023 for its video analytics in emission monitoring of controlled substances, a digital service
- NLMK's video analytics for environmental monitoring of coke-oven batteries won in the *Digital Projects and Environment* category of the contest of effective digital projects in mining under the Mining Industry 4.0 International Competition
- NLMK Group took part in the *Green Spring 2023* competition
- NLMK's project for development and implementation of the Environment Information System received first place at the 7th international competition of best automation and accounting projects, *IC: Project of the Year*, in the *Steelmaking Industry and Metal Fabrication* category

Strategic goals and key performance indicators

In implementing its environmental programme aimed at reducing the footprint NLMK Group focuses on the introduction of the best available techniques (BATs). The Environmental Programme within the recently completed strategic cycle of NLMK Group has successfully achieved all of its environmental goals¹:

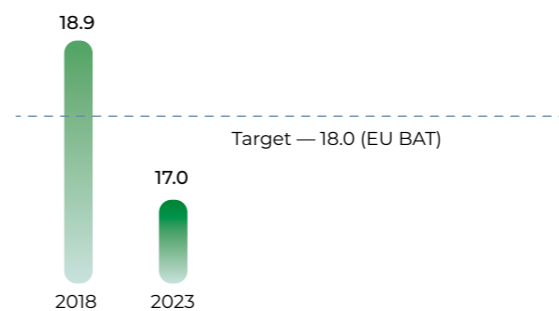
- Reduction of specific atmospheric emissions down to the level of EU Best Available Techniques

- Reduction of impacts on water resources — decrease of pollutant discharge into water bodies by 25% (actual result is 50%)
- Increase of the share of secondary raw materials utilization to 92% (actual result is 96%), including of iron-bearing recyclables up to 100%

An additional target was set for the Group's Russian companies for specific emissions of class 1 substances. Set at 0.07 g/tonne of steel, the target was achieved in 2021 and maintained sustainably since.

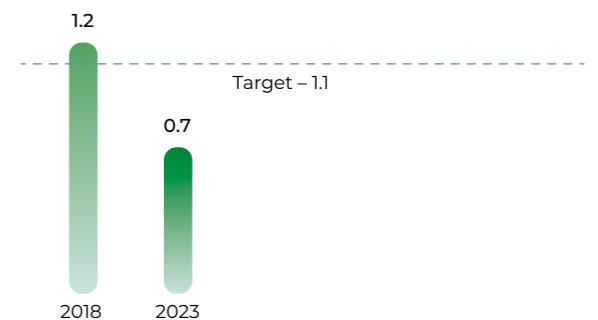
NLMK Group's specific emission reduction target (EU BAT) achieved

Reduction of specific emission NLMK Group, kg/t of steel¹

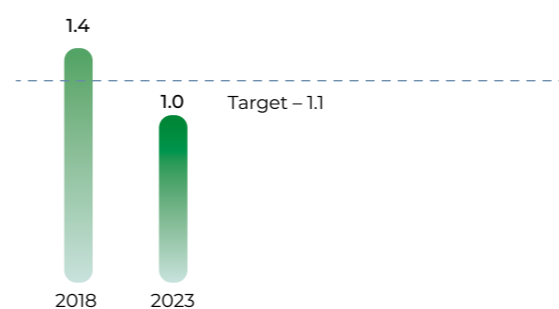


Target reduction of individual substances specific emissions achieved

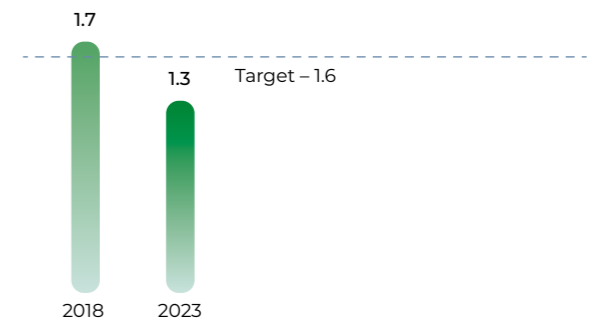
NO_x (NLMK Lipetsk) kg/t of steel¹



Dust (NLMK Lipetsk), kg/t of steel¹



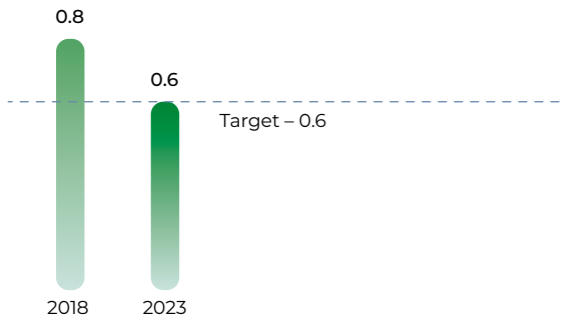
SO_x (NLMK Lipetsk), kg/t of steel¹



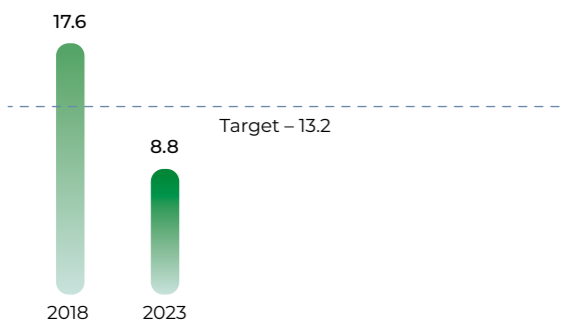
¹ In order to maintain comparable reflection of environmental metrics against the scope of the original targets, actual environmental performance was adjusted to match the underlying structure of the Group's assets at the beginning of the strategy cycle.

Target reduction of impact on water resources achieved

Specific municipal wastewater discharge (NLMK Lipetsk), *m³/t of steel²*

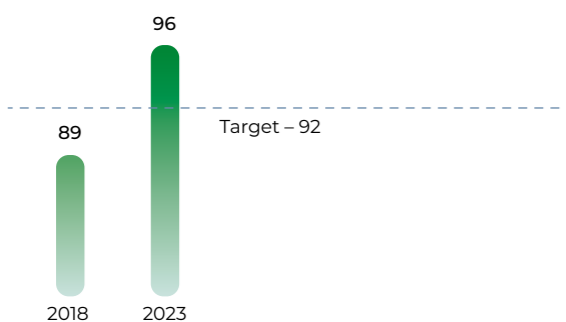


Pollutants discharge into water bodies, '000 t²



Target increase of the recycling rates¹ achieved

Waste recycling share, %²



¹ Excludes overburden and tailings. The indicator takes into account only materials classified as waste at the beginning of the strategic cycle. Further in the text, the indicator "recycling (99%)" takes into account all secondary raw materials, including by-products.
² In order to maintain comparable reflection of environmental metrics against the scope of the original targets, actual environmental performance was adjusted to match the underlying structure of the Group's assets at the beginning of the strategy cycle.

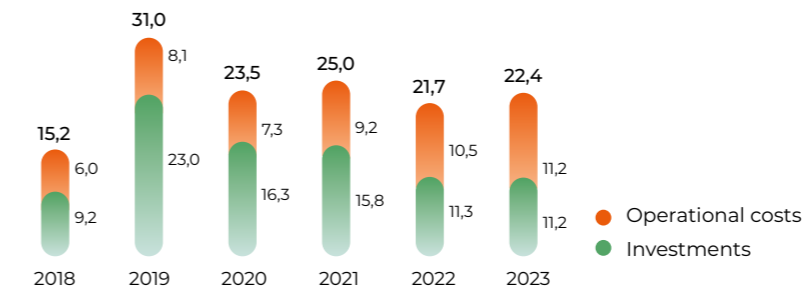
Investment in environmental protection

Each year NLMK Group commits significant resources to ensuring the accident-free operation of equipment and the implementation of investment projects that have an environmental impact.



RUB 22 bn
 or \$263 m, invested in environmental protection in 2023

NLMK Group spending on environmental protection, RUB bn

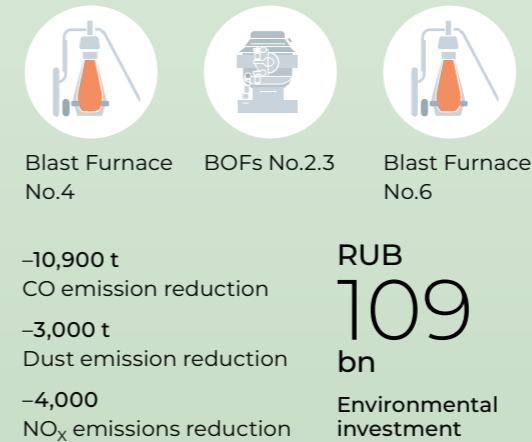


Clean Air Federal Initiative – targets overachieved

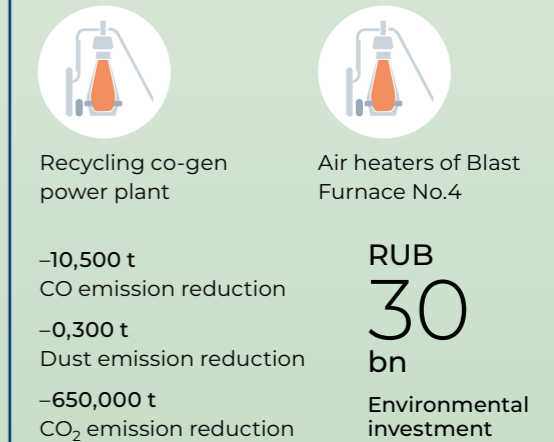
As part of a four-party agreement between NLMK, the Ministry of Natural Resources, Rospirodnadzor and the administration of the Lipetsk Region, the Company has already implemented seven out of nine projects planned until 2024. Projects are underway to reduce generation of controlled substances as part of the emission allowance pilot. They aim to implement the Ecology Federal Project.

- The projects make use of the best available techniques.
- The planned reduction of gross emissions due to the implemented projects was **8,000 tonnes**, while the actual achieved reductions in 2019–2023 is **2.5 times above** the target.

Projects 2019–2023



Projects 2024–2026



RUB 127 bn
 or >\$2.4 bn, invested in environmental projects since 2000

Over this period, specific air emission of NLMK Group has gone down from 43.3 kg/t of steel to 17.0 kg/t of steel, or a 2.5-fold reduction. Overall, alongside a two-times increase in production, the cumulative impact on the environment was reduced by 61% and **complies with the BAT**.

Environmental monitoring system

NLMK Group conducts continuous monitoring at its sites and in the cities of operation. In 2023, the Company relied on in-house and contracted certified labs to take over 4.5 million measurements of air quality, and around 80,000 measurements of water and soil conditions.

[GRI 2-24] [GRI 2-25]

For example, it has deployed more than 950 metering stations in Lipetsk: at source, at the sanitary-protection zone (SPZ) boundaries and in the city. The measurements are made by the NLMK Lipetsk own lab, a third-party lab reporting to Rosprirodnadzor, automated monitoring sensors, and stationary detection stations of the Russian Meteorological Service.



~9
measurements

per minute to assess NLMK's impact in 2023

At-source monitoring

New data to enable environmental monitoring

The Group's flagship site, NLMK Lipetsk, has its main emission sources outfitted with control sensors. Their concentration readings are fed into an IT system, which covers 76% of the site's emissions with real-time monitoring. These data are analyzed against control charts. The Environmental Service is tracking the real-time values of dust, hydrogen sulphide, nitrogen concentrations as well as other substances. In case a threshold is exceeded, the experts can address the deviations promptly, identify the root causes, and take systemic action to eliminate and prevent them.

The annual average concentration of hydrogen sulphide in the city of Lipetsk reduced by two times, which is much lower than the official regulatory requirement.

NLMK Lipetsk has achieved these hydrogen sulphide reductions due to a revamp of the BF-6 slag granulation plant, aggregation of coke oven gas recovery flows, and introduction of new slag processing techniques that prevent emission of hydrogen sulphide. Over the recent five years, the Company has invested more than RUB 10 billion into the projects that reduce hydrogen sulphide emissions.

Furthermore, NLMK Lipetsk deployed specialized equipment on site and on an area 7 kilometres around it – the Meteorological Conditions Monitoring System (Weather Station) – in order to keep track of changes in temperature and wind speed. This system provides tracking and

forecasting of pollutant accumulation in space and time depending on wind parameters, time of day and season, as well as the site's own emission. The plan for 2024 is to leverage the observation of these patterns to develop a mathematical model with an increased accuracy of pollutant dissemination calculations.

Evolution of machine vision

In 2023, NLMK Lipetsk continued the deployment of a machine vision-based system for visible emission analysis. The purpose of the system is to identify any non-typical atmospheric emissions, determine their source, and initiate timely response.

The system's in-depth analytics can map emissions onto shop processes, identify the causes and eliminate them on the production level.

The machine vision project at the Coke and Chemical Plant has provided statistical data to analyze coking battery door wear and improve the quality of equipment maintenance significantly. It led to a reduction of gassing from doors by almost 80%.

All coke-oven doors now have dedicated cameras for video analytics. Machine vision helped identify problematic areas where response measures have delivered a reduction of visible emission events by 20% year-on-year.

Automated emission control system at Stoilensky

In 2022, NLMK Group completed the installation of an automated emission control system at main sources. The system ensures monitoring and control over 85% of the site's emissions.

It is planned in 2024 to design a system for monitoring of dusting along major conveyors in the medium and fine crushing facilities. This will enable analysis of dedusting parameters, development of appropriate technical solutions for efficiency improvement, monitoring of operation of the system for maintenance, planning action to reduce OPEX.

Monitoring on the sanitary protection zone boundaries and in the city

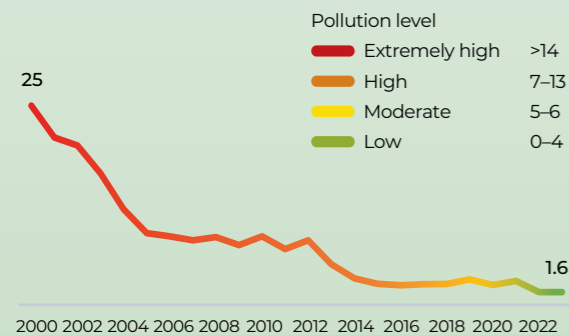
The Company regularly publishes environmental monitoring data on the main controlled substances (carbon monoxide, hydrogen sulphide, sulphur dioxide and nitrogen dioxide) in the air of Lipetsk. It makes available [a map](#) that shows the indicators of average

monthly values in MPC shares both from the posts of Russia's Federal Service for Hydrometeorology and Environmental Monitoring (Roshydromet) and from 12 additional control points on the border of the sanitary protection zone of the plant and in the city.

The city of Lipetsk, which is home to NLMK Group's largest asset, has been officially recognized as the cleanest steelmaking city in Russia for nine years now, according to data from Roshydromet. Thanks to environmental protection measures, the Integrated Air Pollution Index (IAP) in the city of Lipetsk fell by a factor of more than 10 between 2000 and 2023, and has remained sustainably low.

The index accounts for local specifics and factors in five components with the highest concentrations, where hazardous substances are given a larger weight. The weighted substances for Lipetsk are benz(a)pyrene, carbon monoxide, nitrogen dioxide, formaldehyde.

Air quality in Lipetsk



New monitoring system at Altai-Koks

Altai-Koks deployed a new air monitoring system, both on-site and in the city. The system operates with real-time data on key pollutants and weather parameters. Proprietary software provides dissemination calculations at the control points, manages pollution accumulation statistics, and run forward-looking analytics. The software suite integrates also the Russian and international methodologies for air pollution indices.

Noise pollution monitoring

The main noise pollution source on the boundaries of the sanitary protection zone (SPZ) of NLMK sites is operational equipment. Noise impacts are a significant factor at NLMK Lipetsk and Stary Oskol as well as some European sites, including NLMK DanSteel, NLMK La Louvière, NLMK Clabecq, that are situated close to residential areas. Noise pollution by other sites is not as critical, since it is lower in the first place and further removed from residential areas. NLMK's mining operations focus on reduction of noise from blasting.

- The site implemented the following actions in order to reduce its noise impacts:
- Sound alarm intensity and duration were reduced from 10 to 3 minutes as well as the sound alerts from open pit equipment (sound limiters installed at all sources)
 - Detonator cords were phased out as the main noise source during blasts
 - Total amount of explosives was limited within one major blasting event (a two-time reduction from 20 to 10 tonnes)
 - Open pit operations are no longer executed at night-time, from 11 p.m. to 7 a.m.; front loaders are used instead of excavators for tailings

NLMK Lipetsk

The Environmental Laboratory of NLMK Lipetsk carries out annual measurement of noise at the boundaries of its sanitary protection zone. There were no noise level violations in 2023.

In 2022–2023, the Refractory Shop at NLMK Lipetsk installed noise barriers that have reduced the noise impact by 15%. Immediate short-term plans include several more investment projects to further decrease the noise pollution by 10%.

Following requests by the residents of Vvedenka Village, a round-the-clock monitoring system was deployed for noise and seismic effects of blasting at the pit and at the SPZ boundary. Continuous monitoring has confirmed that there were no noise level violations

📍 Blasting data are available at the official [website of Stagdok](#)

Stoilensky

A certified laboratory conducts noise monitoring at eight locations along the sanitary protection zone boundary.

Alongside the operational equipment, major sources of noise include blasting, which is done once every three weeks and lasts for less than one minute. There are no noise-related violations either during normal operation, no at times of blasting.

In 2024, it is planned to procure additional equipment for round-the-clock monitoring of noise, sound pressure and vibrations. These data will be used in forecasting models.

NLMK Europe

Noise pollution by operating equipment at NLMK DanSteel, NLMK La Louvière, NLMK Clabecq is a significant environmental parameter. The sites have imposed a ban on noisy work at night to decrease the impacts. Furthermore, the sites introduced an official requirement that all production building doors be closed during operation.

NLMK DanSteel implemented actions to adapt scrap reloading operations, replaced trucks with quieter alternative models, installed a new, quieter cooling tower at its effluent treatment facility, eliminated noise from torch cutter filters and fans.

Stagdok

The main noise sources at the boundary of the site's sanitary protection zone (SPZ) are noise from production operations and blasting as well.

Stagdok Technical Monitoring Lab conducts measurements of noise on the SPZ boundary during each blasting event. A contracted certified laboratory measures the noise levels once every week too.

NLMK La Louvière implemented a set of measures to reduce acoustic noise at the facilities closest to the residential areas: stand ventilation grills received noise dampers, screens and additional doors were installed in the compressor room, boiler room and at other equipment, pumps and cooling towers were replaced, and dry coolers were introduced. Noise emission by the sources was reduced by 10–30 dBA.

Atmospheric air protection

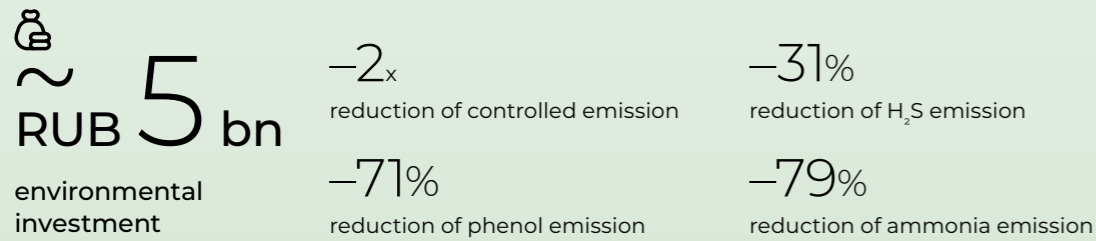
[GRI 3-3]

NLMK Group makes considerable efforts to reduce air emissions. The Company's spend on air protection amounts to more than 50% of its environmental expenditure. Investments aimed at reduction of air emissions at the flagship site NLMK Lipetsk accounts

for 70% of its environmental CAPEX. The targets set for reduction of specific emissions during the completed strategic cycle were achieved by the Company and exceeded by 6 p.p.

Main air emission projects within the completed strategic cycle

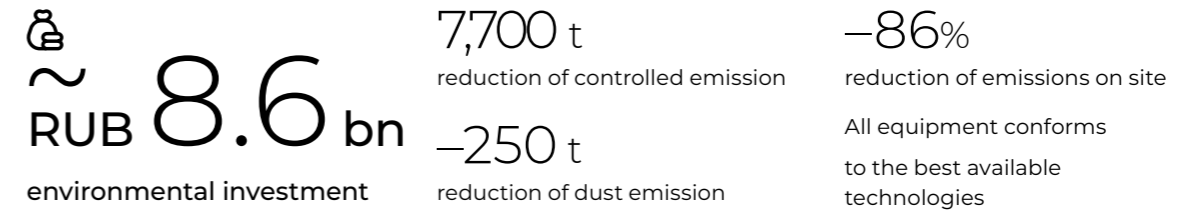
Chemical product capture complex



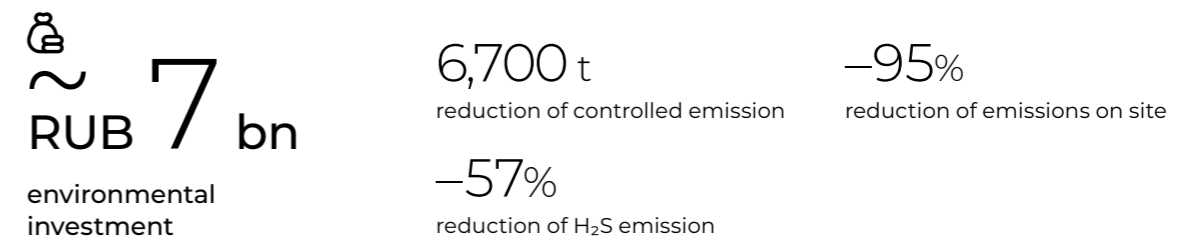
Integrated chemical products capture complex



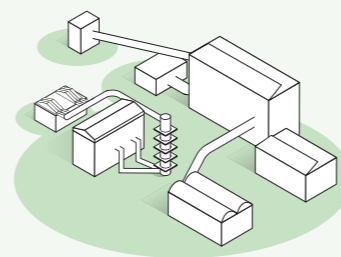
Blast Furnace No.4 revamping



Blast Furnace No.6 revamping

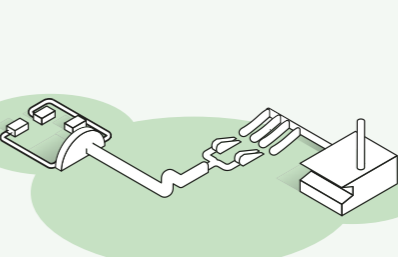


Bunker overpass dedusting complex



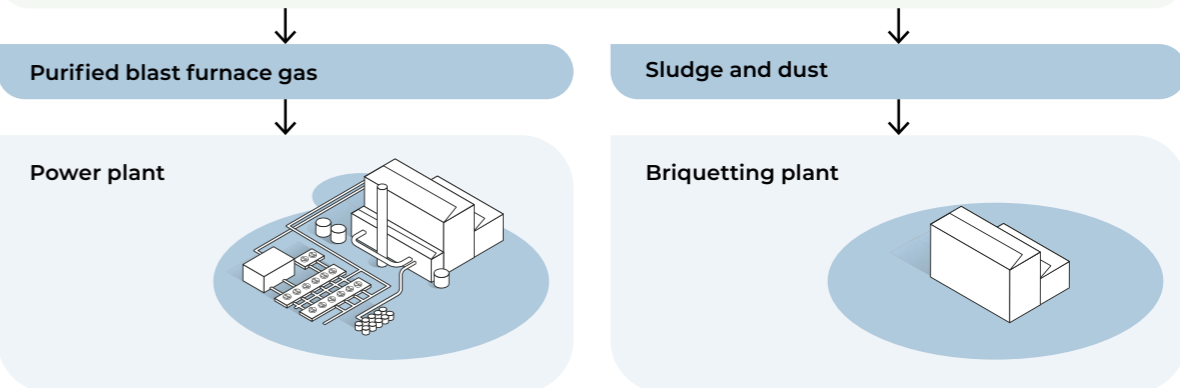
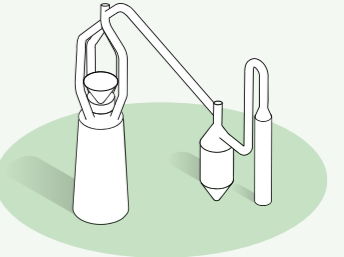
< 5 mg/m³ (BAT)
At stack dust emissions

Blast furnace gas purification complex



< 20 mg/m³ (BAT)
At stack CO emissions

Casthouse dedusting complex



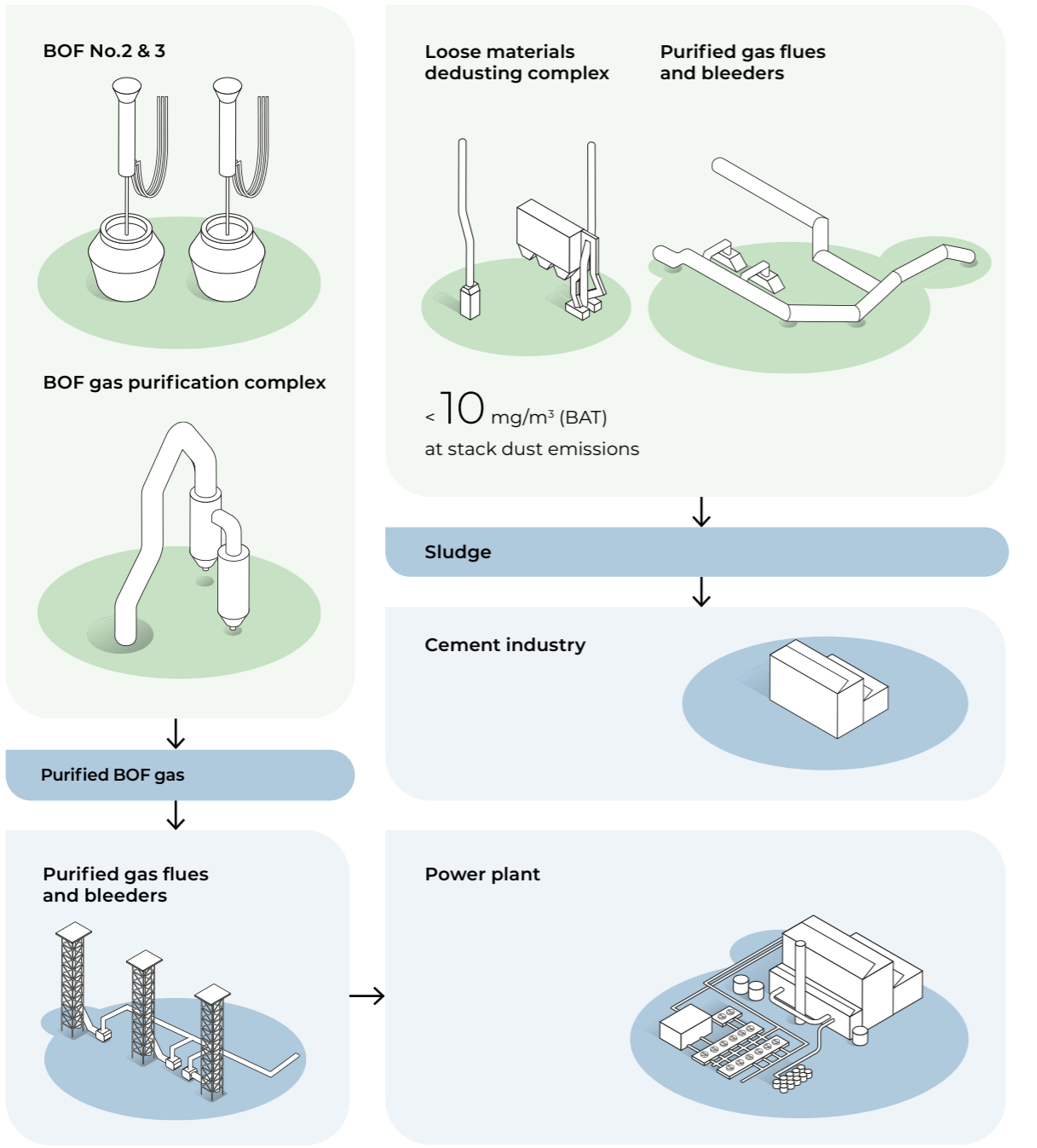
BOF No.2 & 3 revamping

~ RUB 26.2 bn
environmental investment

Up to 99%
dust is captured
by dedusting systems

600 t
Reduction of CO
emission

1,000 t
Reduction of dust emission



BOF Shop No.1 mixer section

~ RUB 650 m
environmental investment

100 t
reduction of dust emission
Visible emission eliminated
on site

100%
captured dust is utilized
in production

Dust and gas emission
aspiration system:

- 2 sources — hot iron pouring in the mixers
- 2 sources — hot iron pouring from the mixers
- 2 sources — hot iron pouring between ladles



Stoilensky beneficiation plant
dedusting upgrade

~ RUB 700 m
environmental investment

13
Gas purification plants
built and/or upgraded

2x
reduction of dust emission

1,500 t
reduction of dust emission



Implemented operational improvements

A set of measures at the coke & chemical plant (CCP)

- Reduction of unorganized emissions from CCP sources
- **28 t** reduction of gross emissions

Vacuum dust removal machines

- **250 t of dust** removed from roads over the season
- **360,000 m²** – the total area of cleaned roads over the season

Mobile dust suppression systems

- **90%** dusting avoided
- **35 ha** of treated area
- Reducing dust emissions by **40 t/year**
- **47 warehouses** of bulk materials treated

Reduced dusting at the tailings storage facility

- **134 ha** of dry beaches treated with a binder solution
- **-70%** reduction of TSF dusting
- **6x** reduction of dust concentration



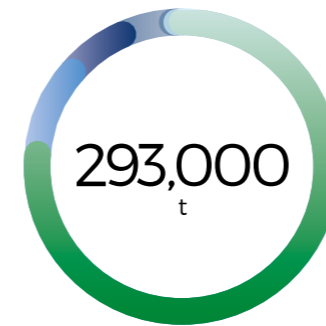
NLMK Group's gross emission of non-controlled substances in 2023 decreased by 32,000 tonnes, or 10%, vs. the 2018 baseline. Specific emissions were reduced by 3 kg/t of steel¹

76% of NLMK Group's emissions consist of carbon monoxide, a low-hazard substance of hazard class IV, which is not regulated as a harmful substance in many countries. It cannot harm human health, since it comes from high pipes, lighter than air, and is dispersed without forming high concentrations in the surface layers of the atmosphere.

At the same time, substances of hazard classes I-II account for only 0.2% of the Group's gross emissions.

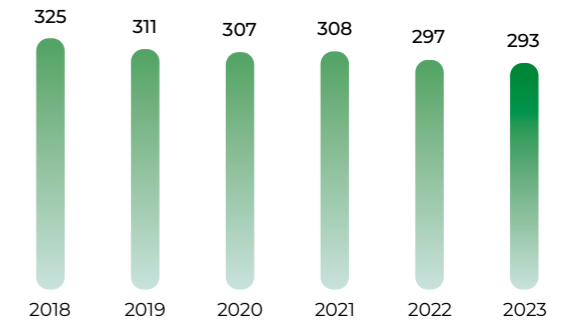
¹ Hereinafter, the reporting of past years has been adjusted to reflect the changes in the asset structure of the Group (excludes NLMK Long, which was divested in 2023).

NLMK Group's emissions by hazard class, %



- Carbon monoxide, class IV 76 I – extremely high hazard
- Nitrogen oxides, class III 10 II – high hazard
- Sulphur oxide, class III 7.0 III – medium hazard
- Dust, class III 6.0 IV – low hazard
- Other substances, class III-IV 0.2
- Other substances, class I-II 0.2

NLMK Group emission, '000 t [GRI 305-7]



Volume of significant emissions by NLMK Group by controlled substance type¹ [GRI 305-7]

Indicator	2018	2019	2020	2021	2022	2023
Total, '000 t	324.5	310.8	307.3	307.7	297.5	293.0
• per unit of production, kg/t ²	22.9	24.1	23.5	21.5	21.8	19.9
NO _x , '000 t	26.3	25.3	25.2	25.3	25.8	19.4
• per unit of production, kg/t ²	1.9	2.0	1.9	1.8	1.9	1.3
SO ₂ , '000 t	31.2	29.1	30.5	30.1	29.7	29.8
• per unit of production, kg/t ²	2.2	2.3	2.3	2.1	2.2	2.0
Dust emissions, '000 t	23.8	22.0	22.4	20.1	19.6	18.8
• per unit of production, kg/t ²	1.7	1.7	1.7	1.4	1.4	1.3
CO emissions, '000 t	239.9	231.1	226.1	229.3	219.1	223.8
• per unit of production, kg/t ²	16.9	17.9	17.3	16.0	16.0	15.2
Volatile organic compounds, '000 t	2.7	2.8	2.6	2.5	2.8	0.6
Hazard class I substances ³ , t	1.3	1.2	1.2	1.1	1.1	1.0
• per unit of production, kg/t ²	0.09	0.10	0.09	0.08	0.08	0.07
Hazard class II substances ³ , t	483	460	426	412	553	535
• per unit of production, kg/t ²	0.04	0.04	0.04	0.03	0.04	0.04

¹ The Company does not report separately persistent organic pollutants because most of them are not regulated in Russia.

² Specific indicators of existing emission of controlled substances for NLMK Group are based on production output of NLMK Group including its Europe output over the applicable reporting period. Data on emission of controlled substances are collected at all Group companies where emission is a relevant environmental aspect. Group-level emission indicators are calculated as a sum of individual enterprise emissions as disclosed in statutory reports to supervisory authorities.

³ For the Russian sites of NLMK Group only, since the emission hazard classes are specified only in the environmental legislation of the Russian Federation, and this information is not collected for international companies of the Group.

Gas purification plants competence centre

400 aspiration systems
at NLMK Lipetsk

5 mg/m³
all equipment conforms to the best available technologies

99.9%
purification efficiency

17,000 bag filters
replaced in 2023

- Purification systems technical condition was assessed
- Root causes impacting the **efficiency of purification systems** identified
- Measures ensuring **target performance** implemented
- **Standard** for design, procurement, construction, use and repair of gas purification equipment developed
- The Company's employees and contractors are being **trained**

Future emission reduction projects

NLMK Group adopted an Environmental Programme in 2021. Emission reduction projects remain a focus for the management and will continue to receive a large portion of environmental investment. Major future projects to reduce air emissions include new dedusting and desulphurization systems for the Sinter Plant, revamp of dedusting at coking operations of NLMK Lipetsk, and installation of a dust-free coke discharge unit in Zarinsk. The projects aim to reduce emission of dust, carbon monoxide, hydrogen sulphide, and sulphur oxides.

Under the auspices of the Ecology Federal Initiative, the Company will continue to take action for reduction of its emissions within allowances. The expected emission reduction is several dozen thousand tonnes. Operational improvements within coke and chemical operations will continue in 2024, aiming to reduce emissions of benz(a) pyrene and phenol.

The Company will further pursue its dedusting repair programme, launched in 2023. The sites' operational budgets now include specially earmarked funds for repair of dedusting systems, which helps maintain

effectiveness of the treatment facilities and prevents equipment failures. Completion of commissioning of the Ladle Furnace Unit No.3 at BOF Shop No.2 of NLMK Lipetsk is due in 2024. The unit is equipped with a gas treatment installation, rated at 252,000 Nm³/h, in order to ensure compliance with acceptable workplace dust levels. Bag filters are used to clean gas to a residual dust content under 5 mg/Nm³, which is in line with BAT levels. Cleaning effectiveness is 99.7%.

Stoilensky plans to carry out repairs of electrical filters at its Pelletizing Plant. Emission by the Pelletizing Plant accounts for 95% of the site's total, which makes dedusting at the PP a major focus of attention, including a schedule of regular repairs. The plan for the next stage is to develop a more effective and efficient procedure for maintenance and repair of its dedusting facilities.

Altai-Koks will continue operational improvements aimed at shortening the opening times of coke-oven doors. Previous measures have already reduced visible emissions considerably. Further evolution of this project will include deployment of machine vision to enable real-time control and reduction of gas emission from oven doors.

Water resources

NLMK Group seeks to eliminate all impacts on water resources through complete cessation of industrial effluent discharge and through reuse of water resources.

A major role in this effort is given to implementation of closed-loop water systems at Group sites.

The regions where the Group operates enjoy a high availability of water resources¹. The Group has no operations in water-stressed areas².

Water-related risks in NLMK's focus

The assessment of climate risks relies, among other things, on an analysis of water availability risks in terms of potential shortages and risks of flooding or drought.

Water scarcity risk

Forecasts beyond 2025 potentially put the sites in Zarinsk, Farrell, Clabecq, Lipetsk and Sary Oskol at risk of water scarcity, which, however, should not have a major impact on their operations. In total, water availability risks were found to account for less than 1% of the overall estimated value at stake in case climate risks materialize. In 2023, there was no conflict of interest with stakeholders associated with the risk of water shortages.

Flood risk

No flood risks have been observed for a long period of time in the regions where NLMK Group operates. The latest flood event was reported in the region in June 2016; however, there was no disruption to operations at NLMK Lipetsk due to mitigation measures in place at the site (sedimentation ponds and shop floor water pumps).

Drought risk

The risk of drought was also analyzed for the Lipetsk Region. The region did experience this natural phenomenon in the past, but it did not have a significant impact on the operation of NLMK Lipetsk. The assessment of NLMK's Lipetsk operations during historic droughts supports the conclusion that vulnerability at the site to droughts is low.

Priority focus on water reuse and recycling [GRI 2-25][GRI 3-3][GRI 303-1]

In order to reduce their negative impact on water resources, the majority of NLMK Group's companies are equipped with water recycling systems, which also mitigates the Group's water-related risks.

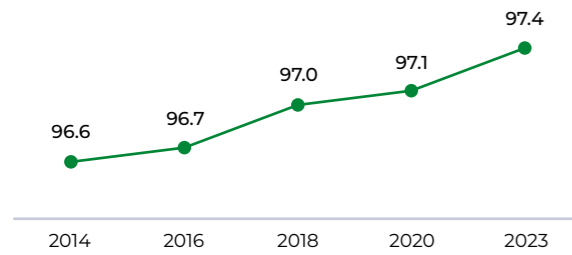
Closed-loop water systems have been put in place at all main sites of NLMK Group. These solutions include both local systems for individual facilities and entirely

self-contained subsidiary-wide systems. This helps to reduce water withdrawal and effluent discharge into surface water bodies. The share of recycled water supply at NLMK Group remains at a consistently high level, where over 97% of water gets reused. At 3.2 billion m³ of water, this is comparable to the volume five Suez Canals, except that this water is not only not withdrawn from the environment but is also recycled numerous times following on-site treatment. The remaining 2.5% is evaporation, which is made up with new intakes.

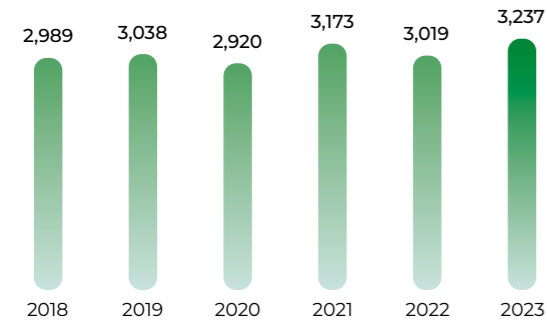
¹ Source: State Report on the Condition and Use of Water Resources in the Russian Federation, http://www.mnr.gov.ru/docs/gosudarstvennye_doklady/.

² According to the UN methodology, a region or a country is considered to be water-scarce if its annual water supply is below 1.7 thousand m³ per person.

Share of recycled water in NLMK Group's total water consumption, %



Volume of recycled water at NLMK Group companies, m m³

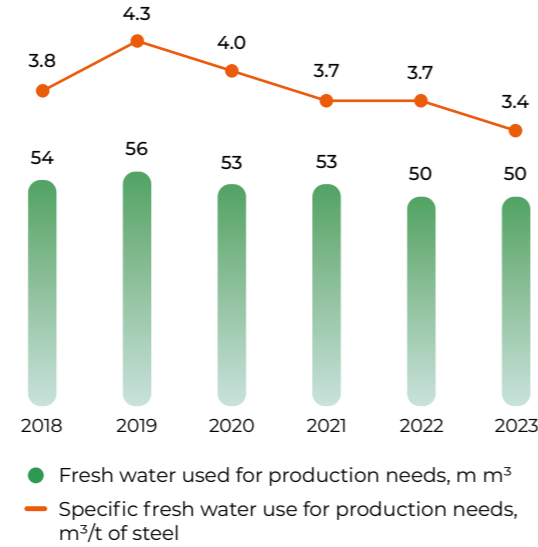


The Company seeks to reduce its consumption of potable water as well. Over the past five years, it went down 24%, from 10.4 to 7.9 million m³, to a set of measures that eliminated leakages and promoted the culture of efficient and aware water use under the Green Office Programme.

Water consumption

The Company withdraws fresh water from the environment only to make up for the evaporation in the closed-loop water systems. The Group companies do not receive water from wetlands included on the Ramsar List of Wetlands of International Importance or from water bodies located within environmental conservation sites. All intake is fresh water (mineral content is less than 1 g/l). The activities aimed at prevention of discharge and water recycling support a sustained downward trend in fresh water consumption. [GRI 303-3]

Fresh water used for production needs by NLMK Group [GRI 303-3]



The volume of fresh water use for production needs by NLMK Group companies in 2022–2023 was the lowest over the past 10 years

Fresh water intake by NLMK Group, by source and region, and use of withdrawn water, m m³ [GRI 303-3] [GRI 303-5]

Indicator	2018	2019	2020	2021	2022	2023
Water use, total, including	64.0	66.0	60.3	60.6	58.1	58.1
• for production needs	54.3	55.6	52.9	52.9	50.2	50.2
• for household needs	9.8	10.4	7.4	7.7	7.9	7.9
Specific water consumption for production needs, m³/t of steel	3.8	4.3	4.0	3.7	3.7	3.4
• Share of used water, % of water withdrawal (intake)	48%	49%	48%	46%	45%	44%
• Unused water ¹	72.3	70.3	67.9	71.7	73.4	71.6
Fresh water withdrawal (intake) by NLMK Group, including	134.6	134.8	126.8	130.9	130.1	132.3
• Russian companies	99.9	99.0	94.2	97.1	98.0	101.5
• international companies	34.7	35.8	32.7	33.8	32.1	30.7
Industrial water	116.1	116.7	109.5	112.1	111.3	112.8
• Surface water, including	59.6	61.0	57.7	59.2	55.9	53.7
– Russian companies	27.8	28.2	27.6	27.9	26.2	25.5
– international companies	31.8	32.8	30.1	31.2	29.9	28.2
• Groundwater, including	56.5	55.6	51.7	52.9	55.3	59.1
– Russian companies	54.2	53.2	49.7	50.9	53.6	57.0
– international companies	2.3	2.4	2.0	2.0	1.7	2.0
• Rainwater collected and stored by the Group, including	0	0	0	0	0	0
– Russian companies	not measured	not measured	not measured	not measured	not measured	not measured
– international companies	0	0	0	0	0	0
Potable water	18.5	18.1	17.4	18.8	18.9	19.4
• Surface water	0	0	0	0	0	0
• Groundwater, including	17.8	17.5	16.9	18.3	18.5	19.1
– Russian companies	17.5	17.2	16.6	18.0	18.2	18.8
– international companies	0.3	0.3	0.3	0.3	0.3	0.3
• Municipal water, including	0.6	0.5	0.4	0.5	0.4	0.3
– Russian companies	0.4	0.3	0.2	0.3	0.2	0.2
– international companies	0.2	0.2	0.2	0.2	0.2	0.2
Urban wastewater converted for treatment	1.7	1.5	1.4	1.4	1.4	1.4
Water consumption ²	40.0	43.7	41.4	40.9	42.8	46.3
Specific consumptive water use, m ³ /t of steel	2.8	3.4	3.2	2.9	3.1	3.1
Recycled water supply	2,989	3,038	2,920	3,173	3,019	3,237
Recycled water in the total water consumption, %	96.9%	97.0%	97.1%	97.3%	97.1%	97.4%

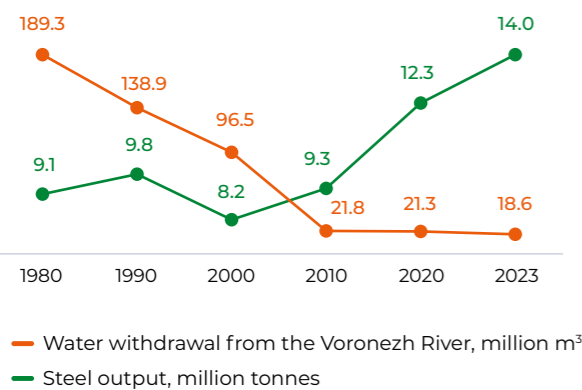
¹ Unused water is the water returned with an unchanged composition compared to intake: drainage water from the mines that is discharged without being used in the production process, as well as direct-flow water used for non-contact cooling of production units, lost water and third-party water. This water is not consumed in the production process and is not polluted.

² The difference between water intake, water returned without use, and water discharge off-site. The indicator calculation has been revised vs. the 2021 report: the new calculation excludes drainage water from Stoilensky pit moved to the tailings pond without prior use as it is returned unchanged into the natural water cycle.

10x

reduction in fresh water intake by NLMK Lipetsk from the Voronezh River since 1980 (from 189.3 to 18.6 m³)

Fresh water withdrawal from the Voronezh River vs. steel output by NLMK Lipetsk [GRI 303-3]



Water discharge

[GRI 303-2] [GRI 303-4] [GRI 3-3]

The Group's companies are focused on reducing the volume and improving the quality of wastewater generated. The Company's Environmental Programme sets the goal of reducing the discharge of pollutants with wastewater into water bodies by 25% compared to 2018. In 2023, compared to 2018, the pollutants discharge was reduced by 50% already. This result was already significantly above the original target. Going forward, NLMK Group seeks to bring industrial effluent discharge by its Russian companies to zero.

Each Group company makes use of water purification and treatment technologies that ensure the quality

of effluents as well as water used for industrial and household purposes meets the standards set by applicable regulations. There is no discharge of untreated water. The trend of the total mineral content in effluents shows an improvement in the quality of wastewater. From 2018 to 2023, total mineral content decreased 37%, or from 0.35 to 0.22 g/l.

Compliance with water discharge regulations is subject to regular monitoring by supervisory bodies as well as the Company's internal environmental service.

Measurements are regularly carried out in accordance with permits by accredited laboratories at all discharge points. The water level in NLMK's settling ponds and the tailing pond of Stoilensky is also monitored to eliminate the possibility of spills and unauthorized water discharges. There were no cases of water level approaching critical levels in 2023.

The Group's international companies mainly discharge water that is used for cooling equipment in once-through systems (unlike the closed-loop systems at the Russian sites). This water does not get polluted in use and is returned into water bodies in the same conditions as it was withdrawn, without disrupting the natural state of the environment.

The Group's flagship site NLMK Lipetsk has not made direct industrial effluent discharges into the Voronezh River since 2009. Furthermore, it pursues sustained efforts to reduce discharge of household effluents as well. At the end of 2023, compared to 2018, the volume of effluent discharge reduced by 7.5 m³ (29%). The methodology for calculating the flow of pollutants is disclosed in the Appendices to the Report.

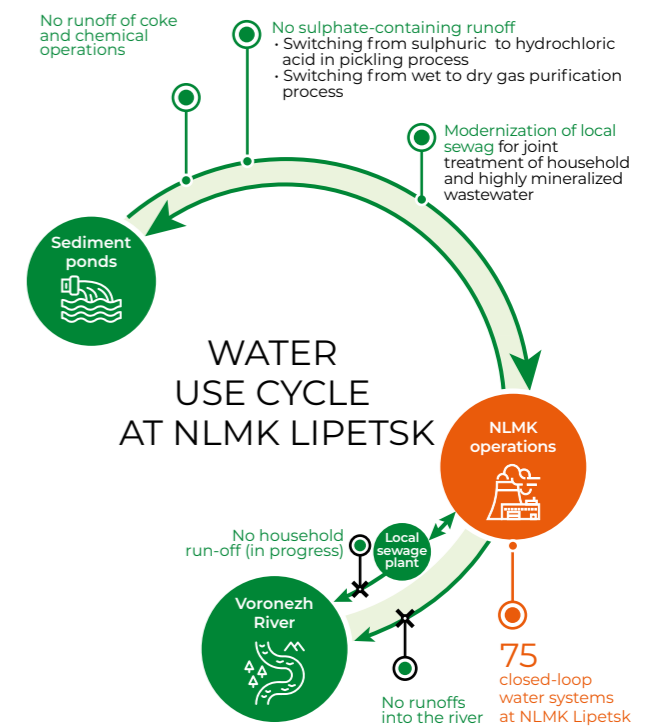
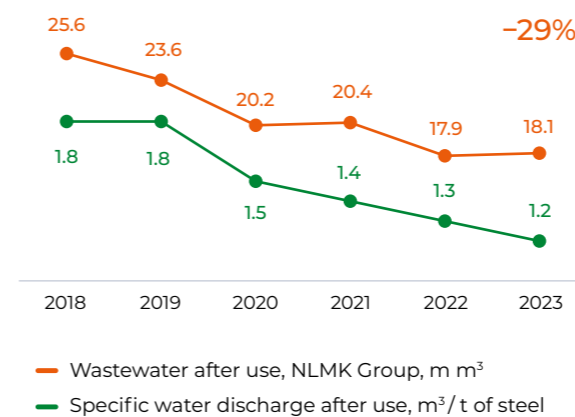
by 8,700 tonnes ^{-50%}

pollutants discharge into the water bodies vs. 2018

Total volume of water discharge by type, quality, and receiving water body, m³ [GRI 303-4]

Indicator	2018	2019	2020	2021	2022	2023
Total used water discharge by NLMK Group ¹ , including	25.6	23.6	20.2	20.4	17.9	18.1
• NLMK Lipetsk, household effluents	8.6	7.3	6.7	6.0	6.2	6.4
• Stoilensky	7.6	6.5	4.9	6.4	3.0	3.6
• Other Russian companies	1.2	1.0	0.9	0.9	0.8	0.9
• International companies	8.2	8.8	7.7	7.1	7.9	7.2
Specific water discharge ¹ after use, m ³ / t of steel	1.8	1.8	1.5	1.4	1.3	1.2
Total water discharge², NLMK Group	50.0	48.6	42.9	45.5	41.3	40.5
to surface water (rivers, lakes, reservoirs and canals)	46.6	45.6	41.5	44.1	40.0	39.0
• including to seawater	0.3	0.3	0.3	0.3	0.7	1.0
Converted to third parties for treatment	1.8	1.6	1.4	1.4	1.2	1.4
Specific total water discharge ² , m ³ / t of steel	3.5	3.8	3.3	3.2	3.0	2.7
Water discharge as % of total water supply	2	2	1	1	1	1
Share of unused water (drainage water, rainwater, non-contact cooling, third-party effluents) in the total volume of water discharge, %	49	51	53	55	57	55
Pollutants discharge into water bodies with effluents, '000 t	17.5	15.3	12.5	11.8	7.7	8.8
Effluent mineralization ³ , g/l	0.35	0.31	0.29	0.26	0.19	0.22

Wastewater after use, m³ [GRI 303-4]



¹ Effluent mineralization is calculated as the ratio of pollutants' mass to effluent volume. The total mineral content in withdrawn water across all sites is less than 1 g/l.

¹ Industrial and household effluents.

² Including unused water (direct flow cooling water, third-party effluents, rainwater and drainage water). Water discharge volume does not include water collected and converted to third-party organizations / municipalities and the loss of withdrawn water during transportation. In 2023, the volume of such unused water totalled 9.9 m³.

³ Calculated as the ratio of pollutants' mass to effluent volume.

Water use projects completed in the recent strategic cycle

Closed-loop water systems

97.4%

share of recycled water supply

11

Production sites with closed-loop water systems

3.2 bn m³

of water circulates in closed-loop water systems

Implemented:

1. Reconstruction of NLMK Lipetsk wastewater treatment plants
2. NLMK Lipetsk saline effluents utilized for production purposes
3. Closing the water system at NLMK Kaluga
4. Closing the water system at NLMK Ural
5. In-depth study of closed-loop water system viability at VIZ-Steel
6. A project is being implemented to use treated household wastewater in the NLMK Lipetsk water supply system
7. Initiation of a project to divert mine drainage waters into the river at Stoilensky

Reconstruction of NLMK Lipetsk wastewater treatment plants

Improving the quality of household wastewater

Technical re-equipment of aerotanks

RUB 118.5 m
invested

Overhaul of secondary settling tanks

RUB 35 m
invested

Overhaul of sand traps

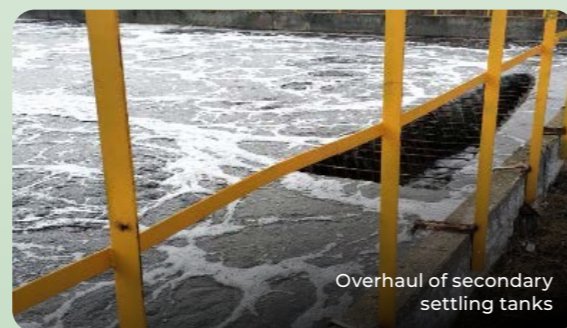
RUB 10.5 m
invested

Replacing old grilles

RUB 6 m
invested



Technical re-equipment of aerotanks



Overhaul of secondary settling tanks

Planned water stewardship projects

Complete elimination of effluent discharge at NLMK Group's Russian companies

In the coming two years, NLMK Lipetsk is to implement a project to recycle utility discharges from the site and the city for re-use in production following treatment. Effluent and rainwater discharge from NLMK Lipetsk into the Voronezh River has been eliminated since 2009. The new project will continue the advancement towards zero discharges. It will enable the replacement of river water in local water recycling systems and a self-sufficient water supply system from household effluents following treatment. As a result, consumption of river water will go down by 6.5 m m³ per year, the site's municipal discharge into the Voronezh River will be eliminated, and Lipetsk's municipal discharges will decrease by 18% through NLMK Lipetsk's current treatment capacity. The project investment will exceed RUB 700 million

improve its depth. The site will, thus, eliminate discharge of used water from production, return clean water into the environment, and pollutants discharge into the water body will decrease by 100–150 tonnes. In 2024, it is planned to launch construction and installation of water ducts and the drain shaft.

Stoilensky also plans in 2024 to carry out a review of its system for automated monitoring of effluents into the Chufichka River, which is the planned destination for mine drainage water that is not polluted in processing operations. The system will support timely tracking of changes in the chemical composition of ground water for adjustment of well operation as well as acquisition of data for calculation of an average indicator for the next reporting period and an objective assessment of impurities in the water.

VIZ Steel plans to completely eliminate discharges from the production site into the Iset River. Rearrangement of rainwater usage has been ongoing and the evaporator plant project to remove salts from water will be launched in 2024, which should reduce the concentration of dissolved and suspended matter in the recycling loop. Water after treatment will be reused.

In 2024, NLMK La Louvière will install an oil catcher at end-of-pipe near the river. This will reduce the risks of petroleum product contamination of the water body. Investment in the project will amount to EUR 1 million.

Overall, the effort to completely eliminate used-water discharges is a dedicated area in the upcoming strategic cycle

In 2023, Stoilensky's project to eliminate industrial effluents was submitted for state and environmental expert reviews. The project will separate drainage water flows pumped up from the mine, whereby clean water is isolated and fed directly into the Chufichka River near the site. This will make the river cleaner and

Recycling programme

[GRI 3-3] [GRI 306-1] [GRI 306-2]

As a vertically integrated steelmaking company, NLMK faces generation of mining by-products and metal production wastes. Mining waste accounts for 98% of the Group's total waste generation, but has a negligible impact on the environment being a non-harmful inert material in the form of the top soil level which is removed for mining. Out of the remaining secondary resources, 99% of the Company's waste and recyclables is recycled back into production, which prevents environmental impacts.

The Company has minimised generation of chemical waste:

- waste pickling liquors are recovered and reused
- recovery sludge is reused in sinter production
- acidic and alkaline materials used in lab tests or production processes are all neutralized, which prevents formation of liquid chemical waste that contains acidic and alkaline components
- zinc solutions that remain after production of galvanized steel are reprocessed into commodity zinc
- secondary resources generated during application of coatings are sold to recyclers

Handling of hazardous waste by the Group's companies is done in compliance with strict regulations and is being continuously controlled by supervisory authorities.

NLMK Group operates its own scrap collection and processing facilities that advance the circular economy vision. It recycles scrap, recovered dust, and sludges. Construction materials are made from such by-products as slag, chalk, sand, crushed concrete, etc.

Overall, 99.9% of waste generated by NLMK Group's Russian companies in 2023 is non-hazardous. Other types of waste are handed over to specialized federal operators for neutralization and disposal.

Scrap ferrous metal is a valuable raw material that can be reused in steelmaking. This puts NLMK Group's operations into the loop of the circular economy: 100% of its products can be recycled or reprocessed without a deterioration in quality.

19%

More than 19% of the Group's steel output is already with recycled metal inputs

18 million tonnes

The total processing volume of secondary raw materials across NLMK Group

Tailings dams and hydraulic engineering structures

Built in 1984, Stoilensky's tailings dam is the Company's only facility in this category. The Group duly informs local communities about the existence of the tailings dam and holds public hearings regarding the development of the facility. All development projects of the company are coordinated with stakeholders.

The Stoilensky tailings facility uses an efficient and environmentally friendly method of processing waste rock after beneficiation, which involves the extraction of liquid (dehydration) and further forced transportation of tailings in a condensed state. This allows for savings in natural resource management: 80% of process water used for transportation is recycled into processing of ore. Additionally, better resilience of thickened tailings to weathering significantly reduces the dust levels at the tailing dam. As safeguards have been put in place to prevent excessive water from entering into the facility, the overflow risk is mitigated and pressure on the dams is reduced. Given that the tailings are thickening and measures are taken to ensure safety of hydraulic structures the risk of dam failure at Stoilensky is properly controlled and continuously monitored.

Waste generation has reduced by 400,000 tonnes over the last six years (down 40%). Recycling of iron-bearing materials in 2023 was at 100%. The total share of recycling, excluding processing of previously accumulated materials, amounted to 99%

Waste generations scheme is provided in the Appendix to the Report.

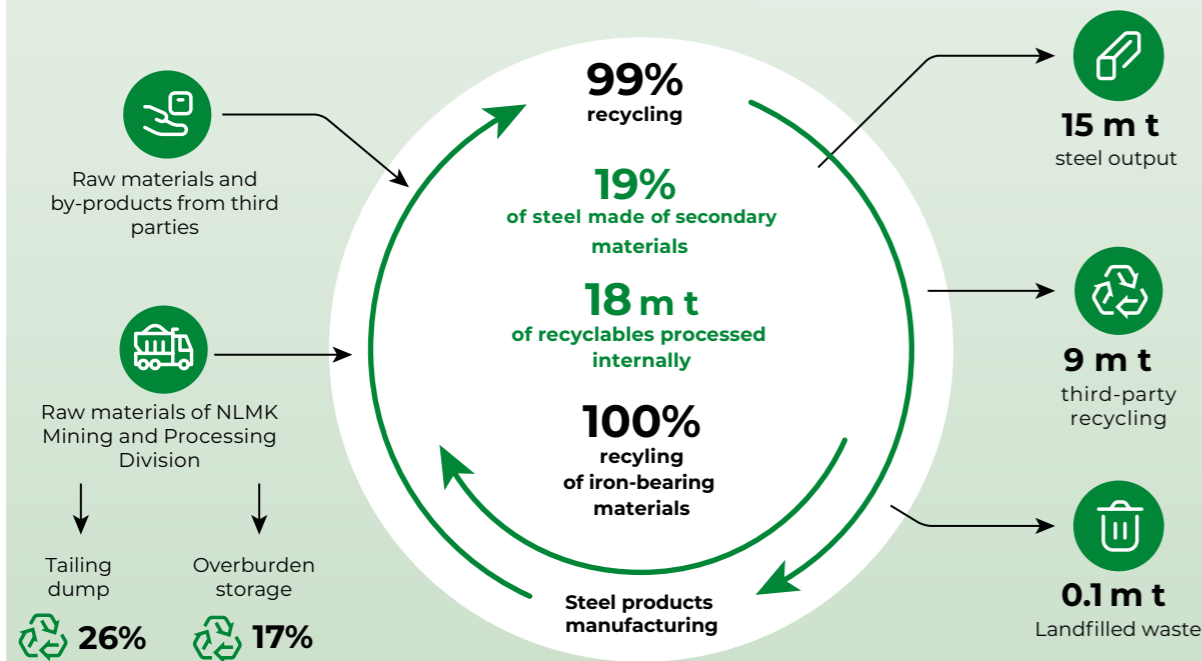
Secondary resource handling and recycling performance

NLMK Group's secondary resource-handling operations are orientated towards key modern steelmaking trends: minimizing waste generation and increasing the proportion of waste that is processed, reused, and safely disposed of. The goal of the completed strategic cycle to increase secondary resource utilization and recycling in NLMK Group to over 92% - has been achieved, actual level is 96%.

The Group companies already process the absolute majority of secondary resources. The remaining part is handed over to licensed contractors who hold all the necessary permits. Streamlining of secondary resource handling has driven down the volume of waste stored at NLMK Lipetsk significantly: from 224,000 tonnes in 2017 to 2,000 tonnes in 2023, meaning that more than 200,000 additional tonnes has been processed. By creating a competitive environment that engages both final processors and consumers of secondary raw materials, as well as by optimizing logistical processes, the cost of third-party disposal in 2023 was reduced by 15% compared to 2021.

¹ Not including mining waste – overburden and beneficiation tailings – which is not considered waste in many geographies.

NLMK Group's map of material flows



Generation and usage of waste by NLMK Group's Downstream operations, *m t* [\[GRI 306-3\]](#) [\[GRI 306-4\]](#) [\[GRI 306-5\]](#)

Indicator	2018	2019	2020	2021	2022	2023
Waste generation¹	1.0	0.9	0.8	1.0	0.7	0.6
• hazardous ²	0.1	0.1	0.1	0.1	0.0	0.0
• non-hazardous	0.9	0.8	0.7	0.9	0.7	0.6
Secondary resources recycled in-house	1.7	1.8	1.9	1.2	0.2	0.1
• hazardous ²	0.0	0.1	0.1	0.0	0.1	0.1
• non-hazardous	1.7	1.7	1.8	1.2	0.1	0.0
Waste and secondary resources recycled in-house, total	2.7	2.7	2.7	2.2	0.9	0.7
• hazardous ²	0.1	0.2	0.2	0.1	0.1	0.1
• non-hazardous	2.6	2.5	2.5	2.1	0.8	0.6
Secondary resources recovered by third parties	0.7	0.8	0.7	0.9	0.7	0.6
• hazardous ²	0.1	0.1	0.1	0.1	0.0	0.0
• non-hazardous	0.6	0.7	0.6	0.8	0.7	0.6
Waste disposal at third-party landfills	0.1	0.1	0.1	0.1	0.1	0.1
• hazardous ²	0.0	0.0	0.0	0.0	0.0	0.0
• non-hazardous	0.1	0.1	0.1	0.1	0.1	0.1
Waste incineration (in-house + third parties)	0.0	0.0	0.0	0.0	0.0	0.0
Secondary raw materials accumulated at year-end	5.9	5.9	5.9	1.4	1.3	1.2
Recycling of secondary iron-bearing raw materials³, %	98	99	100	100	100	100
Recycling, total⁴, %	98	98	99	99	99	99

Generation and recovery of overburden and beneficiation tailings, NLMK Group's upstream operations, *m t* [\[GRI 306-3\]](#) [\[GRI 306-4\]](#) [\[GRI 306-5\]](#)

Indicator	2018	2019	2020	2021	2022	2023
Generation of overburden and beneficiation tailings at Stoilensky (mining waste)	46.6	53.7	61.4	64.6	72.5	72.0
Share of recovered Stoilensky overburden and beneficiation tailings, %	10	10	8	8	8	9
Generation of overburden at Stoilensky, Stagdok and Dolomit ⁵	39.8	51.3	60.5	60.7	67.6	62.2
Overburden recovery	10.4	14.8	17.3	17.2	15.1	10.7
Share of recovered overburden, %	26	29	29	28	22	17
Generated beneficiation tailings	19.5	20.5	21.4	23.9	24.1	24.4
Utilized beneficiation tailings	4.8	5.3	5.1	5.5	6.0	6.2
Utilized beneficiation tailings, %	25	26	24	23	25	26

¹ Excluding secondary raw materials recovered in-house and Stoilensky's overburden and beneficiation tailings.

² "Hazardous waste" includes I-III hazard class waste.

³ When calculating the recycling index, data on the total generation and utilization of iron-containing waste and associated products is used. Mining waste is not factored in. In addition to iron-containing waste, the recycling index takes into account slags, slurries, gas cleaning dust, and ferrous metal scrap, which, in accordance with the process and national legislation, are not waste and are marketed or used for the company needs.

⁴ Recycling includes waste disposal and by-product recovery, excluding processing of accumulated raw materials.

⁵ The total volume of generated overburden by NLMK Group. For Stagdok and Dolomit, overburden is not waste and is utilized for backfilling post-mining areas, as the mine is developed sideways, in contrast to Stoilensky, where the mine is being developed primarily "into the depths", and the resulting overburden is mostly considered waste by Russian law, even though it is a non-hazardous inert material.

Soil protection and recycling projects completed within the strategic cycle

Construction of a briquetting factory

~
RUB 5 bn
environmental investment

450,000 t per year
utilization of recyclables

100%
of iron-containing secondary raw materials are utilized

150,000 t
Reduction of CO₂ emissions

500,000 t
savings of iron ore raw materials

Slag dump recycling

5 m t
volume

100%
recycling of secondary raw materials

444,000 t
savings of fossil raw materials

25 ha
area

350,000 t
secondary resources returned to production

85,000 t
Indirect CO₂ emission avoided through iron extraction

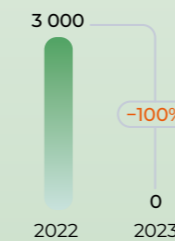


Reclaimed slag dump

Molding sand regeneration

- 25,000 t of molding sand recycled in 2023
- Previously used molding sand was sent for costly disposal
- Today used molding sand is recycled and returned into production
- Purchased sand is replaced with regenerated sand

Costly disposal reduced through regeneration, t

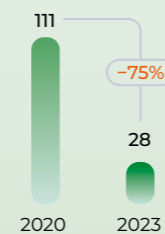


Molding sand regeneration unit

Sales of used refractories

- In 2023 155,000 t of used refractories were recycled
- Previously, more than 20 types of mixed materials were stored together
- Today there are places for separate storage of materials
- 75% refractory waste is sold to third parties
- 18% & 5% come from scrap and iron waste, respectively, which are successfully utilized

Costly disposal reduced through recycling, '000 t

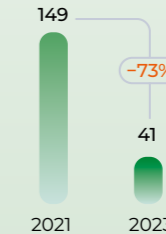


Separate storage of secondary raw materials

Recycling of reinforced concrete

- NLMK Lipetsk has set up a construction waste recycling site
- 46,000 t of concrete and reinforced concrete debris recycled
- The metal is separated and sent for reuse
- Crushed stone is produced for further sale

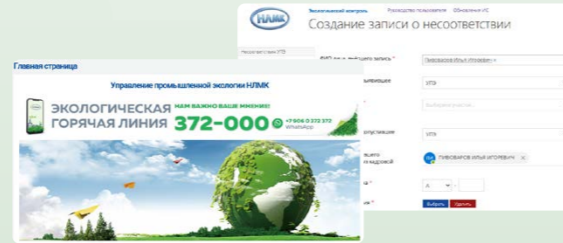
Costly disposal reduced through recycling, '000 t



Separate storage of scrap and reinforced concrete debris

Streamlining management of secondary materials

- Encouraging employees to sort low-tonnage secondary raw materials for further sale
- Development of Corporate university **online training programmes**
- Involvement of shop-floor employees in the process of monitoring the condition of the territory
- **Revision of existing documents** to simplify the procedures for handling secondary raw materials
- Development of the system of **internal environmental control of recyclables**
- The use of drones to increase the effectiveness of environmental control



Industrial ecology and internal environmental improvements website portal



Drone-made aerial photos

Interactive map of secondary resources

In 2023, NLMK Lipetsk installed additional 460 containers for separate waste collection (paper, cardboard, plastics, glass, batteries). An awareness raising campaign was mounted with video tutorials and guides as well as an interactive map to locate the nearest recycling collection points. The map can be used both by NLMK staff and its counterparties, e.g., recyclers, buyers of secondary resources. The project seeks to further develop the in-house infrastructure for handling of secondary resources. This one initiative drove annual collection of waste paper up 24%.

QR-code tracking

In 2023, NLMK Group streamlined transportation of secondary resources, such as plastics, waste paper and glass, through deployment of QR codes at all collection stations. The code contains all the necessary details to issue the outbound transfer permit. This has cut shipment time by 44% and made the document flow entirely paperless. Another benefit is that fewer trips are now needed by 3rd-party vehicles, and the economics of secondary resources have improved as well. The project was implemented across all divisions, and drives a more efficient use of secondary resources

and promotes the culture of separate waste collection among staff and contractors alike. Another impetus to the separate collection culture was given in 2023 by introducing rewards for separate collection: employees who have contributed actively to collection and shipment of secondary resources may be entitled to a cash bonus.

New approach to dehydration of iron-bearing sludge

NLMK has successfully introduced a technology for sludge dehydration based on geotextile fabrics. The solution recovers sludge from the settling ponds, making it into a commercial product. Sludge is a secondary raw material that consists of dust captured by production gas cleaning facilities. To make it a marketable product, sludge needs to be separated from excessive water through geotextile tubes. Iron-bearing sludge is pumped into the tubes together with the water and pressurized, which expels the water from the tube to obtain a solid residue. This dehydrated secondary resource can be reused in production of steel products. In 2023, total processing of sludge was 53,000 tonnes, and an additional 200,000 tonnes are to be processed in 2024–2025.

Utilization and sorting of secondary raw materials at Altai-Koks

Altai-Koks launched a pilot for processing of chemical secondary resources from the Recovery Shop. The core technology is thermal airless destruction that yields synthesis gas as a by-product. These materials used to be stored without utilization. In 2024, it is planned to run trial operation of the new installation with integration into production operations.

The site has also set up sorting of scrap from acid-resistant equipment whereby unusable scrap is separated out. Therefore, over 2023, the site recovered and processed over 400 tonnes of secondary raw materials that used to be deposited in local landfills as waste.

Waste to fuel

Annually, NLMK Lipetsk generates around 7,600 tonnes of wood waste, of which 84% (6.4 k t) is disposed of. A project was launched in 2023 to use it for charcoal production that is useful in other production processes. Alongside the economic gains, the project reduced CO₂ emission by 5,400 tonnes per year and drives the share of recycling. Laboratory tests conducted in 2023 corroborated the feasibility of such biofuel for production needs and it is planned in 2024 to launch processing of wood waste into fuel.

Planned projects in soil protection and recycling

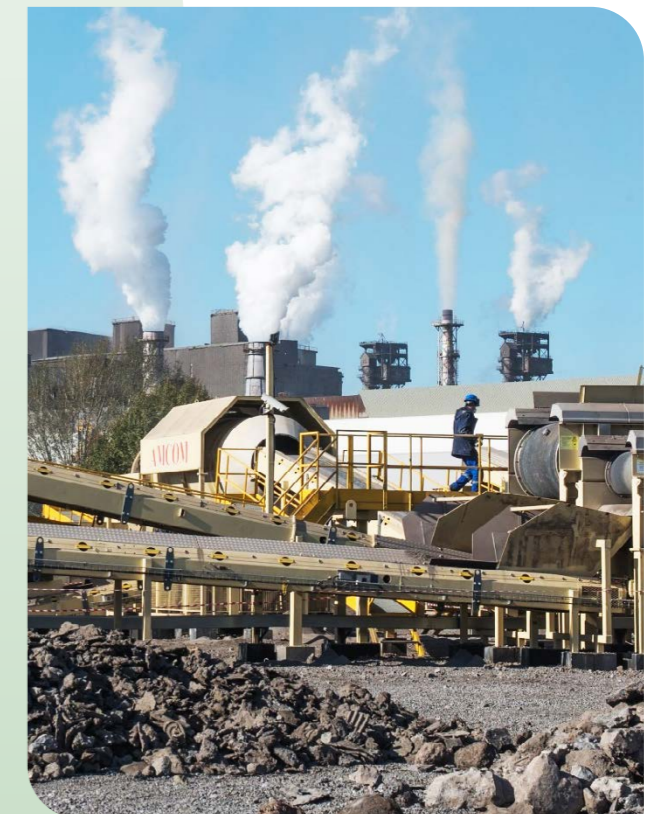
Secondary raw materials recycling

>40

strategic projects on recycling

Key areas of optimization:

- Recycling of wood waste into bio coal
- Recycling of reinforced concrete waste
- Regeneration of the molding sand
- Reuse of all iron-containing sludge in the production process
- Processing of complex categories: tires, sleepres, batteries
- Separate collection and sale of packaging – plastic, pallets, bigbags, etc.
- Separate collection of plastic, paper, and metal as part of the “Green Office” initiative



Fostering eco-friendly culture

Training

[GRI 2-24]

NLMK devotes special attention to fostering a culture of environmental awareness among its employees and local communities in the regions where it operates. The Group developed a series of educational courses for the benefit of various stakeholders, including its staff, local residents, counterparties.

NLMK Group managers annually take part in different public events: conferences, fora, seminars and webinars on the environment and climate, and sustainability, as well as in working groups. Such meetings address the matters related to the sustainable development agenda, including climate, innovations and digitalization for the environment, recycling, and promotion of eco-friendly culture among staff and contractors.

At least **10%**

or approximately 5,000 of employees take environmental training sessions and development courses every year

NLMK at VDNKh

In the spirit of sharing its environmental achievements and practices, and driven by the "Better Environment — Better Self", motto NLMK Group presented a booth called Development Park at the Russia Expo held at VDNKh. NLMK's booth replicates a cosy urban park. The centrepiece of the park is a magic lime tree, the symbol of Lipetsk, where the Group's flagship production site, NLMK Lipetsk, is located. All guests are welcome to make a wish and tie it onto the tree branches. The park's visitors can learn about the charitable, environmental and social projects of the Company. There were instructional interactive games and a VR area where anyone could explore NLMK Lipetsk that is set to celebrate its 90-year anniversary in 2024. As part of the expo programme, the Company also organized master classes: Climate Change and Climate Agenda in the Ferrous Metals Industry, Implementing Circular Economy in Production, Recycling: From Generic to Specific. NLMK's Case Studies, Digital Solutions for the Environment – NLMK's Practical Experience.

The Green Office initiative

Green Office is a comprehensive programme, which aims to enhance the commitment of the Group's employees to eco-friendly culture.



Collection sites for secondary raw materials

- Over **460 containers** installed for the separate collection of waste
- Environment friendly bins made of recycled plastic installed
- **Over 200** trays are placed for dry used paper
- Rooms for paper accumulation and shredding
- In 2023, **323 tonnes of paper and cardboard** were collected and sent for processing at NLMK Group enterprises
- **Employees are encouraged** to participate in the initiative
- **Incentive system for employees** to sort low-tonnage secondary raw materials

323 tonnes

of paper waste collected and handed over into processing, which is 10% more than in 2022, and equals to 5,500 saved trees

Biodiversity and ecosystem development

[GRI 3-3] [GRI 101-2]

NLMK Group recognizes the importance of preserving biodiversity in the regions where it operates. NLMK Group companies do not operate on environmentally protected lands or in areas of critical biodiversity. The Company's activities do not pose any threat to animal or plant species registered on the IUCN Red List or in the Russian Red Book, or to species threatened with extinction. Still, industrial sites do have an impact on biodiversity in and around the areas of their perimeter.

The main documents that set out the Company's obligations in the field of reducing the impact on biodiversity are the Sustainable Development Policy and the Policy of the Integrated Management System. In 2023, the Company developed and adopted corporate Regulations of Monitoring and Conservation of Biodiversity. The Regulations establish the procedure for identification of risks and threats to biodiversity, and the process for development of monitoring and conservation programmes for biodiversity. The Company conducts assessment of its environmental effects and regular monitoring of biodiversity, including development of conservation programmes. In cases where negative effects on biodiversity are unavoidable, the Company develops mitigation programmes, including offset activities. [GRI 101-1]

In 2023, NLMK Group partnered with the Institute of Ecology and Evolution of the Russian Academy of Sciences to carry out assessment and monitoring of biodiversity on and around the sites of NLMK Lipetsk and Stoilensky. The study looked at land and water flora and fauna in order to come up with recommendations on prevention, minimisation, rehabilitation or compensation of biodiversity impacts. These efforts have translated into an evidence-based programme for biodiversity conservation. It is planned to set up a network of biodiversity monitoring stations to evaluate the effectiveness of the programme. [GRI 101-4] [GRI 101-5]

Biodiversity impacts of the Group's main site, NLMK Lipetsk, are mostly related to noise pollution and landscape disruption with new industrial build. These impacts are mitigated, however, thanks to large volumes of planted greenery and trees. Even within the site perimeter, the impact on soil biota is moderate. As NLMK Lipetsk is located within the city limits, the impacts generated by the city are actually higher than those of the site. [GRI 101-6]

Stoilensky sits at the intersection of areas impacted by other industrial facilities and large cities that contribute to the burden on biodiversity in the region too. That region is also marked by high pesticide exposure of farmlands, among the highest in Russia, which is another negative factor for the state of biodiversity. The site's own main impacts on biodiversity are dust and noise pollution, and the modification of groundwater conditions. Assessment

of biodiversity has shown that there are no signs of biodiversity depression onsite Stoilensky. This means that its production activities have a minimal impact on flora and fauna or their habitats. The impacts from other sources, especially so from agriculture, exceed and effectively negate the influence of Stoilensky.

NLMK Group pursues biodiversity conservation projects on a systemic basis. Respective measures are in place at all Russian sites of the Group. They include [GRI 101-8]:

- research work
- cooperation with nature reserves
- replenishment of rare bird populations
- release of juvenile fish into rivers and reservoirs
- land reclamation
- planting of trees and shrubs
- maintenance of forest plantations

The Group's total investment in biodiversity conservation in 2023 amounted to RUB 130.7 million

NLMK Group companies offset fish stocks

Every year NLMK together with specialized organizations release juvenile fish into water bodies in order to replenish fish stocks.

In 2023, the Altai-Koks environmental team released over 11,000 juvenile carp into the Ob River, and repaired fish protection devices at the river intake facility. NLMK Lipetsk inspected the operation of its fish protection devices.

NLMK Lipetsk continues renewal of its planted greenery

In 2023, as part of a 5-year programme for the replenishment of the site's greenery, more than 1,400 new trees and 5,800 shrubs were planted on the industrial site and along the internal roads, and over 20,000 square meters of lawns and flowerbeds were arranged and renovated. Plants occupy about 40% of the site's territory.

The stocktaking of green spaces at the industrial site continues for the fifth year now. During this time, scientists have evaluated almost 79 hectares of land. The main goal of the inventory is to maintain a stable ecosystem at the plant's territory.

Cooperation with stakeholders

Stoilensky continues research and monitoring of biodiversity jointly with the Institute of Regional Biodiversity Conservation

In relative proximity to the production site of Stoilensky lies Yamskaya Steppe, one of the sections of the Belogorye Nature Reserve. Since 2020 NLMK has been carrying out biodiversity activities and monitoring there. In 2023, the two parties conducted joint research work and environmental monitoring

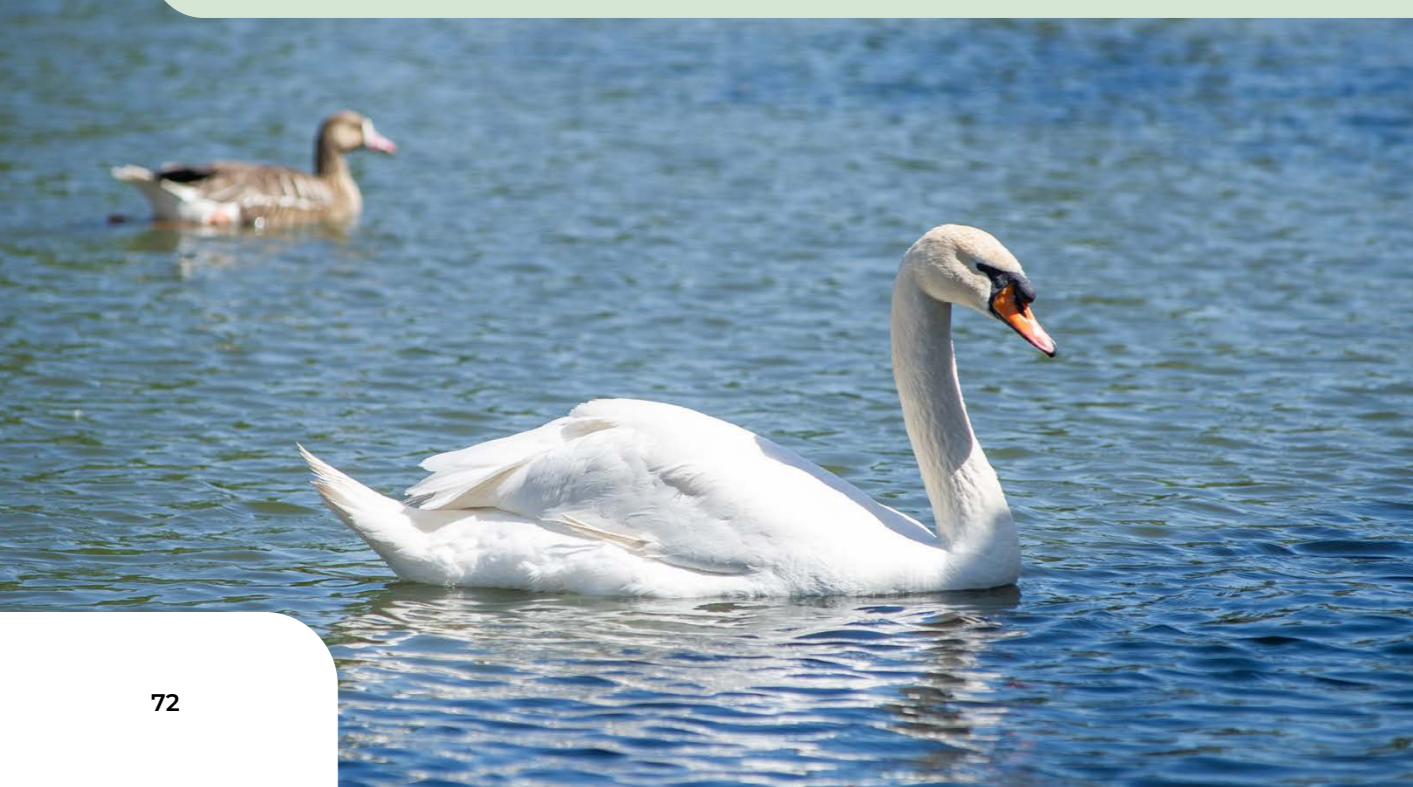
of the impact of Stoilensky's south-western tailings dump on biodiversity, including the inventory of biological diversity, assessing the condition of rare and endangered species of plants and animals, validating the monitoring methods and air quality and surface water evaluation, covering also the Yamskaya Steppe.

Swan Lake Environmental Park: a natural indicator of NLMK's commitment to a clean environment and biodiversity

Swan Lake Environmental Park is the only bioindicator in Russia and the former Soviet Union that is situated on the territory of an industrial site. The environmental park occupies more than 5 hectares of land situated between the BOF shops of the Lipetsk site. The lake is filled with process water from the Lipetsk site that has undergone treatment following its use in production. The park is inhabited by 700 birds of 52 species, including eight species from the Russian Red Book and the Lipetsk Region Red Book. Every year, up to 200 waterfowl from the urban surroundings flock here for the winter.

In 2023, the park brought in 20 additional specimens from the Divo Ptitsa Bird Nursery in the Moscow Region. Moreover, birds brought to the park in 2022 gave birth to around 150 chicks, contributing to the total brood of 204 chicks of 20 species.

Cooperation continued in 2023 with the Oka Nature Reserve nursery of rare crane species under the Eurasian Cranes Conservation Programme. Experts studied the cranes at the park and entered them into the Russian register of cranes of the Oka Reserve.



Land reclamation and rehabilitation

The Group regularly implements measures to rehabilitate land affected by the operations of its extractive companies. The treatment of deposit sites includes phased rehabilitation work to restore the landscape

and its plant cover and to enable plants to grow again in the soil. The reclamation programmes are being implemented as planned. In 2023, rehabilitation was carried out on 12 hectares of land.

Stagdok restored 27 hectares of land

In 2023, Stagdok reclaimed 27 hectares of land disturbed by mining operations. Stagdok carries out mining and biological recultivation annually as it continues to develop its flux limestone deposits. Biological recultivation of industrial land is also done every year as part of the site's environmental efforts. Once the 5-year biological reclamation is complete, the land is handed over into forestry or farming operations. Over the last five years, Stagdok restored 20 hectares of forests and 31 hectares for crop farming. The newly restored farmlands grow wheat, sunflower and other crops.

Stoilensky reclaims its tailings dumps

In 2023, Stoilensky reclaimed 3 hectares of land on the slopes of its tailings dam. Over six years of reclamation efforts, 63 hectares of land was treated, or 6% of the total dump area. Reclamation of industrial land is done every year as part of the site's environmental efforts. Biological recultivation of dam slopes involves blanketing of land with a layer of fertile soil and planting of grass. This promotes formation of sustainable ecosystems and improves the look and feel of the premises.

The area occupied by the Group companies and reclaimed land, *ha*

Indicator	2019	2020	2021	2022	2023
Area ¹	11,268	11,268	11,257	11,257	11,276
Land rehabilitated	15	10	46	31	12

Planned biodiversity conservation projects

NLMK Group Biodiversity Conservation Programme for 2024 includes such measures as planting tree seedlings, maintenance of planted greenery at Group sites, release of over 5,000 juvenile fish at Altai-Koks

to replenish aquatic biological resources, and continued biodiversity research and monitoring conducted jointly with specialized research institutes.

¹ Data have been adjusted relative to the Sustainable Development Report 2022 following the changes in the asset structure of NLMK Group after divestiture of NLMK Long.

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Stakeholder dialogue

[GRI 2-29]

Our approach to stakeholder engagement

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

NLMK maintains a list of stakeholders and prioritizes them according to mutual influence and convergence of interests. The Company's stakeholder map is based on the needs and interests of stakeholders and NLMK,

as well as expert assessments from the Company's management. The stakeholder map is regularly reviewed and updated as necessary.



NLMK uses various means to engage with stakeholders, thereby enabling the Company to rapidly identify risks and opportunities of collaboration in a timely manner, and assess the Company's impact on them

A strategy and plan of interaction has been developed for each of the stakeholder groups. In 2023, the Company continued to maintain an active dialogue with all stakeholders. The Company focused on its interaction with suppliers and contractors to enhance the supply chain sustainability, and continued its active efforts in developing safety culture among contractors involved in the Company's investment projects.

Stakeholder engagement

Shareholders and the investment and banking community →

Importance for NLMK

Shareholders own the business and influence the course of NLMK development. The Company strives to protect their interests.

The key goals of our engagement with investors, shareholders and banks are to establish and maintain long-term connections and to provide information on the Company's operations.

The unit in charge of engaging with the investment community is the Corporate Finance and Investor Relations Division.

Stakeholder interests

- ✓ Consistent improvement in the Company's performance
- ✓ Growth in NLMK value
- ✓ Investment appeal and stability of the Company

Ways of engagement

- ✓ Holding of the General Meeting of Shareholders
- ✓ Disclosure of non-financial information
- ✓ Preparation of replies to inquiries

Government authorities →

Importance for NLMK

NLMK's operations are dependant on the state regulation of the countries and regions where it operates. Given the intense competition and market volatility, it is essential for the Company to have a stable regulatory environment that provides opportunities for long-term planning and stable business management.

A key goal of our engagement with the government authorities is to identify and manage risks in order to ensure the Company's continuous operation and development. We also strive to assist in the creation of a regulatory environment that would enable the Company to meet its obligations towards society. As represented by its Government Relations Department, the Group thus engages on an ongoing basis with state authorities, as well as social, industry, and expert organizations in each country and region where it operates.

Stakeholder interests

- ✓ Compliance with legislative requirements
- ✓ Meeting tax obligations
- ✓ Monitoring and assessing normative legal risks
- ✓ Developing local communities
- ✓ Enhancing social engagement in the regions where the Company operates
- ✓ Reducing the environmental footprint

Ways of engagement

- ✓ Participation in advisory bodies, expert working groups, and public hearings, etc.
- ✓ Engagement through industry-specific and public associations

Customers and consumers →

Importance for NLMK

The consumers of NLMK products include leading manufacturers from various regions of the world and industries. By openly engaging with customers, we are able to increase their satisfaction, loyalty and trust, and help grow sales of the Group's products.

NLMK strives to create a customer-centred system that allows us to track and predict fluctuations in consumer demand and to satisfy and anticipate our clients' changing needs and expectations. NLMK is continuously monitoring customer experience based on the Customer Journey Map: the Company analyses customer experience at each stage of interaction and develops corrective measures where necessary.

In order to increase customer satisfaction, NLMK established a claim consideration procedure that fully complies with international standards for quality management systems (ISO 9001:2015 and IATF 16949:2016).

Another principle guiding the Company's activities is preventing any potential risk of harm related to the use of the Group's products or packaging. This principle concerns chemical, radiation, fire, and phytosanitary safety. The Company takes into account the requirements of European legislation (RoHS2, ELV, WEEE and REACH) in determining the safety characteristics of its products.

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

Stakeholder interests

- ✓ Performance of contractual obligations
- ✓ High quality products
- ✓ Development of the product line policy
- ✓ Competitive pricing
- ✓ Timely and reliable deliveries

Ways of engagement

- ✓ Developing the sales network
- ✓ Monitoring customer satisfaction
- ✓ Resolution of claims
- ✓ Holding and participating in public events, business meetings, and negotiations

Employees and other workers →

Importance for NLMK

NLMK employees are essential to the Company's stability ensuring that the business can operate and grow successfully.

Creating a highly qualified and motivated team is a key goal of our engagement with staff and an integral factor that supports NLMK's leading position in the industry.

NLMK provides decent working conditions for its employees and continues to develop financial and non-financial incentive systems. The Company runs various employee training programmes, including those organized as part of the NLMK Corporate and Technology universities.

The Company seeks to increase employee engagement by improving feedback channels, conducting team-building activities, and offering social support.

Effective employee dialogue is supported by the internal corporate communications system. This system successfully:

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

Stakeholder interests

- ✓ Decent salaries and incentive system
- ✓ Opportunities for professional development and career growth
- ✓ Comfortable safe workspaces
- ✓ Compliance with employment laws and other regulations
- ✓ Compliance with the requirements of the International Labour Organization
- ✓ Respect for human rights

Ways of engagement

- ✓ Offering continuing education, training, and staff development programmes
- ✓ Organizing regular safety training sessions, improving workplace conditions
- ✓ Implementing measures to provide social support for employees, their families, and retirees (former employees)
- ✓ Monitoring employee engagement
- ✓ Informing employees about the Company's activities through corporate newspapers, magazines, NLMK TV, and social media

Trade unions →

Importance for NLMK

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

A key focus of NLMK's work with trade unions is the conclusion of collective bargaining agreements.

At industry level, NLMK Group representatives participate in the activities of working groups and commissions of the Association of Russian Steelmakers, a representative organisation, in order to develop the Industry Tariff Agreement and negotiate with the Russian Mining and Metals Trade Union.

At the organizational level, social and labour relations are regulated by collective bargaining agreements, which are concluded with the primary trade unions of companies. These documents guarantee compliance with the requirements of the International Labour Organization, including:

- Support for freedom of association
- The right to liberty and security of person
- The prohibition of slavery and child labour and the prohibition of human trafficking
- The prohibition of discrimination based on sex, social status, or race
- Ensuring safe working conditions
- Ensuring occupational health and safety
- Respect for the right to a minimum wage
- Ensuring a system of benefits and remuneration

NLMK's effective engagement with trade unions helps to strengthen its brand as a socially responsible employer.

Stakeholder interests

- ✓ Compliance with employment legislation and protection of employee interests
- ✓ Compliance with the Industry Tariff Agreement
- ✓ Compliance with the terms of collective bargaining agreements
- ✓ Compliance with the requirements of the International Labour Organization

Ways of engagement

- ✓ Conducting collective bargaining: in 2023, we held collective negotiation campaigns to extend current collective bargaining agreements
- ✓ Conclusion of collective agreements and signing of joint resolutions
- ✓ Working jointly on various commissions and committees
- ✓ Conferences of workers' associations

Local communities and residents of the areas of operation, non-profits →

Importance for NLMK

The long-term stability of NLMK's business is largely dependent on the social and economic stability of the regions where it operates. The Company's contribution to developing local communities has a positive impact on stakeholder loyalty, as well as the Company's overall reputation and is an integral part of the Group's corporate social responsibility.

NLMK Group enterprises are some of the largest employers and taxpayers in the regions where they operate. The Company's social assets (medical clinics, health resorts, and corporate sports facilities) are available to locals and form an important part of social infrastructure of the regions.

Human Resources and Government Relations functional areas are responsible for local community development activities.

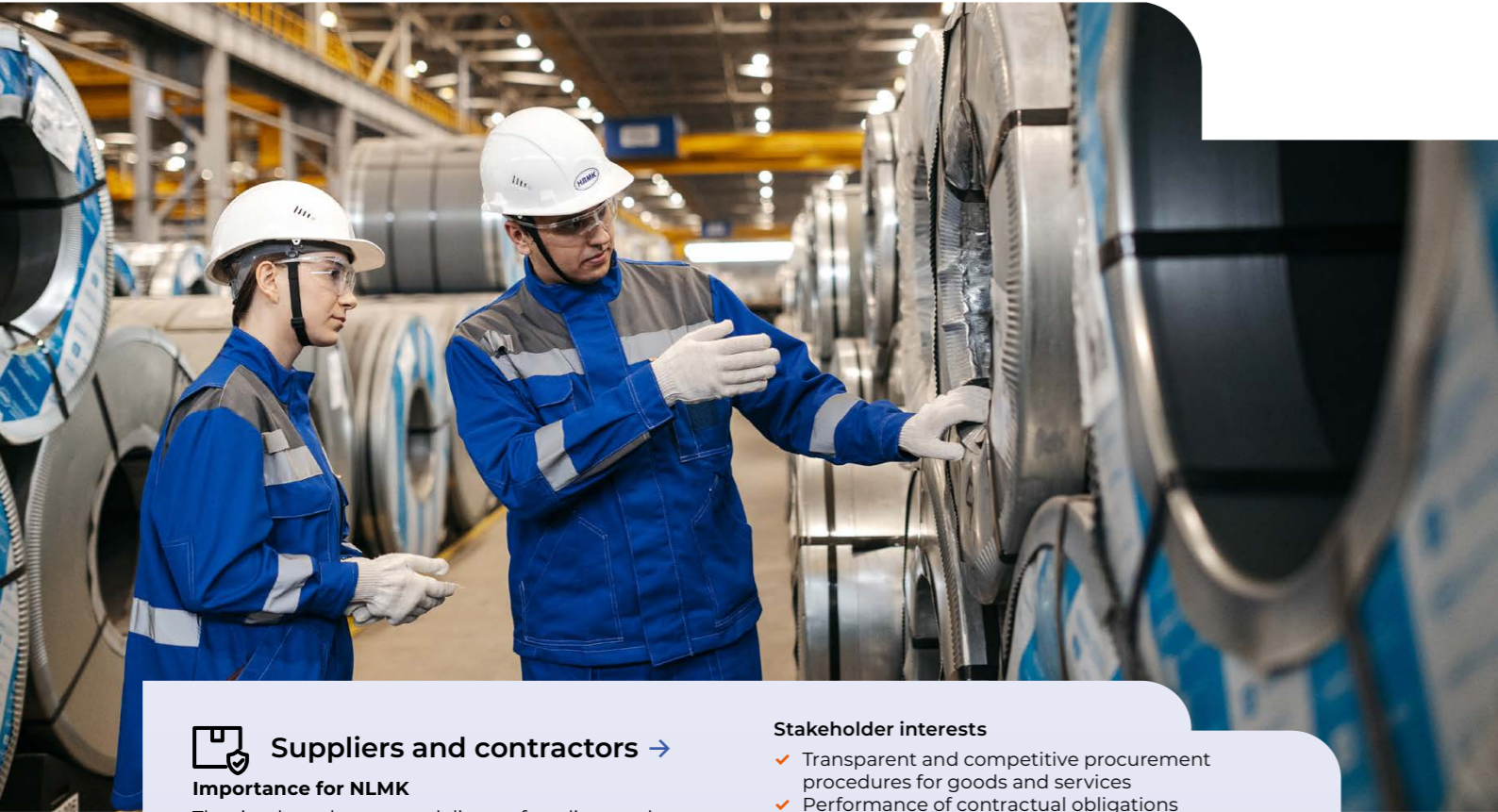
Stakeholder interests

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

Ways of engagement

Dialogue with representatives of local communities to raise awareness about the Company's activities in the regions.

- ✓ Publishing corporate reports
- ✓ Publishing information in the media and on the Company's website
- ✓ Holding thematic conferences and events
- ✓ Processing stakeholder requests



Suppliers and contractors →

Importance for NLMK

The timely and accurate delivery of quality goods and services by suppliers and contractors has a direct impact on the quality of our products and the stability of NLMK production processes.

Strong and mutually beneficial relationships with reliable suppliers and contractors are essential to sustain operations in the Group and to fulfil its obligations. The unit responsible for working with suppliers and contractors is the NLMK Procurement Service.

The Group's priorities are to ensure that goods and services are of high quality, that the right goods are purchased at the right time, and that procurement is as competitive and transparent as possible. In addition, the Group pays particular attention to the compliance of suppliers and contractors with the sustainable development principles.

The Company seeks to develop mutually beneficial long-term relationships with its business partners based on the principles of transparency, ethics, and fairness. The main principles of collaboration are contained in the [Partner Code of Business Conduct](#), which sets out our requirements for suppliers and contractors and underscores our aspiration to support the highest standards in compliance and corporate ethics. Moreover, the Code provides for the following:

- Ensures fairness and equity in procurement
- Supports anti-corruption and manages conflicts of interest
- Ensures respect for human rights
- Complies with requirements of environmental protection, labour protection and industrial safety

Stakeholder interests

- ✓ Transparent and competitive procurement procedures for goods and services
- ✓ Performance of contractual obligations
- ✓ An effective system for processing feedback and complaints
- ✓ A risk management and anti-corruption system
- ✓ Compliance with sustainable development principles

Ways of engagement

- ✓ Pre-qualification of suppliers
- ✓ Developing electronic data interchange (EDI) with suppliers
- ✓ Holding negotiations with potential partners
- ✓ Offering a feedback form and a digital assistant, as well as a hotline for suppliers and contractors
- ✓ Conducting business meetings with suppliers and participating in conferences and industry associations
- ✓ Organizing supplier days (workshops) for various procurement categories with production site visits
- ✓ Organizing online conferences for NLMK Group's suppliers to present procurement strategy and inform them of their role in the strategy
- ✓ Carrying out assessments and audits of suppliers and contractors in order to confirm their reliability, status as suppliers, production capacity, and compliance with sustainable development requirements, such as occupational health and safety, industrial safety, and environmental requirements

Supply chain management¹

Material topics

Supplier environmental assessment

Key events in 2023

- Initiating a project to migrate to a new bidding platform for selection of suppliers of goods, materials and services (Stage 1)
- Launching a marketplace for standard inventories
- Updating the procurement strategies for key categories
- Developing measures to ensure procurement sustainability
- RAEX independent rating of procurement directors awarded NLMK Group with a diploma in the *Best Procurement Director in Crisis Management* category

Global Sustainable Development Goals



United Nations Global Compact principles

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Key figures for 2023

RUB 145.2 bn

total value of goods and materials procured by the Group's Russian companies

85 suppliers

of goods and services passed the audit

The Group's efficient supply chain is crucial to its sustainable operation and the fulfilment of NLMK's commitments. The Company regularly purchases a wide range of services and goods from more than 2,300 contractors and suppliers. Procurement behaviour of the Company is result-oriented

and adheres to the principles of transparency, continuous improvement and mutually beneficial cooperation. The Company is aware of its ability to develop sustainability in the supply chain as a major player in the market.

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

Approach to supply chain management

[GRI 3-3] [GRI 2-6] The procurement process in the Company is designed in a way to ensure that high quality goods are procured in a timely and accurate manner and that the procurement process is as transparent and competitive as possible.

The fundamental document regulating the Company's interaction with suppliers and contractors is the [Partner's Code of Business Conduct](#). In order to work with NLMK Group, it is imperative that suppliers and contractors operate ethically and conscientiously. In this regard, all potential counterparties are invited to familiarize themselves with the Code at the qualification stage and to confirm that they agree with its provisions.

In order to ensure reliable and uninterrupted flow of goods and materials to the Groups companies, the procurement team has developed over

50 category-based strategies. Procurement strategies for some of the goods categories take into account potential risks and include plans to prevent any risk from arising. In 2023, the pool of suppliers for key categories was significantly expanded.

The rolling quarterly supplier evaluation system enables monitoring of the counterparty performance indicators in terms of the procurement accuracy and identifies areas for development. All counterparties are rated.

The Group is particularly focused on digitalizing and automating procurement activities. Most key procurement processes have been automated, and the majority of the Group's tender procedures are carried out electronically using the Supplier Management System.

Sustainability in the supply chain

[GRI 2-24] As a large consumer of a number of goods and services, NLMK is able to positively impact social, environmental, and production risks within the supply chain. In accordance with NLMK [Group's Procurement Policy](#), the Group is committed to purchasing goods and services that have as few negative impacts on society and the environment as possible during their lifecycle. The Company prioritizes partners striving to promote reasonable consumption of the resources and ensuring compliance with legal and social standards within the supply chains.

33%

of goods and services were procured from small and medium-sized businesses in 2023

As part of the effort to increase sustainability across the supply chain, NLMK focuses on:

- Cooperating with suppliers and contractors with a strong commitment to sustainable development principles, and with a developed sustainable development strategy
- Small and medium sized businesses support
- Assessing occupational health and safety risks among contractors
- Ensuring that suppliers of goods used in the production of automotive body sheet hold certificates of compliance under ISO 9001:2015, IATF 16949, and ISO 45001
- Assessing contractors that provide waste collection services
- Reducing waste through reusing and recycling of products and materials

See the Recycling programme section for more detail

Selection and qualification of suppliers and contractors **[GRI 2-25]**

The Group carefully selects and screens counterparties, and expects a great deal from its counterparties in terms of OTIF (on-time, in-full) requirements, and quality standards for the goods and materials they supply. All suppliers and contractors that work at hazardous production facilities at NLMK companies have to be qualified.

Occupational health and safety (OHS) qualification

The Company conducts mandatory OHS qualifications for contractors to confirm that such counterparties and their subcontractors are able to comply with the requirements of Russian legislation. Qualification is mandatory for all potential counterparties planning to render any services on the territory of the Group's sites regardless of the cost of such services.

In 2023, out of 1,100 contractors who applied for the OHS qualifications, more than 300 were unable to prove compliance of their OHS system. That prevented such companies from being included onto the panel of potential suppliers

Moreover, the OHS Committee made decisions to suspend qualification of 35 counterparties that failed to confirm authenticity of the submitted OHS documents. In order to recover the qualification status, each such counterparty is to develop and implement a corrective measures plan.

NLMK continuously develops the qualification process considering feedback from the counterparties and category managers. In 2023, the OHS qualification methodology was refined to adopt an updated video instruction, and presentation materials and leaflets explaining the basic requirements that were posted on the website. Workshops were held

for senior managers of NLMK Group and contractors, as well as category managers, to communicate the importance of the process.

Environmental qualification **[GRI 308-1]**

The Company expects its counterparties to strictly comply with the applicable environmental regulations.

100%

of new suppliers were screened in line with the environmental criteria in 2018–2023

A specially developed checklist reflects the statutory environmental protection requirements that are mandatory for all contractors. Moreover, the Company requests a declaration of compliance with corporate environmental and energy efficiency requirements. Of all suppliers, 10% have so far confirmed that they have a certified environmental management system in place that complies with the ISO 14001 international standard.

Human rights **[GRI 407-1][GRI 408-1][GRI 409-1]**

A mandatory clause on compliance with human rights was included in the standard agreements with the Group's counterparties to mitigate the risks of human rights violations. Thus, NLMK's vendors and contractors confirm at the time of contract execution that they respect human rights envisaged by the Russian law and international legal instruments.

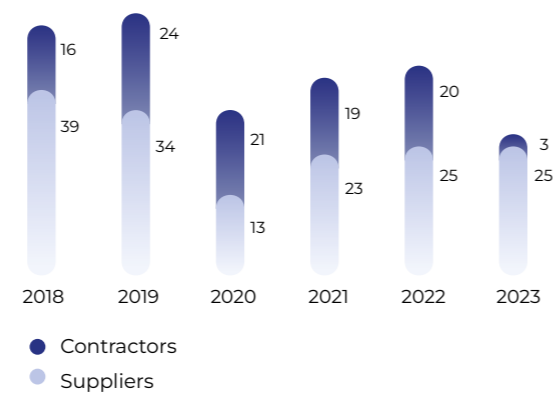
Evaluating and auditing suppliers and contractors

[GRI 308-2]

NLMK evaluates the quality, efficiency and reliability of all its counterparties annually. At the end of 2023, according to the voluntary assessment of suppliers for compliance with environmental criteria, 567 of the 584 companies that filled out the questionnaire met the environmental criteria.

Systematic audits aimed at, among other things, identifying sustainable development risks constitute another important tool for interacting with counterparties. As part of such audits, the Group focuses on the counterparty's compliance with the obligatory standards in the areas of occupational safety and health, the availability and authenticity of the necessary documents, assesses the reduction of impact on the environment, and monitors the work of employees of these organizations.

Number of NLMK Group counterparties with environmental impact evaluated during the audit [GRI 308-2]



to ensure compliance with environmental requirements for 12 suppliers and 2 contractors. The main reasons for non-compliance are related to the lack of documentation confirming compliance with environmental legislation.

82 suppliers

were audited in 2023, 25 of them were assessed in terms of their environmental footprint

On top of that, three contractors underwent a comprehensive audit.

Following the audit, the Company and the counterparties develop corrective action plans. In 2023, corrective actions were initiated

Subject of audit	2018	2019	2020	2021	2022	2023
Suppliers	39	34	13	57	83	82
Contractors	17	24	20	20	20	3

Suppliers with corrective action plans following the audits, % of total audits conducted

[GRI 308-2]

Indicator	2018	2019	2020	2021	2022	2023
Suppliers	80	41	38	48	40	48
Contractors	63	50	43	79	75	67

Conciliation committee

The Conciliation Committee is NLMK Group's collegial body that reviews situations involving inappropriate, unethical, or unreliable counterparties' behaviour. Some of the issues that fall within the remit of the Committee

include violations of the pricing policy, occupational health and safety rules, and environmental protection requirements.

Performance of the Conciliation Committee

Indicator	2019	2020	2021	2022	2023
Number of suspended counterparties	6	7	6	6	1
Number of terminated counterparties	11	13	18	15	3

2023 performance

In 2023, the Company initiated migration to a new bidding platform to select suppliers of goods and materials or services and continued the expansion of the scope for robotization of the standard competitive procedures.

There were no significant changes in the Group's supply chain structure during 2023.

[GRI 2-6] [GRI 204-1]

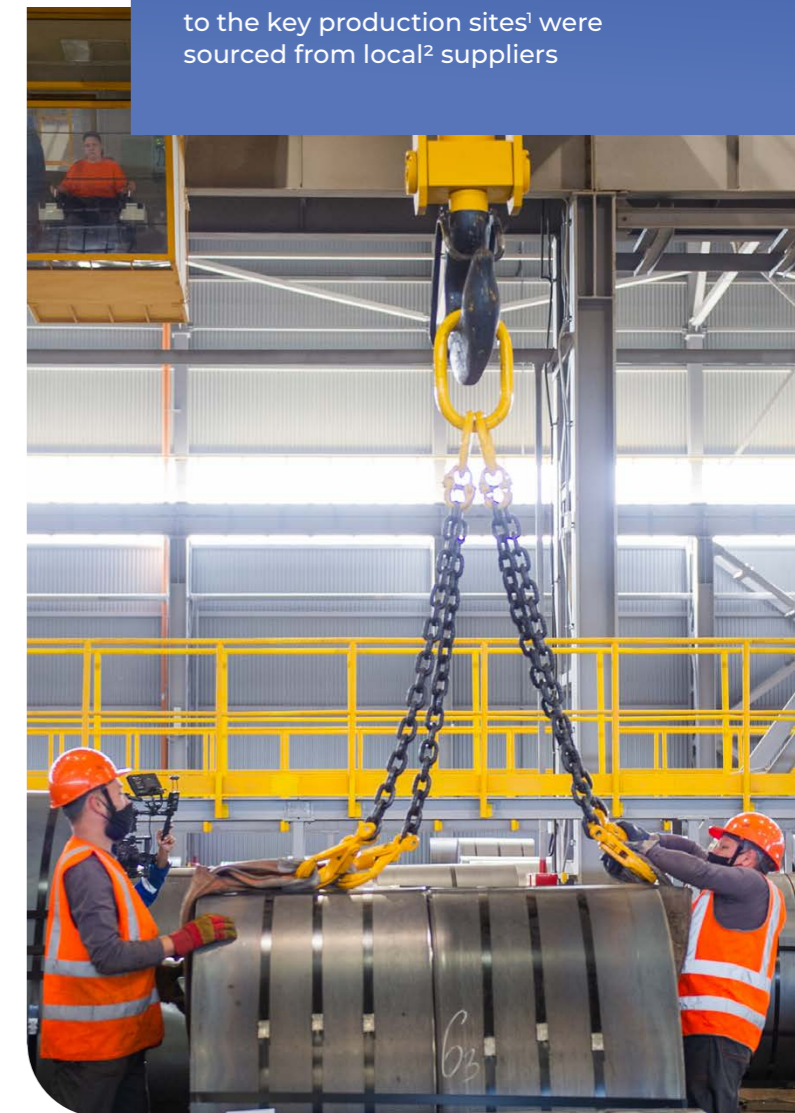
Plans for 2024 and the medium term

The Company intends to continue automating and improving procurement processes. In particular, the Company plans to develop sustainable procurement practices including migration to a new suppliers qualification system, bidding and environmental risks audit platform. Expanding the practice of auditing production sites of new suppliers, developing an assessment of the quality of references received from foreign suppliers, as well as expanding the range of goods and materials for marketplaces form the new avenues of activities.

In terms of the risk mitigation, the Company plans to develop in-house production of the non-standard items.

83%

of the inventories attributed to the key production sites¹ were sourced from local² suppliers



¹ Hereunder, key production sites are Russian sites of the Group.

² Local supplier is a supplier registered in the same region with NLMK's site.

Human rights

Material topics

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

United Nations Global Compact principles

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

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

Principle 4. Businesses should uphold the elimination of forced and compulsory labour.

Principle 5. Businesses should uphold the effective abolition of child labour.

Global Sustainable Development Goals



Key 2023 figures



violations of human rights were recorded during the reporting year

Managing human rights issues

[GRI 3-3] [GRI 406-1] [GRI 407-1] [GRI 408-1] [GRI 409-1]

Respecting human rights is a key underlying principle in all of NLMK's operations. In its activities, the Company does not tolerate human rights violations related to any form of discrimination. NLMK also devotes special attention to ensuring the right to freedom of association and collective bargaining, as well as to the issues concerning child labour and forced or compulsory labour, human trafficking, and ensuring of equal pay for work of equal value.

Our corporate ethics dictate that we consistently adhere to the generally accepted principles and norms of international law, as well as applicable employment laws in all countries of the world, regardless of the business practices in those countries. In its activities, NLMK is governed by the provisions of the following documents:

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

[GRI 2-23] The following internal corporate documents approved by the Company's top management ensure a harmonized approach to respecting human rights across all sites of the Group: [NLMK Group's Human Rights Policy](#), [Corporate Ethics Code of NLMK Group](#) and collective bargaining agreements. The Company shares its Human Rights Policy with its internal and external stakeholders. The Human Rights Policy is available in all languages of the regions of operation and is posted on the [Company's website](#).

Integrating fundamental human rights principles into NLMK Group activities **[GRI 2-24]**

Fundamental principles	Areas of activity
Provision of safe working conditions	In organizing production, the Company prioritizes the health and safety of its employees above all. The Company's management team monitors and reduces risks associated with hazardous working conditions increasing safety levels at the sites of every NLMK company year to year. 🔗 See the Occupational Health and Safety section for more detail
Respect for the right to a minimum wage	Ensuring decent working conditions, including competitive salaries, and providing both employees and retirees with a social benefits package are key priorities for NLMK Group. 🔗 See the Our Employees section for more detail
Prohibition of discrimination	NLMK Group does not tolerate discrimination based on gender, religion, and other grounds in its staff management activities, including hiring, and adheres to the same principles when determining wages. 🔗 See the Our Employees section for more detail
Support for freedom of association and collective bargaining	NLMK Group fulfils all of the requirements set forth in collective agreements, and regularly engages with trade unions. The Company ensures that conditions are in place to facilitate the creation of associations by making corporate communication tools available and by supporting employee volunteering initiatives. 🔗 See the Our Employees section for more detail
Prohibition of forced labour and child labour	NLMK Group only signs employment contracts with individuals that meet the minimum age requirements stipulated by the legislation. The Company does not make use of child labour. The Company forbids the use of forced labour, penal and military labour, slavery, and human trafficking. All employment at the Company is exclusively voluntary in nature.
Rights of indigenous peoples [GRI 411-1]	NLMK Group estimates that there are no indigenous populations in the regions where its companies operate.

[GRI 2-13] NLMK's activities aimed at protecting human rights across all regions where it operates are coordinated by the HR Function and cover 100% of the Company's facilities. If necessary, experts from other functional areas of the Company are invited to participate (in particular, the Occupational Health and Safety team) in order to safeguard corporate interests and to manage risks. NLMK's senior management team is involved in making important decisions. NLMK Vice President for HR and Management System is responsible for supervising the execution of the Human Rights Policy.



NLMK Group encourages all stakeholders to report actions that violate human rights. Employees, customers, suppliers, contractors and other stakeholders can use any feedback channel (including in languages other than Russian) listed on the Company website. In 2023, reports related to labor rights accounted for 28%. **[GRI 2-26]**

Key risks in human rights

Human rights risk management is an integral part of the NLMK Group risk management system.

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

Rights to safe working conditions	Occupational safety is a top priority for NLMK Group. Striving for a zero injury rate in all its operations, the Company is continuously improving its OHS management system. 🔗 See the Occupational Health and Safety section for more detail
Freedom of association and the right to enter into collective bargaining	The Company fully supports the employees' right of association and collective bargaining and complies with the requirements specified in collective bargaining agreements. 🔗 See the Our Employees section for more detail
Rights of local communities to clean environment	Recognizing the right of future generations to enjoy a healthy environment, the Group objectively assesses environmental risks and is committed to minimizing them. It allocates significant resources to various environmental programmes and the implementation of innovative technologies. 🔗 See the Environmental Protection section for more detail
Decent and equal wages	Ensuring the rights of employees to decent working conditions including competitive salaries and providing both employees and retirees with a social benefits package are key priorities for NLMK Group. 🔗 See the Our Employees or section for more detail
Prohibition of any kind of discrimination	In 2022, the Regulations on the recruitment process for NLMK Group managers and specialists were amended to include provisions on equal opportunities for all candidates and non-discrimination in the recruitment process.

These risks have the most significant impact on employees and contractors of the Group's sites, as well as on the citizens living in the immediate vicinity of the sites.

In 2021, a mandatory clause on compliance with human rights was included in the standard agreements with the Group's contractors to mitigate the risks of human rights violations among the Company's vendors. Thus, NLMK's vendors and counterparties confirm at the time of contract execution that they respect and recognise human rights envisaged by the Russian law and international legal instruments.

Plans for 2024 and the medium term

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

The Company will continue to actively participate in key events dedicated to human rights protection and will conduct its own activities engaging the subject matter experts in order to involve stakeholders in the human rights agenda and develop joint steps. Another task will be to develop methodological approaches to assessing how well the activities comply with the principles set out in NLMK's Human Rights Policy.

Our employees

Material topics

- Employees
- Training and development
- Diversity and equal opportunities
- Freedom of association and collective bargaining
- Non-discrimination

Global Sustainable Development Goals



United Nations Global Compact principles

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

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

Contribution to Russia's national development objectives and federal initiatives

NLMK Group's corporate culture contributes to the achievement of the following national objectives:

- ensuring sustainable population growth in the Russian Federation. Based on a certificate of pregnancy the Company provides employees with parental leave at their request paid in the amount of the current monthly wage or salary taking into account an increase in compensation before the said leave. In 2023, the amount of payments to parents taking leave before the parental leave amounted to more than RUB 59 million.
- increasing life expectancy to 78 years. The Group is implementing projects aimed at improving working conditions and reducing the level of hazards and harm in the workplace.

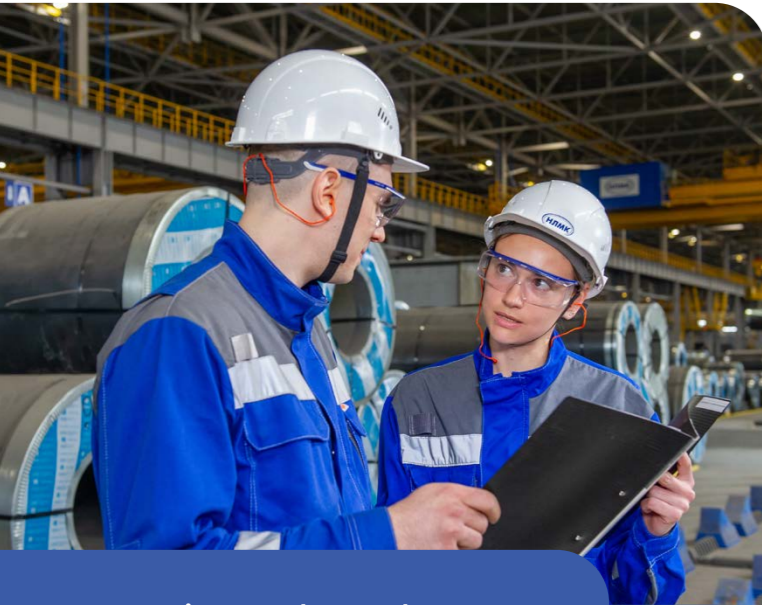
Key figures for 2023

RUB
944.4 million
of total investment in staff training and development

33%
women in management and administrative staff

3 million
person-hours of training

25%
women in the total number of employees



Prizes and awards

- NLMK Sport project won the *Best Social Projects of Russia* award
- NLMK Healthcare Territory project became the winner of the *Healthy lifestyle* nomination of the competition *Its About People*
- NLMK Group Corporate University received a 2nd degree diploma of the *Crystal Pyramid Prize*
- The project of the Technology University called *Managing the Professional Qualifications of NLMK Group's Blue Collars* took second place in the "HR Hero" nomination of the international WOW!HR 2023 personnel management conference
- The Technology University programme aimed at developing maintenance and repair (MRO) activities became the winner of the "SMART Pyramid – 2023" award and got a II degree diploma in the *Best Online Learning Programme* nomination both honouring the achievements in personnel training and human capital development
- The NLMK on-line course developer team won the "Start" category of the *iSpring. Challenge 2023 Russian Competition*
- The *College of Steel Opportunities* mentoring project for the students of the Central Federal District took the first place in the *Best Educational and Specialization Practice* nomination of the *Best Mentorship Practices Russian Competition* held within the framework of the Professionalitet Federal Project
- NLMK won the *Support of the Employees having Family Responsibilities, Motherhood and Childhood* nomination of the *Russian Business Leaders: Dynamics, Responsibility, Sustainability Competition*

HR strategy priorities

[GRI 2-24] [GRI 2-26] [GRI 3-3] Our key personnel management goals within the current strategic cycle are to attract and retain the best professionals in their field and engage them in the process of continuous improvement. To do this, NLMK Group needs to remain as progressive and attentive to safety, talent, and innovation as possible.

NLMK's corporate culture is built on the principle of openness and transparency. To this end, NLMK has built up mechanisms that allow employees and their representatives to address top management directly. In addition, NLMK has an internal corporate portal, one of the main sources of information about news and important events of the Group, where employees can get answers to their questions in an interactive format.

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

The following internal corporate documents approved by the Company's top management ensure a unified approach to HR management across all sites of the Group:

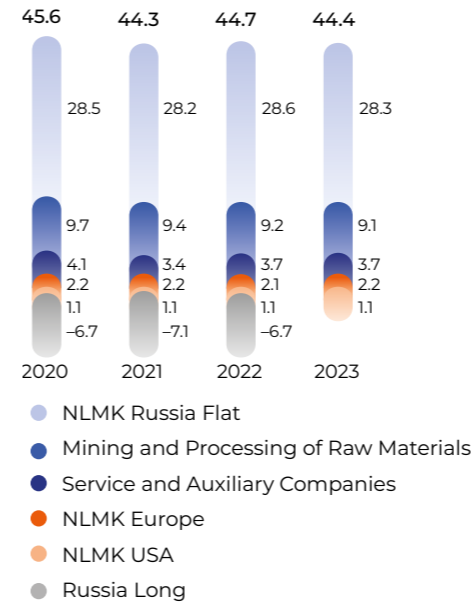
- [NLMK Group Corporate Ethics Code](#)
- [Human Rights Policy](#)
- [Anti-Corruption Policy](#)
- Collective bargaining agreements

All corporate documents are available on the [Company's website](#) in Russian and English. The Human Rights Policy is available in all languages of the regions of presence.

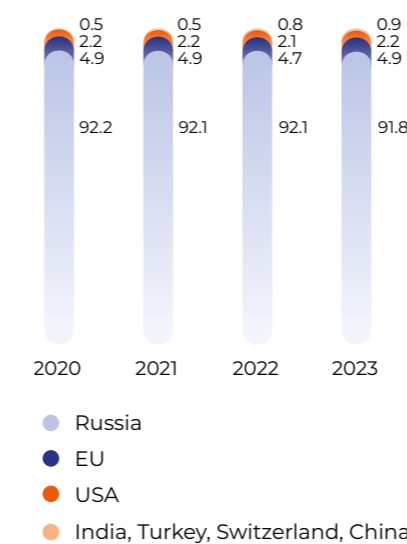
Our employees

[GRI 2-7] The headcount of NLMK Group at the end of 2023 was 44,400 people. Most of the Company's employees in Russia belong to the Mining and Raw Materials Processing and Flat Products divisions due to their significant scale compared to the other segments.

Headcount breakdown by segment, '000 people¹ [GRI 2-7]



NLMK Group's headcount breakdown by regions, %² [GRI 2-7]



The headcount at year-end and average headcount of NLMK Group, excluding the assets of Russia Long, decreased in 2023 by 0.3 thousand people and 0.5 thousand people, respectively compared to 2022 as a result of the production processes automation.

The nature of the steel industry is such that the proportion of men in NLMK Group outweighs the number of women, this has always been the case historically. Thus, in 2023, the share of men in NLMK Group was 75% while the share of women was 25% (among blue collars, 78% and 22% respectively).

However, among the administrative and managerial staff, the proportion of women is higher compared to production staff.

35%

of IT and engineering professionals are women

As for administration and management staff, women staff account for 33% of all employees, including 49% of white-collars, 24% of white-collar managers and 4% of shop-floor managers (the total share of female managers is 17%). Women account for 18% in junior management positions. Among middle managers there are 16% of women, among top management (positions two levels below the CEO) – 18%. **[GRI 405-1] [GRI 406-1]**

In 2023, the Group's gender balance remained unchanged. More than 2,300 men and more than 600 women were promoted (4% and 1% of the total number, respectively).

Approximately 42,900 of NLMK Group employees (97%) work under permanent contracts, and 1,500 employees (3%) under fixed-term (temporary) contracts.

When working under a temporary agreement, an employee is entitled to all the benefits provided to employees under the collective bargaining agreement [GRI 401-2]

¹ Headcount of past periods was adjusted in line with the divestment of NLMK Long and is matched with the current divisional structure.

² Headcount of past periods was normalized by NLMK Russia Long

The average work experience of men and women at NLMK companies is at a comparable level (12 and 13 years respectively).

NLMK employees represent various age groups, which attests to the lack of age discrimination in NLMK Group's HR policy. In 2023, 23% of the headcount were aged over 50, 61% were aged between 30 and 50, and 16% were under 30. 74% of production and non-production managers are in the age group from 30 to 50 years old, 21% are over 50 years old.

NLMK Group is committed to supporting gender diversity within its governance bodies in a way that takes into account the specific nature of the Company's activities.

Staff recruitment [GRI 401-1] [GRI 405-1] [GRI 406-1]

The Company understands the importance of attracting and retaining experienced and highly qualified staff in its efforts to achieve strong performance.

In 2023, NLMK Group launched a new updated [career website](#) for both external and internal candidates. They can send a response in various ways, track the status in their personal account, and prepare for an interview. The solution made recruitment more transparent and predictable. The website was nominated for several Digital Awards.

2023 marked a new stage in adoption of artificial intelligence (AI) in the recruitment processes. Several successful pilots were performed resulting in introduction of AI elements into the system for headhunting and interacting with candidates.

Recruitment of external and internal candidates follows uniform criteria and standards established by the Group seeking to ensure equal rights and opportunities regardless of gender, age, nationality and race, religious beliefs, physical features, and any other characteristics of the candidates not related to professional qualifications.

In line with the equal opportunities for all principle, the Company implements targeted employment projects for people with disabilities. In total, the Company employs 453 people with disabilities (1% of the total number of employees). Due to the specific nature of roles in the steel industry, which involve working in hazardous conditions, recruitment specialists of the Company pay particular care and attention to the employment of people with disabilities. Besides, the Russian legislation¹ places restrictions on the use of female labour in hazardous conditions and in situations involving the movement of heavy weights.

High standing of the Group in HH.ru, Forbes, and Habr.ru employer ratings in 2023 attests to the Company being a preferred employer.

For the first time, NLMK entered the TOP 20 attractive employer companies among young people in the Future Today rating

In 2023, NLMK hired 4,900 people (11% of the headcount), 25% of them are women (3% of the headcount). The share of hired people with disabilities in 2023 was 0.6% (28 people) of the total number of employees hired. 90% of new employees joined the Russian sites of the Group.

¹ Order of the Ministry of Labor and Social Protection of the Russian Federation of 13 May 2021 No. 313n "On amendments to the order of the Ministry of Labor and Social Protection of the Russian Federation of 18 July 2019 No. 512n "On approval of the list of productions, works and positions with hazardous and/or dangerous working conditions that limit the use of women's labour".

NLMK Group new hires by region, *people*



Russia	4,405
EU	214
USA	149
India, Turkey, Switzerland	143

NLMK Group new hires by age, *people* [GRI 405-1]



Under 30 years	2,374
30-50 years	2,150
Over 50	387

Personnel onboarding [GRI 404-2]

In 2023, the Company worked on developing an onboarding process for newly hired employees. In the course of implementing the product approach, HR function selected a target platform to enable Digital Onboarding. The Company conducted customer research and market analysis to select the most suitable solution.

Moreover, an onboarding chatbot was developed and launched during this reporting year to assist new employees at the stage of initial acquaintance with

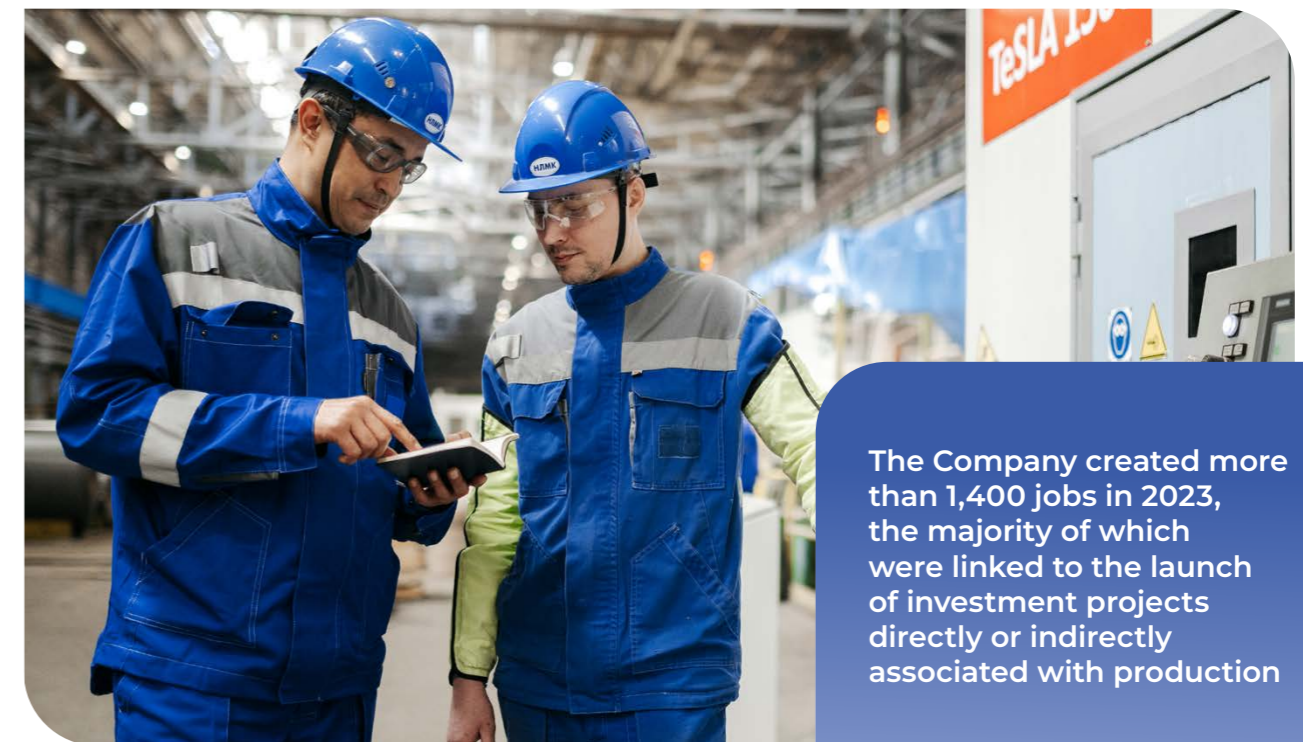
the Company and during the onboarding process. The onboarding materials such as handbooks, checklists, guides, and dedicated section on the portal have been updated.

Teams of NLMK Corporate and Technology Universities assisted in launching a project to develop an updated New Employee Course to immerse the new employee into the Company's life and history.

The Company gives special consideration to adaptation of employees before parental leave and their onboarding following their return back to work.



~100%
of the employees work full time



The Company created more than 1,400 jobs in 2023, the majority of which were linked to the launch of investment projects directly or indirectly associated with production

Assessment and remuneration

[GRI 404-3] [GRI 405-2]

Ensuring the rights of employees to decent work, including competitive salaries and providing both employees and retirees with a social benefits package are key priorities for NLMK Group. The Company annually collects and analyses data on industry peers and in the regions where the Group operates, as well as the purchasing power of remuneration by personnel categories and individual professions to assess competitiveness of the remuneration. The Company is committed to annually increasing the level of employee remuneration.

NLMK Group relies on salary surveys provided by external independent consultants to assess the remuneration offered to the Company's employees, including top management.

Financial remuneration for employees consists of a base salary and a bonus. The NLMK remuneration system has been developed in accordance with the best Russian and international practices. An annual assessment of the achievement of target KPIs (Management by Objectives, MBO) by employees is carried out in conjunction with an assessment by competencies, which reflects the Company's approach to management as a whole.

When preparing local regulations on remuneration, the opinion of trade union organizations is taken into account

Fixed remuneration management in the Group is based on employee performance evaluation. The current approach to MBI¹ introduced in 2019 enables the Company to encourage the best of the best further, while maintaining a competitive level of salary indexation for all employees. This way a more dynamic increase in the salaries of high-performing employees will help strengthen the principles of external competitiveness and the internal fairness

of remuneration across the Group's companies, while unlocking the potential and stimulating the professional activity of each employee. In 2023, this system covered 92% of NLMK Group employees, including all managers and specialists.

In several divisions, the process of forming individual development plans for employees was launched, with the help of which the employee will be able to strengthen those competencies that turned out to be underdeveloped.

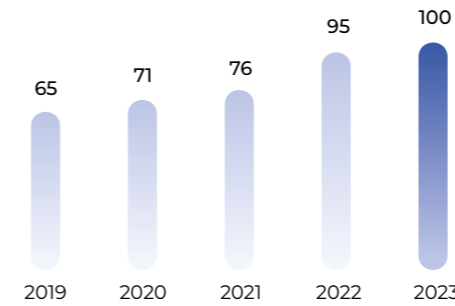
RUB 100,000
average salary² at NLMK Group's Russian companies

83%
of the blue collars are covered with the new grade-based salary system

The Company adopted a new salary system for blue collars based on grades. It enabled an increase in the fixed share of income, harmonised the accrual of monthly bonuses and strengthened transparency of the payment system

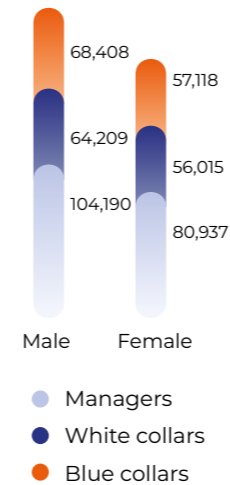
Labour costs of the Russian assets exceeded RUB 52 bn. At our international companies, remuneration is determined based on collective bargaining agreements and local labour legislation, and is also indexed annually.

Average monthly salary at NLMK Group's Russian companies, RUB '000/employee¹



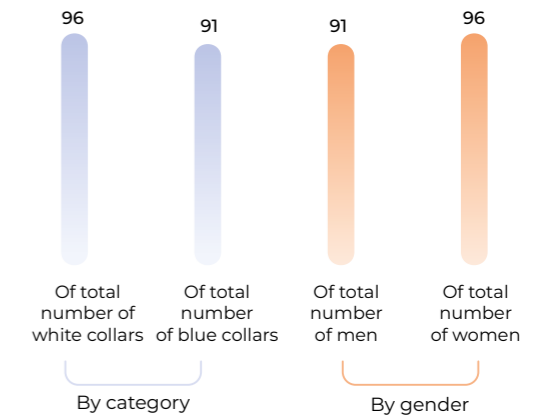
The Company does not tolerate any form of discrimination on grounds of gender or other factors when implementing or further developing its remuneration system. The Company adheres to the equal pay for equal work principle and complies with legislative labour requirements. [GRI 2-27][GRI 406-1]

Average monthly salary of entry-level employees by gender and category at NLMK Group companies in 2023, RUB² [GRI 405-2]



In 2023, the performance of 40,900 NLMK Group employees was assessed, which is 92% of the total headcount.

Proportion of NLMK Group employees who received a regular performance and career development review, by category and gender as of 31.12.2023, % [GRI 404-3]



The Company also continues to develop an end-to-end management system that aims to achieve the Group's objectives – MBO. In 2023, the MBO system covered all required managers and experts of the Company. Blue-collar job employees not covered by the MBO system get monthly bonuses based on the performance indicators of their unit or position.

On top of that, the Company develops incentive systems aimed at the interests of certain personnel groups: incentives associated with project activities, initiatives, mentorship, bonuses paid from the manager's funds, etc. All of them are linked with the main remuneration systems, complement each other and expand the opportunities for salary growth for an employee. In 2023, the Company identified employees with below-market remuneration levels in order to quickly boost their income levels.

NLMK Group updated its Personnel Relocation Policy to make sure that the relocation package limits match the market levels. The Company is interested in allowing employees to move freely to new jobs in any regions where we operate, thereby enhancing opportunities for career and professional growth.

¹ MBI (Management by Behavioural Indicators) – assessment of the manifestation of corporate competencies for compliance with role models.

² The average monthly salary is calculated based on the NLMK Group methodology, which is based on the guidance of Article 139 of the Russian Labour Code, Decree of the Russian Government No. 922 of 24 December 2007, Methodological Provisions on Statistics (Revs. 1,2,3,4,5) of the Federal State Statistics Service, and includes remuneration for time worked, vacation pay, compensation payments and bonuses. The average monthly salary is calculated as the payroll for the period divided by the average number of employees for the period divided by the number of months in the period, does not include NLMK Long companies.

¹ Indicators adjusted to take into account the divestment of NLMK Long.

² White collars

Training and development

[GRI 403-5] [GRI 404-1] [GRI 404-2]

Professionalism and qualifications are important factors in ensuring NLMK's sustainable development. An effective system of training and professional competencies development is based on job profiling, regular knowledge tests and the use of modern training formats (micro courses, distance learning). Determining the need for competencies together with the business ensures systemic articulation of training needs.

NLMK invests significant resources into training and development of its employees. The share of employees trained in the reporting year was 89%.

Thus, total costs for 1 FTE amounted to RUB 20,100. In 2023, the NLMK employees received a total of 3,015,171 person-hours of training (including OHS training), with 187,506 of them delivered via the Corporate University. Divided by NLMK Group's average headcount, this means 63.6 hours of training per FTE based on the average headcount. Altogether, in the reporting year, 306,784 person-hours of training were invested into students of the partner educational institutions on the Company's professional competencies. The trainings were provided by the employees of NLMK. These trainings not only educate potential employees of NLMK Group but also help mentors to develop themselves.

The overall time of OHS training in the reporting year was 827,680 hours (543,227 person-hours of external training, 263,744 person-hours of in-house training, and 20,710 person-hours at the Corporate University).

The training process is aimed at developing industry employees and implementing priority tasks in a rapidly changing business environment. It consists of several stages, which include not only educational programmes for the Company's employees, but also work with potential job candidates – schoolchildren and students of colleges and universities.

In 2023, total investments into training and development of employees stood at **RUB 944.4 m (\$11.2 m)**, including RUB 245.5 m in training events, RUB 340.9 m – in the Corporate University educational processes² and e-courses development, and RUB 5.7 m – remuneration of coaches.

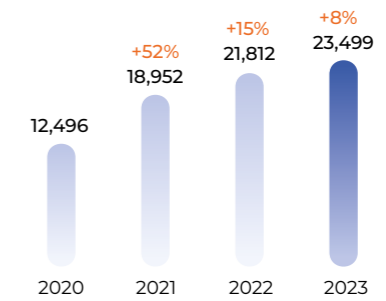
Technology University

NLMK established a dedicated unit to support development of professional competencies. It is focused on professional training of blue-collar employees, development of technical and professional expertise of managers and production unit experts, and training of young specialists.

Technology University focuses on the following:

- Career guidance for schoolchildren
- Cooperating with universities
- Blue collar training and development
- Professional evaluation
- Mentoring system
- Training and development of non-production experts (WC)

Target audience coverage, *people*



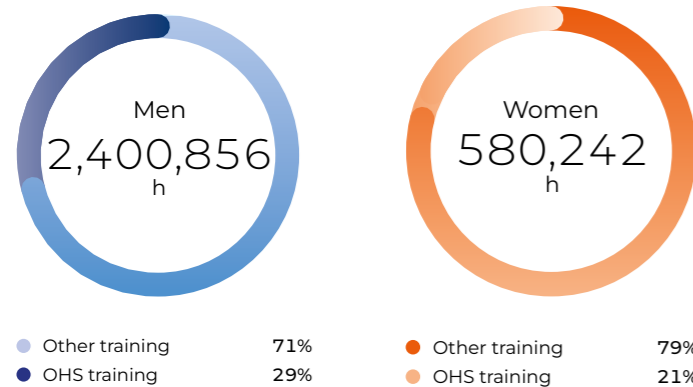
As part of cooperation with schools and continuing education centres, the Company implements a wide range of outreach and educational activities through corporate career guidance projects, including steelmaking shifts, the *School of Professional Skills*, *Start Your Profession*, *NLMK Class*, *Corporation Children*, *Combinatorium: Build your Career!* board game, *Steelmaking Quest*, and *Schoolchildren Portfolio*.

Career guidance for schoolchildren

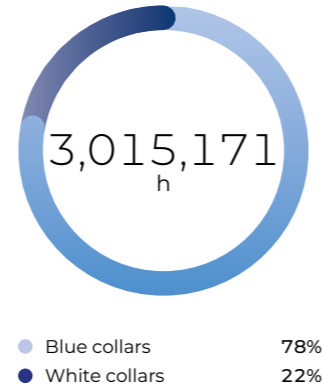
The key task of vocational guidance is to attract young people to the basic secondary vocational institutions to master the professions relevant for NLMK. Over the past three years, the Group has significantly expanded its target audience, thus creating a wide entry funnel into our partner educational institutions of secondary vocational education.

Total number of training hours [GRI 404-1]

By gender



By category



¹ At the average exchange rate of the Bank of Russia.
² Taking into account the costs of holding events on Campus and their IT support.



Metallurgy for the Curious

In 2023, the Company launched a new career guidance project aimed at schoolchildren planning to enrol in a college. Project participants gained knowledge about the basics of steelmaking, completed practical tasks in the NLMK's Materials Science laboratory and in the Strategy Centre, which was established to support talented children. Further to the project, the most active participants were awarded with NLMK's bonus scholarship certificate that can be used to enter one of NLMK's partner educational institutions – Lipetsk Metallurgical College or Lipetsk Polytechnic College.

Corporation Children

In 2023, almost 300 people including parentless children and 13 to 6-year-old children of NLMK employees took part in the fourth wave of NLMK's unique Corporation Children project supported by the Miloserdiye Charitable Fund.

In 2024, it is planned to expand the project's perimeter by inviting not only the children of employees of NLMK Lipetsk, Stoilensky and NLMK Engineering, but also the ones from Altai-Koks and the Company's medical assets.

In 2023, Stoilensky organized Stoilensky's NEXT summer career guidance shifts and Stoilensky Holidays for 200 people. The schoolchildren took a deep dive into the vocational professions of Stoilensky, went to a site tour, conducted their own research, and took part in a quest devoted to the professions available at the site. An IT Summer School was organized on the basis of the Sary Oskol Industrial and Technology College as part of the project for "Creating a continuous system for developing the skills of the future for the digital economy of students of general education organizations in the Belgorod region".

Interaction with educational institutions

Personnel training in specialized educational institutions

NLMK is a strategic partner of 17 educational institutions of secondary vocational and higher education in the regions where it operates, including five basic colleges and technical schools.

The Company implemented the College of Steel Opportunities programme within the frames of cooperation with partner secondary vocational education institutions, which includes joint efforts on the relevance of training programmes and practical training organization.



1,300

students did internships at the sites of NLMK Group in 2023

During the year, a pilot was held to test a new format of the students' agreement with future employees

The number of targeted training agreements increased six fold opening the opportunity to employ 349 students who completed full training for a profession according to NLMK rules and standards even before graduating from college or technical school.

NLMK's Resolve Case Championship

In this championship, student teams compete in solving a current business challenge faced by NLMK getting acquainted with the problems the companies face, business processes and experiencing team work.

In 2023, the Company held two seasons of the case championship to receive over 1,700 applications from the students of more than 90 educational organizations. More than 100 employees of the Company acted as team consultants and about 50 as experts.

Prize-holders and winners of the Resolve Case Championship received souvenirs and cash certificates for one of the marketplaces. Winners of the major league were awarded with extra points for their master programme applications at the Higher School of Business of the National Research University Higher School of Economics (Production Systems and Operational Efficiency). The training was given by a team of NLMK top managers, and the Academic Council is chaired by NLMK Vice President for Operational Efficiency. Since 2022, NLMK has been implementing an in-depth internship for those mastering the above programme giving the students an opportunity to join project teams of the Operational Efficiency function. Based on the results of the internships, three graduates of the Production Systems and Operational Efficiency master programme were employed by the Company.

The Company holds student events with its partner educational institutions:

- **The Fusion Metallurgical Tournament** brought together college students from Lipetsk and Gryazi on the campus of the Corporate University to get acquainted with the world of mechanical engineering. In 2024, the Company plans to arrange contests on Logistics, Energy and Metallurgy.
- **The Opportunities Discovery quest** at the Corporate University for the students of NLMK-specific professions allowed the participants to get acquainted with the Company's industrial processes and products.

NLMK's Academy of Steel Opportunities

NLMK's Academy of Steel Opportunities consists of three stages that take 14 months in total. It includes training provided by the Company and an internship under the guidance of a mentor in the chosen function. The programme brings together university students of various professions, and allows them to learn business processes and technologies of the steelmaking industry, and to acquire in-demand skills and competencies to enhance their future careers growth. Participants of the programme receive income that grows stage wise, those subject to relocation get their travel and accommodation expenses compensated.

In 2023, the second wave of the programme was completed with 2,000 applications received and 45 trainees selected. After the internship, 21 interns out of 25 graduates of the Academy received a job offer from NLMK Group companies in Lipetsk, Moscow and Yekaterinburg. In December 2023, the Company launched the application and selection period for the third wave of the Academy of Steel Opportunities.

NLMK Group regularly takes part in career events at the partner universities: Moscow Institute of Steel and Alloys, the Higher School of Economics, Lipetsk State Technical University. In 2023, the NLMK ambassador programme was launched at the base university of Lipetsk State Technical University, which will continue its development in 2024.

Training and development

[GRI 404-2]

Employee professional training is essential due to the specific nature of the Company's production activities. It includes:

- Training prior to admission to production and equipment operation
- Specialised vocational training
- Professional development programmes

Training takes place at NLMK's own sites or in collaboration with certified third-party training institutions. For example, NLMK Lipetsk has an educational centre that holds state-licensed trainings in over 300 occupations.

In 2023, NLMK Group companies continued developing their internal training centers. The educational and training equipment stack adopted five new multifunctional software simulators and hardware benches created for initial professional training, conducting qualification assessments and practise to fill competence gaps.

153 people

in the internal expert and internal trainer pool of the Technology University (+77 in 2023)

The Company continues development of learning solutions with professional competencies – Production and Functional Academies. By the end of 2023, Production and Functional Academies increased their portfolio of learning solutions by 71% to 82.

Learning solutions have also become available to foreign colleagues. Thus in 2023, foreign sites of the Group adopted the Sales Academy with a programme aimed at developing negotiation competencies.

Training covers not only the Company's employees, but also employees of the key partners and contractors to improve quality of their training to meet high standards of NLMK.

In 2023, the #nachistoTU (Straight Talk) podcast discussed the status of research work in the academic and business environment, new trends in metallurgy and challenges faced by NLMK within the frames of the awareness-raising efforts. Heads of NLMK's R&D function and colleagues from Moscow Institute of Steel and Alloys contributed to the podcasts.

Professional Qualification Assessment

All key sites of NLMK Group in Russia have Independent Qualification Assessment Centres to conduct professional examinations consisting of theoretical and practical parts. Practical examination takes place in live production environment. Based on the results of the examination the employee receives an industry certificate of qualification valid in the country and confirming compliance of his professional competencies with the requirements of the professional standard.



Since 2023, NLMK Group, together with the Ministry of Education and the Federal Institute for the Development of Vocational Education, has been participating in a pilot project to combine the state final certification of graduates of technical schools and colleges and an independent assessment of qualifications according to industry requirements in four specialties. Passing such an exam at a Qualification Assessment Centre will allow NLMK Group companies to objectively assess the level of professional competencies of graduates, and the graduates themselves will receive two documents at once: a diploma and a certificate of qualification, as well as a potential job offer.

Cycle-based mentoring system management ensures annual planning of the number of mentors involved into the training, monitoring mentorship quality, and analysing motivation and reward programmes used. To assess the effectiveness of individual training with a mentor, the Company introduced a 180-degree assessment system, where all participants of a specific training event evaluate the results of the joint efforts.

In 2023, not only the active community participants and winners of professional competitions, but also lecturers of specialized disciplines from partner educational institutions took part in the annual gathering of NLMK Group mentors for the first time.

Assessment and development of competencies

NLMK Group continues to assess corporate competencies using various independent tools. The purpose of the assessment is to provide the manager and employee with objective information about the employee's strengths and growth areas to boost the effectiveness of the individual development planning. In 2023, over 3,200 managers and experts completed the assessment through the online tools that contain built-in recommendations for development.

360-degree assessments are still used to obtain comprehensive feedback. In 2023, such assessment was conducted for more than 350 people. Outcomes of the assessments were considered in the individual development planning.

The Company continued assessments of the end-to-end professional competencies in terms of both theoretical knowledge of practices and tools for operational efficiency and anti-corruption. In 2023, more than 2,000 employees (white collars) of the Company were assessed in each of these areas.

Furthermore, a new assessment methodology was developed for the end-to-end Occupational Health and Industrial Safety professional competency, which was completed by about 600 line production managers.

Talent pool

NLMK Group creates opportunities for employee development and ensures continuity in its managerial staff. To this end, the Company has run a talent pool programme for several years now. Talent pool members make use of comprehensive programmes for the development of management skills. When filling in a managerial position, talent pool members are considered first.

>2,300

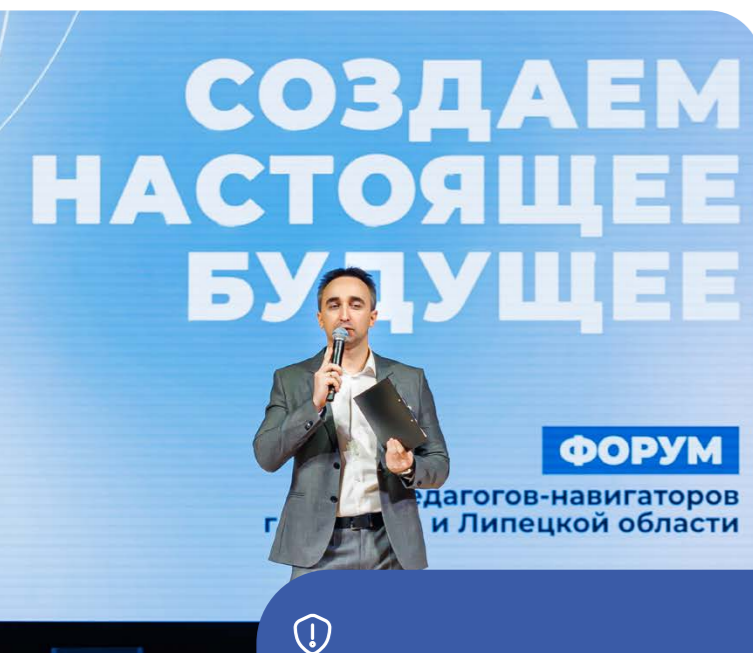
employees of the Group confirmed their qualifications at the industry level

More than 200 technical experts including over 130 employees of NLMK Group carry out independent assessment of qualifications. In 2023, NLMK experts took part in the development of 7 professional standards. NLMK Group led the preparation and updating of assessment toolkits for 14 qualifications.

In the reporting year, Expert Councils on qualifications were regularly held with the participation of department heads, production efficiency improvement departments and technical experts. The Expert Councils review the qualification assessment results, develop measures aimed at improving skills and abilities, and evaluate efficiency of such measures.

Mentoring

Mentoring system is one of the key focal points of the employee qualification management system. The Company has about 9,000 mentors. Each candidate willing to become a mentor goes through a selection process based on the criteria of professional experience, corporate competencies level and qualification assessment results. Moreover, the candidates undergo a dedicated training programme depending on the role they are going to perform.



NLMK Technology University held an extended session involving representatives of specialized educational institutions and human resources services of industrial companies. Such an event was held for the first time and was initiated by NLMK Group. The participants pooled their efforts to have a comprehensive discussion of the experts training avenue starting from working with young people and down to existing employees' development. NLMK Technology University established a dialogue between representatives of industrial companies and educational institutions and set the trend for making joint efforts in professional personnel training.

In 2023, based on all Career Committee deliberations, the talent pool amounted to over 3,000 employees. From 2018 to 2023, 73% of managerial openings were filled with the talent pool members

Career planning

NLMK Group has been developing the Career Planning process. Its goal is to incentivize staff to develop their competencies and to ensure availability of highly skilled internal candidates for new positions.

In 2023, the Company finalized the typical career paths in most functional areas. The maps also provide cross-functional transfers to develop specialists and managers with a broader business background.

Acknowledgement and recognition

NLMK Sferum

NLMK Group adopted NLMK Sferum recognition programme three years ago. The Company awards corporate currency called ferums as an incentive to the most active employees. One can spend them on the corporate online store of NLMK Sferum.

The goal of NLMK Sferum is to unlock employees' potential, motivate them to go for various achievements, promote professional and personal development.

 **>20,000** +43% by 2022

unique participants received incentives as part of recognition programmes

NLMK Leader 2023 Corporate Award

NLMK Leader is the only corporate award that invites the employees to vote and select the winners. It is awarded to identify and promote role models that correspond to the key meanings of the Company. This year, the list of NLMK leaders included 115 executives.

Stars of the Production System

Stars of the Production System is an event where recognition is given to the most active and effective

employees of NLMK Group, who generate ideas and inspire colleagues to develop initiatives. Silver Stars are awarded for hundreds of ideas submitted, complex cross-functional breakthrough projects, and a commitment to continually improve production and business processes.

CEO Safety Leader Award

In 2023, the Company held the fourth Safety Leader Award. Objectives of the award: recognition of the personal contribution of employees of NLMK Group companies and contractors to the development of labour safety culture, leadership and commitment to occupational safety and health issues. The award also demonstrates the priority of safety issues over indicators of an economic, technical or other nature and stimulates the interest of employees in developing personal occupational safety and health competencies.

Corporate programmes and professional skill competitions

In 2023, more than 4,500 people took part in the corporate professional skills competitions.

Best in Profession

The Best in Profession competitions are held to identify the best employees in a particular profession, create incentives to improve the expertise, promote occupational advancement of the young employees, master practical skills and strengthen the professional excellence traditions.

A total of 96 competitions were held; 2,336 people participated and 348 became winners.

Young Leader

A Company-wide competition for high-potential employees, it is aimed at their individual development and growth of the Company's human capital.

In 2023, the competition was held time in a group-wide format for the first to strengthen leadership competencies in accordance with the target corporate vision, as well as to exchange experience and best practices between production sites.

Participants went through seven qualifying stages and three-module training, and also worked on their own projects for several months. The project ideas by young leaders were related to the processes of onboarding, training and development of employees.



Young Professional

The programme is aimed at finding and developing young workers under 30 years old with no more than three years of work experience, as well as at accelerating social and professional development of young workers. Since 2023, employees with higher and secondary vocational education have been able to participate in the competition. The coverage of potential participants has almost doubled.

Mentor of the year

The competition is held with the aim of motivating mentors, increasing their production, creative and social activity, as well as developing mentoring traditions and corporate culture. Over 1,000 people participated in the competitions in 2023.

Supervisor of the Year

The competition motivates professionals to effectively develop management competencies, boost productivity and improve quality of work. It also serves to identify and support effective line managers. In 2023, the Supervisor of the Year competition was held at all NLMK Group sites, 192 people took part in it, and 14 supervisors became winners.

Engineer of the Year

The competition is aimed at inviting employees with scientific and technical potential to look for innovative or advanced solutions boosting efficiency of the production facilities. In the reporting year, 131 employees took part in the competition, and 40 people became winners.

NLMK Corporate University

NLMK Corporate University (CU) was established in 2016 in order to centralize and implement a unified system of management education in NLMK Group.

Objectives:

- Develop the leadership capabilities of NLMK managers
- Improve the management system through training and development
- Identify and replicate NLMK's best practices

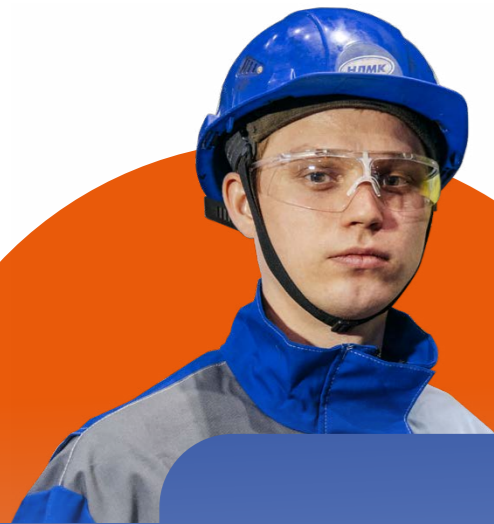
The target audience of NLMK Corporate University includes over 5,500 Company leaders, including the talent pool.

In 2023, the training target was outstripped at 101%, and the number of individual trainings for 2023 amounted to almost 16,000.

In 2023, the Corporate University provided learning solutions in English for the audience of 300 people at NLMK Group's international sites.

On top of that, the University provided training for the companies that belong to the ecosystem in three key areas:

- development/handing over of learning solutions on request
- adaptation and implementation of learning solutions
- participation of colleagues from the ecosystem in learning solutions of the Corporate University



14.6 hours

average training time per employee in the target audience of the Corporate University

The Leaders Train Leaders approach

Senior and middle managers and key experts of the Group assist in the development of the Corporate University programmes, and they deliver training as in-house trainers for at least four days every year. The Company's leaders provide training to the target audience (top, middle and line management and talent pool) delivering learning solutions of the Corporate University. *The Leaders Train Leaders* approach is the foundation of training in the Corporate University enabling:

- An engaging and educational environment and unity of meanings via sharing personal experiences
- An exchange of views, which ensures an effective two-way feedback channel during training
- Developing leaders through internal coaching.

All internal trainers complete a special certification programme and receive further advice from the Corporate University in order to ensure that all learning solutions are taught to the highest professional standards. In 2023, the number of internal trainers exceeded 440 people.

Developing products and services

The Corporate University learning solutions represent a synthesis of knowledge, best practices of NLMK Group's experts, and instructional design.

The Corporate University portfolio contains 190 electronic courses and learning solutions, which are distributed across five schools of the Corporate University.

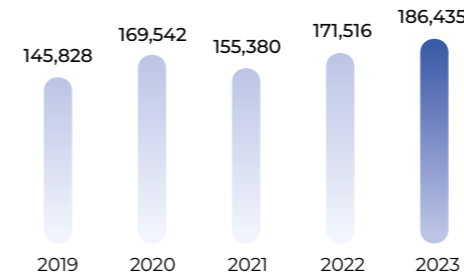
The learning solutions portfolio expanded by 32% year on year with 19 new learning solutions. Another 43 new e-courses were added focusing on soft skills development.

Since 2022, the Corporate University has been offering a number of services to support leaders' development. In 2023, two new development services were launched: mentoring and gaming practice. In the reporting year, more than 160 leaders of NLMK Group, as well as more than 120 leaders of the ecosystem member companies, used such services.

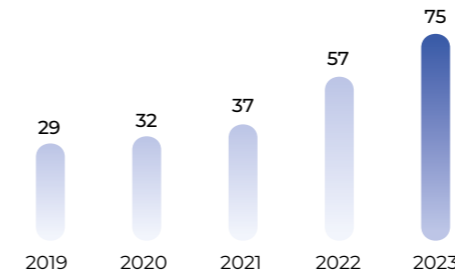
In 2023, the Corporate University began supporting professional development of employees in a number of functional areas starting from identifying training needs to the implementation and results evaluation. Customer service was improved based on the feedback received from business customers and training participants.

The Corporate University also focused on special projects for a wide range of the Company's employees dedicated to resourcefulness, stress management, development, leadership and teamwork (*Choose to Grow*, a special

Development activities, *hours*



Learning solutions



project), as well as raising awareness of doing business in countries such as, for example, China as part of a pilot project *Delicate East*.

Level-specific programmes

Leadership development programmes is an individual stream in the Corporate University's portfolio of learning solutions launched in 2020. In 2023, the Corporate University has implemented two level-specific programmes: *Dream100* and *Level Up* taken by more than 130 leaders of the Company and the ecosystem.

NLMK Group Corporate University campus

In 2023, three educational exhibitions were held at the Corporate University campus:

- *Science as Art* (2022–2023), created jointly with the R&D team and dedicated to the development of innovations in the Group
- *Stoilensky. Steel Starts Here*, telling about the history of the site, the region of presence and the process chain
- *Teaming Up* exhibition presented in the style of children's fairy tales and dedicated to NLMK's charity

In 2023, the Corporate University, the Social Policy Division and the Communications Division organized



We create a learning environment for leaders to support sustainable growth of NLMK business.

a charity conference called *Good Deeds Forum* engaging the leading charitable organizations in Russia with more than 600 participants.

International collaboration

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

International recognition

In 2022, NLMK Group's Corporate University successfully completed the second stage of the the CLIP (Corporate Learning Improvement Process) international accreditation programme of the European Foundation for Management Development (EFMD). EFMD is a leading independent corporate training organization that audits and evaluates all aspects of training and development for compliance with international quality standards.

Social policy

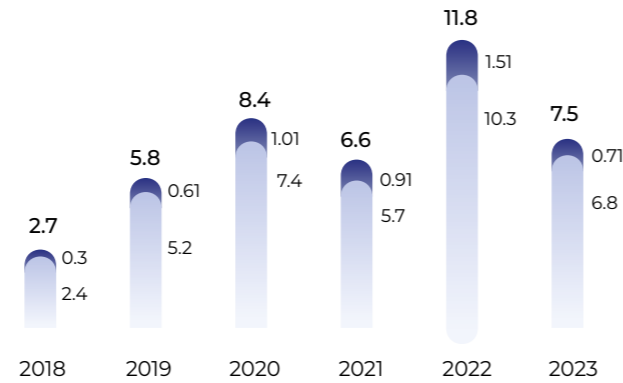
[GRI 401-2]

Corporate social programmes are a key tool for supporting high level of employee engagement, which creates additional labour market advantages. Social policy issues fall within the remit of the Human Resources function. This makes social projects effective and targeted, focusing on the real needs of employees, and enables efficient feedback analysis. The Company's internal social policy aims to support the objectives of NLMK Group's HR Strategy and sustainable development goals.

In 2023, NLMK Group continued to implement its Social Strategy approved by the Management Board in 2019. The Social Strategy is a set of programmes that promote the long-term sustainability of business taking into account the interests of both the Company and its employees. The Strategy's key objectives include:

- Achieving high and well-balanced level of staff satisfaction and engagement
- Reducing waste (in terms of time, health, personal efficiency)
- Higher competitiveness and attractiveness of jobs and the employer.

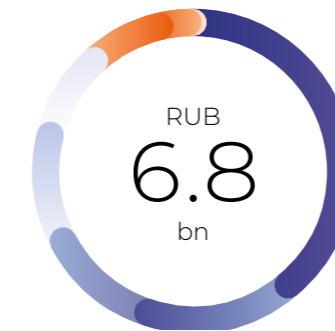
NLMK Group social investment, RUB bn [GRI 201-1]



- Investments into local-community development
- Investments in our employees

For more information about investments in the development of local communities, see the Local Community Development section

Social spending on NLMK Group employees by areas, %



● Medicine and healthcare	39.0
● Material aid	16.2
● Catering	12.1
● Private pension co-funding	11.7
● Transportation	9.5
● Accidents and critical disease insurance	7.9
● Sporting and mass culture events	3.2
● Children's health and recreation	0.4

Children's health and recreation

In 2023, the Company continued its comprehensive health programme for the children of all Russian employees. The total coverage of employees' children by the children's health programme was 7%.

Healthy eating

The Company develops and promotes a culture of healthy eating as part of *NLMK Eats!* corporate nutrition programme. In 2023, overall food coverage in corporate canteens increased to 80% (versus 60% in 2022).

In 2023, a mobile app *Ordered in NLMK Eats!* was developed to make food delivery ordering more convenient. The average rating of the service is 4.7 out of 5 points.

Corporate retirement pension programme

Over 6,000, or 17%, of the employees participate in the corporate pension programme co-financed by the employer. It aims to enhance social security and improve financial standing of the participants after retirement, to promote a culture of voluntary and active participation of employees in building up their future pension and conscious attitude towards long-term investments. Participation in the programme assists the employees in creating a financial cushion for the future and maintaining their lifestyle after retirement.

Healthy Choice Project

[GRI 403-6]

The *Healthy Choice* project is designed to promote healthy lifestyle among the employees and increasing staff awareness regarding health issues. It serves to identify and involve leaders (health managers) in communicating ideas and supporting best practices among the workforce. As of the end of 2023, more than 1,600 employees participated in the programme. Feedback indicated that over 98% of participants would recommend it to their colleagues.



RUB 7.5 billion (\$89 million)

NLMK Group's total social investments in 2023. RUB 6.8 billion was allocated to employee social support programmes

Online gifts to honour the Steelmaker's Day

Celebrating Steelmaker's Day 2023, NLMK Group and Miloserdiye, charitable social support fund, presented electronic gift cards for children's goods with a nominal value of RUB 3,000 to the benefit-entitled categories of employees such as parents of large families, single parents, parents raising children with disabilities. Almost 2,300 employees took advantage of the certificate. Based on feedback, more than 95% of employees would like to receive social support in the form of electronic gift cards in the future.

Diversity, equity and inclusion

[GRI 405-1]

NLMK Group, as an international socially responsible company, promotes the culture of diversity, equity and inclusion. NLMK employs people of different ages, gender, education, marital status, parents raising children with disabilities, representatives of many nationalities and cultures. NLMK Group strives to create a comfortable working environment where each employee can realize their full potential while staying true to themselves with their own individual differences and traits.

Gender balance

[GRI 401-3][GRI 405-1]

NLMK Group strives to maintain gender balance, taking into account the specifics of the steel industry, provides the necessary support to working parents and their children, and takes care of the health of future generations.

The Company pays special attention to women's health, support for pregnant women and young parents. According to the Company's employees, flexible schedules and shorter workdays are the most sought after support measures for working parents.

The Company is developing measures to ensure equal career opportunities for women and encourages female employees to participate in leadership programmes and competitions. The corporate media highlight successful examples of women's career growth and work-life balance.

All employees, regardless of gender, can receive financial assistance at birth of a child, and take a parental leave. In 2023, 5% of male employees took parental leave, which is 2% more compared to 2022. In total, the Company employs more than 4,000 parents raising children under the age of three.

In 2023, 343 employees of the Company used the right to take early paid parental leave before the birth of a child.

[GRI 401-3] In 2023, the Company continued to develop a special adaptation programme related to parental leave issues. A memo was prepared with detailed information about applying for the leave, support provided by the state and the Company, and psychological recommendations. In 2024, the Company is planning to launch a telegram channel and a special section on the corporate portal devoted to these issues.

In 2023, the Company's employees were awarded with the *Celebrate the Mother* honorary badges and won a city campaign aimed at recognizing and respecting motherhood

The Company employs 445 parents of children with disabilities and provides them with financial assistance and additional days off.

In 2023, the Company launched a study of the best Russian and international support practices that can be provided to the employees with special healthcare needs.



7 employees

of the Company became winners and finalists of the Talented Women in Mining 2023 international award

Family Heights school for parents

In 2023, NLMK launched a dedicated programme for parents. *The Family Heights School* is an educational programme devoted to parent-child relationships. As part of the programme, employees and their relatives could:

- Attend online and offline meetings with professional experts on parent-child relationships, psychologists specialising on relationships with children, famous media presenters
- Study specially developed materials on relationship with children
- Complete practical tasks
- Take part in creative competitions with the whole family, as well as in family volunteer events

>550 participants

from NLMK joined the programme in 2023

The family of NLMK employees that won the competition received a family vacation certificate of

RUB 200,000

NLMK Pulse corporate survey

In 2023, NLMK Pulse corporate survey covered over 40,000 respondents from NLMK Group's companies: about 80% of the Russian sites' average headcount as well as NLMK DanSteel, NLMK Verona, NLMK Pennsylvania and NLMK La Louvière. Participation in the survey gives each employee an opportunity to directly impact changes in the Company.

Trade unions and collective bargaining agreements

[GRI 2-30]

The Company fully supports the employees' right of association and collective bargaining. NLMK complies with the requirements specified in collective bargaining agreements, and also interacts with representatives of trade union organizations. Collective bargaining agreements are concluded both at Russian and international companies of the Group. They apply to all employees regardless of their membership in a trade union. The Company announces the possibility of joining a trade union organization in its corporate media including its corporate portal.

In 2023, regular meetings of the mediation body created a year earlier, the Council for Social and Labour Partnership, were held. The Council employs, as parity representatives, the Group management and members of primary trade union organizations.

In 2023, campaigns were carried out to extend existing collective agreements at NLMK and VIZ-Steel sites.

Number of employees covered by collective agreements, % [GRI 2-30]

NLMK Group region	2019	2020	2021	2022	2023
Russia	100	100	100	100	100
NBH JV ¹	88	87	97	97	95
USA	71	72	72	71	72

¹ In accordance with national legislation, some categories of employees do not have the right to conclude a collective bargaining agreement, the coverage of other categories is 100%.

Volunteering

The Group companies focus on three main areas in its corporate volunteering activities:

- Environment: campaigns for cleaning and landscaping of local and environmentally sensitive areas, eco-quests for children and youth, environmental hikes, etc.
- Healthy lifestyle: activities to promote a healthy lifestyle and engage residents of the 'home' regions in grassroots sports, equipping sports grounds, etc.
- Assistance to socially vulnerable groups of people: children, pensioners and people with disabilities, urgent assistance on express requests of the community without employer involvement, etc.

~1,600 employees

of NLMK were part of the volunteer movement at the end of 2023

The coverage of beneficiaries at the key events in which NLMK volunteers participated exceeded 60,000 people.

Corporate sport

[GRI 403-6]

NLMK traditionally provides its employees with all conditions for healthy physical activity. The Company has equipped gyms and workout sites on its companies, corporate sports facilities, rents external gyms for team sports, co-finances subscriptions to swimming pools and gyms. Moreover, the Group regularly holds corporate competitions and sports days, and develops sports communities for jogging, chess, Nordic walking, and the Fit for Labour and Defence (GTO) tests. The Company supports the employees annually taking GTO tests.

The number of employees involved in corporate sports increased by 4%.



Volunteers assisted inclusive athletes

A team of sports volunteers from the Moscow representative office of NLMK took part in the "More Than You Can" Festival of Inclusion in Sports. The purpose of the event is to help people with ICP and diseases of the musculoskeletal system get into social and sports life. NLMK employees accompanied the participants in the race at distances from 1 to 8 km. Before the race, all volunteers received special training and instructions on working with inclusive athletes.

Sports achievements of the year

At the end of the year, NLMK Lipetsk held a ceremony to celebrate sporting achievements in 2023. On the stage of the Corporate University, winners in individual competitions, captains of winning teams, competition hosts and heads of departments promoting corporate sports received awards. Some of the awards were handed out by top NLMK leaders. In total, more than 150 company employees were recognized. A week before the event, several online competitions were launched for all employees on the corporate portal, where employees shared their personal achievements and won branded prizes from the Company.

Plans for 2024 and midterm

The Company aims at achieving ambitious production goals, boosting its attractiveness as an employer, and implementing its staff retention policy. To achieve the above NLMK, among other things, keeps improving working conditions and pays special attention to blue-collar jobs.

Evaluation and remuneration

In 2024, the Company will change its approach to MBI assessments of experts and managers. NLMK is seeking to improve the process in order to obtain a holistic and comprehensive picture of the qualities and potential of each employee, offering them the most straightforward development process and, as a result, a transparent increase in remuneration. To this end, the Company shifts its focus from assessing compliance of the role models to the key meanings to assessing competencies of the employees. Competencies are more specific, easier to measure over time, and more accurately reflect the contribution of each employee to solving business challenges and personal development. It is also planned to add an MBO (Management by Objectives) assessment to the factors influencing remuneration growth.

Thus, in the new approach, the revision of remuneration will be influenced by a combination of factors: the level of competencies development, performance and readiness for further development. The Company is going to schedule learning activities, plan career promotions and appointments, form its talent pool and individual development plans based on the results of the assessment.

Training and development

- In 2024 the Company will continue to improve its educational programmes for key working professions
- It is planned to launch an English version of the WebSoft platform to enable further integration of the foreign assets employees and managers into the learning processes
- NLMK is planning to expand coverage of the targeted training contract system in terms of educational institutions, specialties and professions
- The onboarding team is going to focus on diving into the specifics of blue collars onboarding, implementing a mobile version of the digital solution, and further developing the existing tools

Corporate University

- At the beginning of 2024, an interactive exhibition dedicated to the digitalization of NLMK production will be launched through the joint efforts with the Production Digitalization functional area
- The Company intends to launch an HR Academy and a Finance Academy
- Further work will be focused on improving the quality of professional programmes: adapting external content to the business needs, searching for internal expertise available in the Company
- Within the frames of the Virtual Campus development it is planned to launch a marketplace. NLMK is going to continue working on the special project *Delicate East*: another three instalments will be released within this year

Social policy

- The Group's companies are going to continue renovation of their social facilities such as canteens, meal rooms, and sanitary facilities
- Corporate Games to celebrate the 90th anniversary of Novolipetsk Steel (NLMK Lipetsk) are planned at the city's sports facilities to promote mass sports and engage the employees into sport activities



Occupational health and safety (OHS)

Material topics

Occupational health and safety

Global Sustainable Development Goals



Awards and competitions

A team of young experts took 2nd place in the Case in international engineering championship within the frames of the All-Russian Occupational Safety and Health Week.

Key events in 2023

- The trend towards reducing injury rate continues
- The OHS training plan target achieved
- The corporate training programme adopted the *Safety Awareness* learning solution
- Safety culture maturity assessment model developed and implemented
- OHS Maintenance Programme implemented
- Video Analytics project initiated to provide additional monitoring of compliance with occupational safety and health requirements
- Corporate first-aid competitions held
- First-aid training for internal trainers

Key figures for 2023

0 accidents at hazardous production facilities

8,000 contractors took occupational safety and health corporate learning solutions

5 top-risks programmes introduced to prevent injury

90% of the employees had OHS training

30,000 employees and contractors participated in Safety Week events

98% of hazardous events addressed

Our approach to managing occupational health and safety

[GRI 3-3]

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

OHS aspects are integral components of a large-scale project to develop NLMK Production System. To ensure a high level of safety at work, the Company is guided by a set of internal principles that shape the OHS culture throughout the Group

The Company's approach is based on:

- ✓ Strict compliance with Russian and international OHS regulations
- ✓ Introduction of the best practices
- ✓ Risk-based approach and control of key risk factors
- ✓ Developing and fostering a safety culture among NLMK Group's employees and contractors

NLMK OHS principles

People are the utmost value of the Company. Preservation of life and health is the priority in production activities

OHS is an integral part of the business and the foundation of business process development and improvement

All cases of injury, accidents, incidents and occupational diseases can and must be prevented

Production safety is a responsibility of each employee



The Company undertakes to realise the following measures in occupational safety and health to implement the above stated principles:

- Identifying hazards and effectively managing risks, thus controlling the level of risk to the life and health of employees and contractors
- Constantly increasing the skills of managers, employees, and contractors
- Complying with Russian and international OHS regulations
- Ensuring transparency of the indicators

The Group will continue to work on its strategic goals in the area of OHS:

- Zero fatalities involving employees and contractors
- Total Lost Time Injury Frequency Rate (LTIFR), including contractors, of not over 0.5
- Raising awareness among staff vis-à-vis personal safety

[GRI 2-13] OHS issues are regulated at all management levels within NLMK Group, with the key role assigned to the CEO (Chair of the Management Board). The CEO determines the Group's OHS development strategy and approves its foundational document, the [Integrated Management System Policy](#) (IMS). In addition to the IMS Policy, the Company regulates the main areas of OHS:

- Labour protection, industrial and fire safety
- Traffic safety
- Industrial healthcare

[GRI 2-24] The Management Board is updated on a monthly basis on the key aspects and projects in OHS and the results of occupational accident investigations. OHS strategy status and progress towards achieving the strategic goals are reviewed every quarter. These reports make it possible to assess performance of the OHS management system and develop measures to improve it.

OHS management system and certification

[GRI 403-1] [GRI 403-8]

NLMK Group uses a risk-based approach to occupational health and safety management. All its companies have an OHS management system in place subject to an annual independent audit for ISO 45001 compliance.

NLMK strives to ensure that the system is efficient and covers 100% of its employees and contractors. Five

High-level OHS tasks are resolved by the NLMK Group Occupational Health and Safety Department. The OHS Department has established a project development office responsible for developing and maintaining the OHS management system, and a special department for working with contractors on large investment projects for reconstruction and development.

Each company and large workshops have their own OHS departments.



OHS KPIs are included in the annual assessment system for managers at all levels and are taken into consideration when promoting candidates to management positions

NLMK Group companies have obtained ISO 45001:2018 certification¹, with 100% of their employees covered by the OHS management system.

The number of sites with an OHS management system in place decreased from 2022 as three NLMK Russia Long Products companies ceased to be part of NLMK Group.

¹ VIZ-Steel, Dolomit, Stagdok, Stoilensky, and NLMK Lipetsk.

Hazard identification, risk assessment, and incident investigation

[GRI 403-2]

NLMK Group uses a risk-based approach to OHS management. The Company identifies and assesses workplace risks. Its OHS Department works together with on-site experts to perform audits for ensuring effective risk management.

All incidents are investigated, with system-level causes identified and corrective measures developed.

Personal protective equipment (PPE) needs are now better met as the Company has started outsourcing PPE provision. In addition, NLMK Group is switching to improved PPE designs, developing specifications, and adopting company-wide care and maintenance requirements.

Employee engagement and safety culture

[GRI 403-4] [GRI 403-5]

The Company pays special attention to improving behavioural safety and developing leadership in OHS by providing its employees and contractors with internal and external training aimed at fostering a conscious approach to occupational safety.

The Company is also continuously working on fostering a safe driving culture. Thanks to its traffic safety initiative, 28% of its drivers and industrial vehicle operators have received special training. Contractors who drive vehicles on NLMK Group's factory premises also undergo such training.

Incentives

NLMK Group has a company-wide incentive programme to encourage employee engagement in the OHS processes. The safety incentive programme includes:

- A corporate-wide safety incentive scheme (encompassing an average of 8,500 employees each year)
- Safety Leaders, a contest held throughout NLMK Group for employees of all levels. In 2023, contractors took part in the contest for the first time

Electronic work permit

In 2023, NLMK Group completed the development of Electronic Work Permit 2.0, an in-house solution used throughout its Russian operations. Electronic work permits were issued for 95% of work across NLMK Group as at the end of 2023.



>90%

of employees have completed OHS training thus meeting the target

LOTO safety system

The lockout/tagout (LOTO) project aims at reducing the risk of electrical injuries during maintenance and repairs (one of the top workplace hazards), as well as minimizing the risk of contact with rotating and moving parts of equipment, machinery, and mechanisms.

By the end of 2023, LOTO was rolled out at all NLMK Group sites. More than 50% of routine preventive maintenance was carried out using the LOTO system. Also, the Company trained over 200 internal trainers and more than 800 employees involved in the LOTO process. All Russian companies of NLMK Group passed LOTO assessment. In 2023, the LOTO system was adopted at 10 production areas of six NLMK Group companies.

Hazard reporting app

At NLMK, employees are engaged in the hazard identification and risk assessment process, including by using a hazard-reporting app. The software enables each employee to report a workplace hazard and empowers leaders to effectively manage the identified risks. Employee engagement in incident management via the hazard-reporting app was about 60%.

Each employee has a penalty-free right to stop unsafe work, which is guaranteed by the CEO

Training

[GRI 403-5]

NLMK Group's occupational safety culture is based on a conscious approach to identifying hazards and opting for safe work methods and behaviours at work and home, which should be adopted by each and every employee. In order to encourage responsibility for one's own safety and reduce injuries, NLMK Group implements a special training programme, *Safety Awareness*. The first 2,200 employees took the programme in 2023.

In addition, the Company runs regular awareness campaigns focused on the top workplace hazards, which speak about OHS in plain and simple language. OHS experts undergo training in efficient verbal communication.

Dynamic risk assessment

[GRI 403-4]

Dynamic risk assessment is one of the key tools for building safety awareness in employees. It is aimed at forming the habit of considering the safety of work before doing it. If it poses a threat to the employee's life and health, it should be suspended until safe practice can be assured. Over 1,500 employees received incentives for their active engagement in dynamic risk assessment in 2023.

Hotline

[GRI 2-26] [GRI 403-4]

There is a 24/7 hotline for employees of all Russian companies of NLMK Group, as well as third parties, including contractors, retirees, and representatives from trade unions.

All Russian NLMK Group companies have OHS Committees, which discuss occupational health and safety issues with representatives of employees and trade unions each month. Branch employees may put forward ideas on how to improve safety, employ safe work methods, and provide better work conditions.

Maturity assessment

Seeking to make change management more effective and ensure employee engagement, NLMK Group developed a tool for performing a multi-factor assessment of safety culture maturity. A pilot project on maturity assessment was implemented to assess the current level of safety culture and identify the areas for improvement, with corrective measures developed for each of them.

>150 calls

made by employees on the hotline in 2023

Occupational medicine

[GRI 403-3]

NLMK Group's occupational medicine strategy involves implementing several large clusters of projects focusing on automating pre-shift/pre-trip inspections, providing emergency care to those who are injured or ill, and adopting a systematic approach to managing high-risk groups.

On-site health centres

Since 2020, NLMK Group's on-site health centres have become better equipped and the skill level of their medical staff has increased. Performance in this field has improved by 80% on the average. All on-site health centres have state-of-the-art equipment needed for emergency and urgent care, health monitoring, and immobilization.

In 2023, 66 medical staff members from on-site health centres received extra training in emergency preparedness, triage, and techniques for providing psychological first aid; 50 paramedics were trained in injury care, immediate resuscitation, and advanced life support.

During a quality and safety audit, the staff of on-site health centres provided primary emergency and urgent care and managed to prevent the worsening of condition, development of complications, and deaths of those injured and ill.

NLMK Group's Russian sites have over 200 state-of-the-art automated external defibrillators (AED)

First aid

[GRI 2-27] [GRI 403-5]

Employees receive first aid training in accordance with legal standards. In addition, more than 300 staff members have completed corporate in-person first aid training and 120 employees have become internal first aid trainers, who have already trained over 6,000 people at Stoilensky and NLMK Lipetsk. There are more than 150 portable first aid simulation kits for simulation training.

Employees extensively use two interactive online courses, "Cardiopulmonary Resuscitation Using AED" and "First Aid: Injuries and Critical Conditions". Almost 4,000 employees took them in 2023.

Emergency medical response

Medical alert training is organized regularly at NLMK Group's sites to test emergency casualty evacuation plans. More than 200 drills were conducted for the staff of on-site health centres using different scenarios, as well as four large-scale emergency exercises involving rescue services and multiple simulated casualties.

Medical check-ups

NLMK Group organizes all types of mandatory medical check-ups as required by law. The corporate medical centre in Lipetsk has a special occupational health centre. All pre-trip and pre-shift medical check-ups are automated; more than 1.2 million check-ups were conducted in 2023



23,000
people undertook first aid training in 2023

Industrial safety

In 2023, NLMK Group carried out all of the planned safety reviews and implemented all the follow-up measures that needed to be taken.

As part of efforts to enhance its OHS information system, the Company updated the automated Industrial Safety module that provides real-time analytics. The process for assessing the overall hazard level of a hazardous

facility was automated. The Incident Investigation module was also updated to enable factor analysis of industrial safety incidents on a quarterly basis.

The Company's industrial safety management system is regularly reviewed through internal and external audits. In 2023, internal audits were carried out at all NLMK Group's production sites.

Interaction with contractors

[GRI 2-8][GRI 403-7]

In 2023, NLMK Group engaged more than 1,600 contractors, subcontractors, and outsourcing providers with an overall headcount of about 20,000. Reducing contractors' injury rate is one of the top priorities for NLMK Group's OHS functions.

All of its production sites have adopted pre-entry testing procedures for contractors' staff to test their skills. For NLMK Group's international companies, OHS orientation course was translated into other languages.

Contractors which had no less than 80% of their staff trained reduced their OHS rules violation rate by more than 30%, and those who trained more than 50% of their personnel achieved a zero injury rate. This confirms that such practices are efficient and need to be further developed.

The Company continues its efforts to reduce the injury rate, actively engaging with its contractors' managers and employees. In 2023, NLMK Group held a forum attended by more than 30 CEOs of its contractors. OHS committees at the Company's production sites held 18 meetings with contractors' management. One of the three *Safety Weeks* organized in 2023 was devoted to contractors. More than 10,000 contractor employees and 150 top executives participated in the initiative.

The injury rate of NLMK Group's contractors in Russia decreased by 10% vs. the previous year, to 0.40. Projects within NLMK Lipetsk's investment programme were completed with a zero injury record



~8,000

employees of contractors underwent training under NLMK's OHS training programmes

Traffic safety

Ensuring traffic safety is one of the Company's OHS focus areas. More than 19,000 vehicles enter NLMK Group's factory premises each year.

In 2023, the focus was on the ongoing assessment of the traffic safety management system (TSMS); a series of audits were performed and action plans for achieving targets for each site developed.

Key TSMS development areas in 2023:

- Organizational measures to ensure traffic safety
- Traffic safety monitoring
- Journey management

NLMK Group launched online training courses in the main causes of traffic accidents for drivers, which are also available to contractors.

A series of facilitation (practical training) sessions were organized to address the most urgent issues.

In addition, the Company launched a unique refresher course for those responsible for ensuring traffic safety, with 205 employees involved in the process already trained.



Emergency preparedness and incident reporting

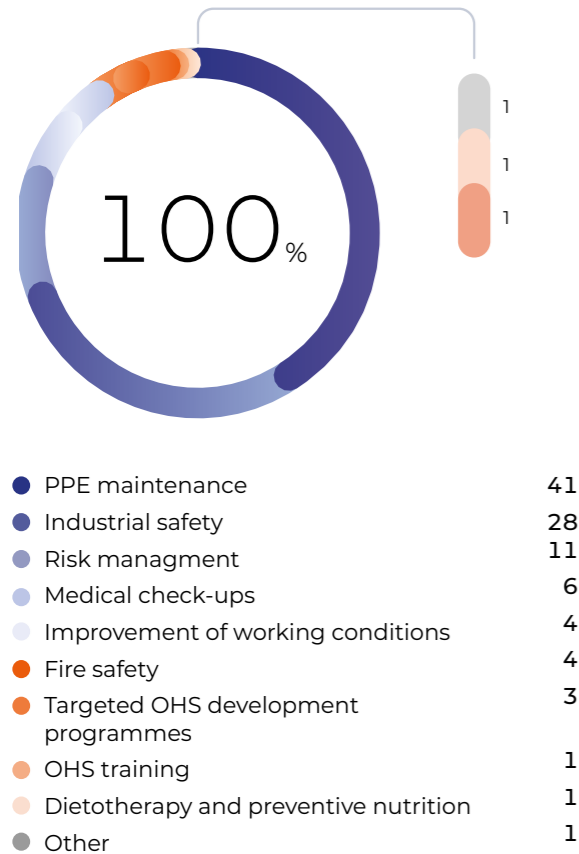
NLMK puts a heavy emphasis on emergency prevention and response and recovery measures. While the top management oversees these issues, responsibility for emergency preparedness, response and recovery measures, and incident investigation lies with the respective functions at each site.

Each company has regulations in place to prevent and manage the consequences of both man-made and natural disasters. Scheduled emergency drills in 2023 included training in how to respond to fires, gas leaks, acid and alkali spills, molten zinc leaks and spillages, and power outages.

Investment in OHS

Each year, NLMK Group invests in enhancing its OHS system to make sure that its targets are achieved properly.

NLMK Group's OHS cost structure in 2023, %



OHS performance in 2023

In 2023, the Company continued implementing its support programme aimed at reducing fatal and high risks. The programme is based on the Vision Zero concept, which assumes that all incidents are preventable.

NLMK Group pursues an openness policy for incident registration at all levels, determining systemic causes, developing corrective measures, and preventing incidents from happening again.

In 2023, the organizational boundaries of the Company changed significantly due to the divestment from NLMK Long assets. This Report discloses the injury

rates including NLMK Long until the end of August 2023, since before the divestment, the Company invested in maintaining the OHS system and recorded work-related incidents, man-hours worked, as well as OHS risks.

Work-related incidents [GRI 403-9]

In 2023, NLMK Group sites recorded 90 lost time injuries, both for employees and contractors. The total number of injuries decreased by 8%, the number of injuries suffered by employees declined by 11%, and those by contractors remained at the level of 2022.

Occupational injuries [GRI 403-9]

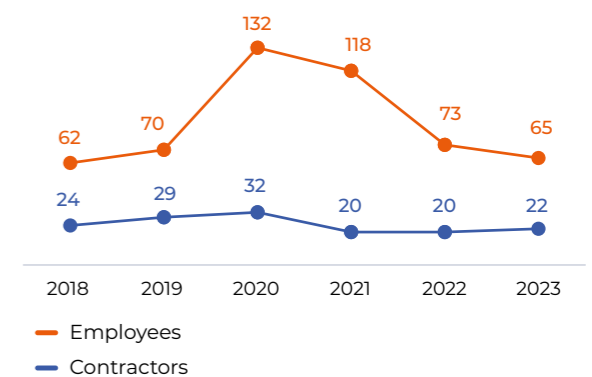
Indicator	2018	2019	2020	2021	2022	2023
Total number of occupational incidents	89	105	167	144	98	90
• Employees	65	72	133	123	74	66
• Contractors	24	33	34	21	24	24
Total number of occupational fatalities	3	6	3	6	5	3
• Employees	3	2	1	5	1	1
• Contractors	0	4	2	1	4	2
Number of lost time injuries	86	99	164	138	93	87
• Employees	62	70	132	118	73	65
• Contractors	24	29	32	20	20	22
Total man-hours worked for employees ¹	93,637,091	95,179,559	93,300,837	97,493,913	95,175,295	89,550,824
Total man-hours worked for contractors	22,612,132	26,995,931	39,798,091	44,452,504	46,252,482	43,689,181

Number of people who suffered injuries with time lost from work of one day (including fatalities) was 48, or 0.1% of the overall headcount of NLMK Group's Russian companies.

In 2023, the total person-hours worked indicator reduced by 6% vs. the previous year for both employees and contractors due to divestment of NLMK Long². The Company usually engages contractors to perform temporary or intermittent tasks at its production sites.

NLMK Group deeply regrets the fatalities that occurred to one employee and two contractors at its sites in Lipetsk and Yekaterinburg. All incidents were closely investigated, with root causes identified and corrective measures developed and implemented.

Number of work-related incidents resulting in an injury to NLMK Group employees and contractors (excluding fatalities) [GRI 403-9]



¹ The total number of person-hours worked for employees includes the time that NLMK workers spend on the way from the checkpoint to their immediate place of work and back, as well as on transporting NLMK Group employees to the territory of the Group's companies by corporate transport.

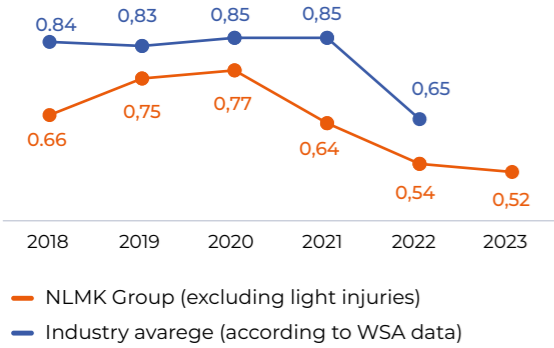
² In the Report, the injury rates of NLMK Long companies were taken into account until 31 August 2023 (when it was still part of NLMK Group). Starting from 1 September 2023 (when the Company divested from NLMK Long) injury rates do not factor in NLMK Long companies.

NLMK Group's system for recording work-related injuries is based on industrywide methods. The main injury rate indicator used across the Company is Lost Time Injury Frequency Rate (LTIFR)

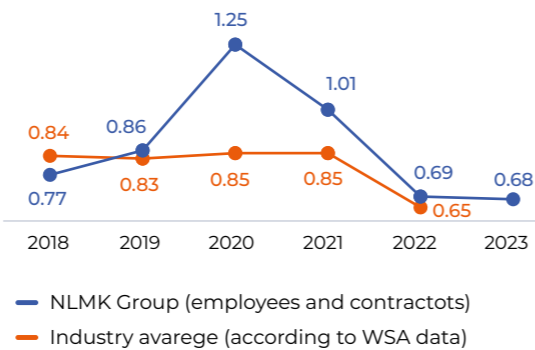
<46%

Injury prevention programmes and initiatives have helped reduce LTIFR by 46% as compared to 2020 (the year when the transparency policy was adopted).

NLMK Group's LTIFR without light injuries vs. industry average¹ [GRI 403-9]



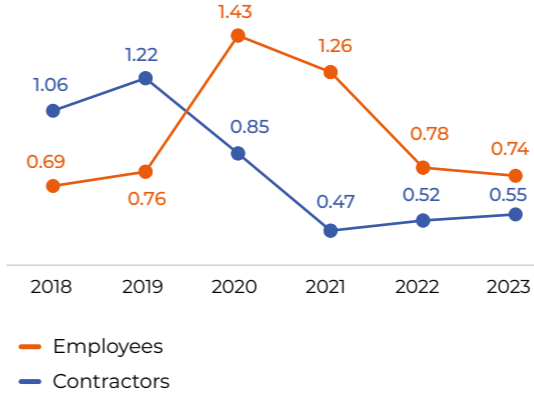
NLMK Group's LTIFR vs. industry average¹ [GRI 403-9]



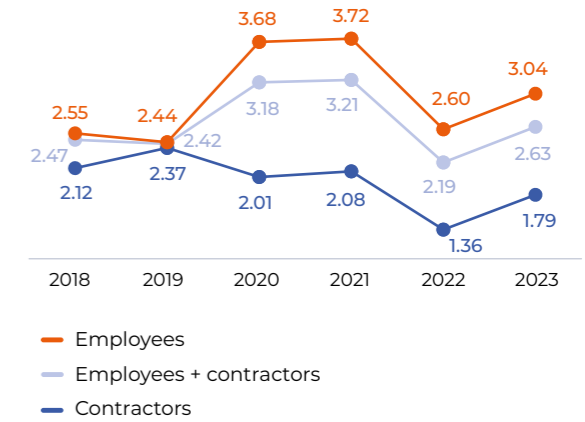
¹ Industry average LTIFR for 2023 was not available at the time when the report was being prepared.



NLMK Group's LTIFR for employees and contractors [GRI 403-9]



TRIFR (RI) for NLMK Group employees and contractors [GRI 403-9]



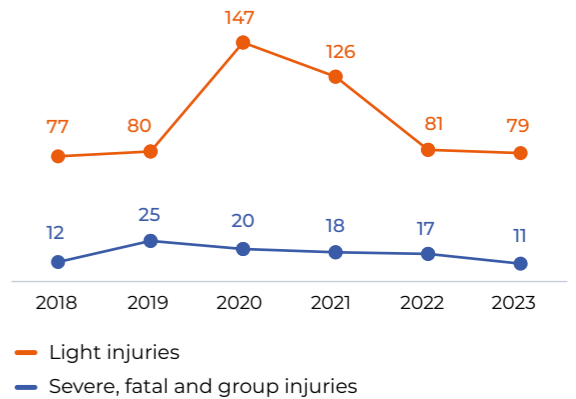
LTIFR is calculated on a monthly basis for each company taking into account data for both NLMK employees and contractors. In the reporting period, LTIFR per million hours worked was at 0.68.

In 2023, the top three work-related hazards that resulted in injuries were falls and trips, handling and tools, and falling objects.

Company-wide priorities identified for 2024 based on analysis are contractor management, injury prevention for repairs and maintenance, safe handling of lifting equipment and loading and unloading, and hot works safety.

The Group keeps records of all work-related injuries and measures the Total Recordable Injury Frequency Rate (TRIFR), which is calculated on a monthly basis for each company and includes data on contractors. In 2023, total TRIFR increased vs. previous year to 2.63 due to a 23% increase in the number of non-disabling injuries among employees and contractors. Registration of non-disabling injuries helps prevent incidents with more severe consequences.

Injury severity



-35%

less severe, fatal, and group injuries. The number of light injuries decreased by 2.5% vs. previous year

¹ TRIFR includes fatalities, lost time injuries, and injuries requiring treatment. It is calculated on the basis of Recordable Injuries (RI).



Occupational diseases [GRI 403-10]

Seeing employee health as one of its top priorities, NLMK Group seeks to provide safe and comfortable working conditions, improve corporate healthcare services, and promote healthy lifestyles.

Special importance is given to prevention of occupational diseases. The Company is striving to achieve a stable decline in occupational diseases. In 2023, it registered 50 cases of occupational diseases at three sites – NLMK Lipetsk, Altai-Koks, and Stoilensky – which represents a 10% reduction from the previous year.

Each case is investigated as required by the law, with follow-up corrective measures developed and implemented. Corrective measures include:

- Transferring employees to workstations with acceptable working conditions
- Monitoring the use of PPE
- Monitoring equipment and machine guards in workplaces with major occupational hazards
- Making sure that employees adhere to the work and rest guidelines

In addition, measures are taken to improve working conditions.

For instance, since 2021, NLMK Lipetsk's Cold Rolling and Coating Shop has been implementing a pilot project for preventing occupational hearing loss. No negative changes have been observed in risk group employees since the start of the programme and no occupational diseases detected; the participants have reported an improvement in overall health.

According to the Company's data, the fatalities that occurred at its production sites in 2023 did not result from occupational diseases.

Special assessment of working conditions is done and measures to reduce hazards taken in places where contractors carry out renovations and outsourced workers perform their work. No records are currently kept of occupational diseases affecting contractors as most of them are engaged for performing one-time or temporary tasks lasting from several days to several months, which makes it impossible to monitor their health.

Plans for 2024 and the medium term

✓ Key areas of focus in 2024

- Continue implementing a programme for reducing the top three hazards (pinch point hazards, heights, hand tools, etc.) and launch a new programme for preventing hand injuries (5 Fingers)
- Implement a programme for improving PPE quality and fostering a PPE culture:
 - Start transition to distributing dermatological PPE via dispensers
 - Launch Protection Against Electrical Current and Electrical Arcs programme
 - Upgrade the general use protective suit (new textiles and design) based on feedback from employees
- Provide training in top hazards focusing on skill practice
- Prioritize OHS Support programme by implementing KPIs in preventing adverse consequences
- Improve process automation by further developing a range of IT projects (OHS Information System, Electronic Work Permit 2.0, Video Analytics, etc.), as well as by developing online analytics for the currently used tools
- Improve interactive work instructions
- Implement leadership and safe behaviour programmes
- Introduce corporate occupational health and safety coaching to ensure engagement of all employees in building a strong OHS culture and their commitment to it
- Continue to develop a pool of internal OHS trainers and develop competencies of the OHS function
- Assess the maturity of NLMK Group companies' safety culture to choose the right programmes for their level
- Provide training under the Safety Awareness programme
- Implement a safety management programme for repairs and maintenance areas and workshops

⊕ Occupational medicine

- Implement a digital health management platform (digital health centre, digital in-shop general practitioner) and introduce remote pre-shift check-ups
- Update the emergency response process to address external challenges (including emergencies, incidents, and highly contagious infections)
- Renovate the large on-site health centres at NLMK Lipetsk
- Prevent and control infections, cardiovascular diseases, and occupational diseases based on occupational risk assessment
- Implement a communication campaign aimed at building health awareness and ensuring health protection

⚙️ Industrial safety

- Develop the Industrial Safety Management System by introducing and updating corporate regulations, organizing training, and improving competencies related to the system, as well as carrying out audits (including control of implementation of corrective measures) and digitizing processes
- Develop a system for registering, investigating and analysing occupational safety incidents
- Implement crane safety and loading and unloading safety programmes

📄 Contractors

- Develop contractor management processes
- Focus on control and preventive measures to minimize major hazards
- Develop contractors' competencies through training, targeted efforts, and communication

Developing local communities

Material topics

- Indirect economic impacts
- Local communities

Key events in 2023

- *Forum of Good Deeds*, 5th September, Lipetsk
- NLMK Development Park at the International Russia Expo at VDNKh, Moscow

Awards and contests

NLMK won first prize in the special category "For Active Implementation of Social Partnership Principles" at the All-Russian Competition "Leaders of Russian Business: Dynamics, Responsibility, Sustainability".

Global Sustainable Development Goals



Key figures for 2023

RUB **735.5** million
investments in external social programmes

79 projects

supported under the Steel Tree grant competition

Priority areas of support to local communities

[GRI 203-1] [GRI 413-1] As a large company involved in mining raw materials and producing steel and steel products, NLMK Group exerts a significant impact on local communities.

The Company's efforts in community development aim to foster common interests among NLMK Group, its employees, local communities, and state and local authorities on issues pertaining to:

- Sustainable development of the Company and the regions in which it operates
- Creating a favourable environment for employees and local communities.

The primary document governing the Company's approach to implementing social programmes is NLMK Group's [Sustainable Development Policy](#). This policy reflects one of the Company's key sustainability objectives: contributing to the social development of the regions where it operates.

In 2023, NLMK adopted the [Policy for External Social Programmes and Charity](#). This policy outlines the goals, principles, and key focus areas for external social programmes and charity initiatives aimed at achieving the Company's sustainable development goals. The guiding principles of the Company's charitable activities include:

- Providing assistance to those in need through direct contact with beneficiaries and targeted distribution
- Concentrating efforts on the regions where the Company operates
- Adopting a systematic approach that emphasizes transparency and measurable results
- Ensuring oversight of targeted utilization and achievement of outcomes, with active involvement in project implementation.

In line with the approved Policy, the Company's charitable endeavours are centred around three main areas:

- Healthcare
- Education and culture
- Social assistance.

NLMK's social and charitable initiatives are primarily carried out in collaboration with Miloserdiye (Mercy) Charitable Fund for Social Assistance, the largest charitable organization in the Lipetsk Region.

Miloserdiye is listed in the All-Russian Register of Socially Responsible Enterprises and Organizations and is also a member of the Donors Forum, a Russian association of grant-giving organizations.

The fund focuses on supporting mass and children's sports, healthcare institutions, preserving the country's cultural heritage, and providing assistance to veterans, large families, and other vulnerable groups. Miloserdiye Fund has been a longstanding and trusted partner of NLMK in the Lipetsk, Belgorod, and Sverdlovsk Regions, as well as in the Altai Territory. In 2022, new branches were established in Stary Oskol and Zarinsk. More than 50,000 people benefit from Miloserdiye charity efforts every year.

NLMK is committed to enhancing the effectiveness of its interaction tools and increasing public and staff involvement in fostering a culture of everyday charity. One such initiative is the Steel Tree grant competition.

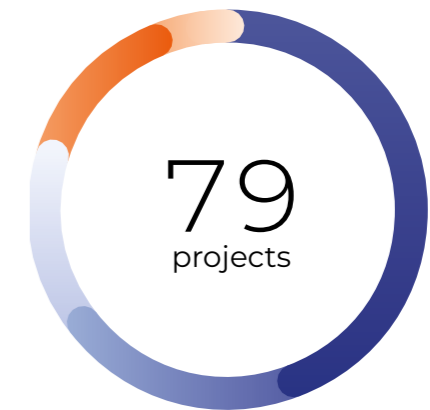
Steel Tree grant competition

The Steel Tree grant competition, initiated in 2017, has seen a steady increase in the volume of applications received and accepted each year. In 2023, grants were allocated to projects spanning various domains including ecology and urban enhancement, family values, science and culture, sports and wellness, as well as youth programmes and initiatives focusing on mercy and care, and active aging. A competition committee, comprising representatives from NLMK, the Miloserdiye Fund, regional and local authorities, reviewed over 450 submissions to identify best initiatives. With NLMK's funding exceeding RUB 25 million, support was provided to residents across five Russian regions.

In 2023, the competition witnessed a record-breaking 79 grants being awarded. These grants facilitated the enhancement of public spaces, establishment of new outdoor sports facilities, creation of conducive environments for children with health conditions, assistance to individuals with disabilities, and the arrangement of cultural and historical events.



Geography of the Steel Tree competition, number of projects



- Lipetsk Region 35
- Stary Oskol 16
- Zarinsk 12
- Sverdlovsk Region 11
- Kaluga Region 5

Marathon of Good Deeds

The Marathon of Good Deeds, now in its third iteration, was timed to coincide with International Charity Day and took place across all of the Group's Russian sites. With a primary focus on social support, particularly for the elderly and the Company's veterans, the marathon featured a diverse programme of family-oriented volunteer festivities. These included master classes promoting creativity and well-being, draughts and chess tournaments, among other activities. Additionally, essential items were gathered for nursing homes. In the run-up to the marathon, the Company hosted the Dobraya Vestochka (Good News) competition. Here, the best drawings submitted by the NLMK employees were selected as illustrations for postcards, on which participants penned heartfelt messages and wishes for the veterans.

Forum of Good Deeds

The Forum of Good Deeds, hosted by the NLMK Corporate University, served as a platform to reflect on the charitable endeavours of the Group and its affiliated sister companies and charity funds spanning over two decades. The event was attended by representatives from educational, charitable, and medical institutions nationwide, along with Company executives and beneficiaries. Over these years, tens of thousands of people have received assistance, with hundreds of significant social initiatives implemented. The Company provides targeted and comprehensive assistance, creating a positive environment for health, sports, culture, and education. Over two decades, NLMK and its ecosystem companies have allocated approximately RUB 30 billion towards these causes.

Tools for engaging with local communities and gauging their expectations [GRI 2-24][GRI 2-26][GRI 413-1]

NLMK implements various volunteer and charity programmes and conducts research to understand the needs of the population in the regions where

it operates. This includes identifying local residents' needs through surveys, public hearings, and internal corporate communication channels.

Tools for engaging with local communities

Event	Overview
Review of existing social programmes	Regular reviews of social programmes allow NLMK to gauge their efficiency, outreach, and feedback. This includes analysing feedback received through the communication channels of the Miloserdnye Fund.
Direct engagement via internal communication channels	Given that NLMK plants serve as city-forming enterprises in some locales, a substantial portion of the local population comprises company employees. Internal communication tools such as hotlines, SMS enquiries, and the intranet portal serve to elicit the social expectations of this demographic. The portal, in particular, allows users to submit enquiries, which are then addressed by specialists. The enquiries are open for viewing and commenting by all users.
Engagement with local authorities	NLMK collaborates closely with regional and municipal authorities, leveraging their insights into local needs and requirements. By aligning with these stakeholders, the Company develops tailored approaches to social initiatives that resonate with the community.
Public hearings	The environmental impact of NLMK's investment projects subject to state environmental assessments is evaluated through public discussions and hearings. Their outcomes help identify the expectations of local residents and incorporate their opinions into the decision-making process. Notably, in 2022, Lipetsk residents endorsed 26 NLMK initiatives during public discussions.

Assessing impact on local communities

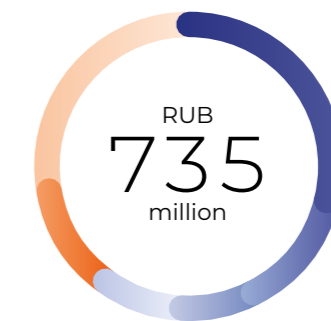
[GRI 413-2] By the end of 2023, NLMK Group had successfully implemented community engagement programmes across all regions of operation, conducting comprehensive assessments of their impact. Public

enquiries and proposals for the Miloserdnye Fund social programmes are regularly monitored through various communication channels. The Company receives up to 20 enquiries each month and promptly addresses them.

NLMK performance in 2023 [GRI 201-1] [GRI 203-1] [GRI 203-2]

NLMK earmarks substantial funds each year towards the implementation of social programmes. In 2023, the Company allocated RUB 735.5 million for external social initiatives. Community engagement programmes are actively conducted across all of NLMK's enterprises.

Investments in external social programmes, % [GRI 203-1]



- Supporting mass and children's sports 28.9
- Supporting culture and infrastructure 27.6
- Supporting vulnerable groups in NLMK regions of operation 13.8
- Supporting NLMK veterans and pensioners 12.4
- Supporting healthcare 9.0
- Education 8.3

Health and wellbeing, healthcare

In the area of health and well-being, NLMK implements projects focused on supporting healthcare institutions. This includes purchasing medical equipment and providing targeted assistance to individuals facing serious illnesses, e.g. covering expenses for expensive surgeries, purchasing medicines, and supporting rehabilitation programmes.

Supporting vulnerable groups in NLMK regions of operation

NLMK provides targeted assistance to those in need, backing socially significant initiatives and engaging employees and local residents in addressing social challenges. NLMK achieves this through various means, including the allocation of grants.



spent on supporting vulnerable groups in the NLMK regions of operations in 2023



spent on health, wellbeing, and healthcare initiatives in 2023

Supporting veterans and retired NLMK employees

NLMK places significant emphasis on supporting veterans and pensioners who used to work for the Company. Various activities and events are organized to enrich their lives. This includes excursions, cultural events, sports tournaments, recreational activities, and creative exhibitions of veterans. An important aspect of NLMK's support for veterans involves computer-training sessions, where they learn to use computers, mobile applications, and the internet to retrieve information, utilize electronic services, and communicate online with family and friends.

To promote intergenerational connections, NLMK holds meetings between veterans and younger generations and works with veterans' organizations and trade unions to organize visits to war memorial sites in its regions of operation and to conduct courage lessons at schools and partner educational institutions.

RUB 90.8 million

spent on supporting veterans and pensioners (former employees) in 2023

Guided tour for veterans at NLMK Pennsylvania

NLMK Pennsylvania organized a special tour for veterans to mark the launch of the walking beam furnace. Former employees had the opportunity to see the new unit, which fully complies with the latest energy efficiency standards.



The family festival **Zdorovy Vybor** (Healthy Choice), timed to coincide with Metallurgist's Day, was held in Metallurgist's Park in Lipetsk. The festival featured various activities, including chess, jumping rope, yoga, and meditation.

In the Lipetsk Region in 2023, the first **Stalnye Starty** (Steel Beginnings) contest, a city sports competition for schoolchildren, was held with the support of the Miloserdiye Fund. Fifteen school teams participated in six disciplines: relay swimming, functional multisport, minifootball, bowling, badminton, and darts.

Additionally, a new **sports and playground complex** was opened in Zarinsk, Altai Territory. The complex includes swings and play structures for younger children, as well as gyms, sports facilities, football and basketball courts for older children.

In 2023, two modern multifunctional sports and playground complexes were opened in new neighbourhoods of Lipetsk with support from the Miloserdiye Fund. These complexes feature a variety of play structures suitable for children of different ages, exercise machines, and tennis tables. The playgrounds are designed with separate play areas to ensure each child has a safe environment. Modern lighting systems have been installed for evening use.

The family festival **Prochny Splav** (Hard Alloy) attracted around 2,000 participants of all ages in Stary Oskol, Belgorod Region, Lipetsk, and Zarinsk. The festival activities were free for participants. Children who took part in the race received commemorative medals, branded caps, and sweet gifts. Families completing the interactive zones of the family quest also received prizes.

Labour Glory Celebration at VIZ-Steel

Over 400 veterans of VIZ-Steel gathered at the Verkh-Isetsky Centre of Culture and Arts to celebrate labour glory in honour of significant anniversaries in 2023. This included the 30th anniversary of the Bath and Wash Shop, the 50th anniversary of the Cold Rolling Shop, and the 25th anniversary of the establishment of VIZ-Steel. The "starters", individuals who played key roles in launching the Cold Rolling Shop in 1973, were invited as guests of honour. During the event, the shop's veterans were presented with awards from the regional Council of Veterans and the Mining and Metallurgical Trade Union. Special appreciation was extended to Nikolay S. Vlasov, a veteran of the Great Patriotic War and former NLMK employee, who celebrated his 100th anniversary in 2023.

Supporting mass and children's sports

Supporting mass and children's sports is a key social priority for the Company. NLMK is committed to creating opportunities for sports activities not only for Company employees and their families but also for local residents. The Company regularly allocates funds for maintaining sports facilities and supporting children's and youth schools and sections, sports clubs, alongside promising athletes. For instance, NLMK provides financial support to the Lipetsk Metallurg sports club in Lipetsk and the Olympic Reserve Children's and Youth Sports School No. 13 based at this club. These institutions train world-class athletes in clay target shooting, with approximately half of the Russian national team in this sport being graduates of School No. 13.

RUB 212.7 million

spent on supporting mass and children's sports in 2023

Supporting education and outreach activities

NLMK's social policy prioritizes the development of science and education through comprehensive support for specialized educational institutions in its regions of operation and assistance to young people pursuing high-quality technical education. The Company allocates targeted funding to support the scientific and educational activities of educational institutions, hosts and sponsors research conferences, as well as scientific and technical creativity contests for students. The Company also arranges open days and guided tours for schoolchildren and offers internships at its plants for students from specialized educational institutions. Additionally, NLMK supports several scholarship programmes.

The Company earmarks significant funds towards enhancing the infrastructure of kindergartens, schools, lyceums, professional educational institutions, children's creative centres, orphanages, and boarding schools.



RUB 60.7 million

spent on supporting education and outreach initiatives in 2023



In 2023, with support from the Miloserdnye Fund, a new intellectual development centre was opened in Zarinsk. This centre features engaging educational games tailored for preschool children, aiding teachers in fostering their holistic development. Game aids designed for sensory development have greatly assisted over 200 preschoolers participating in adaptive kindergarten classes.

In the Lipetsk Region, an educational project titled Learn to Save Lives was implemented. This project helped young people overcome psychological barriers and fear related to emergencies involving people who lost consciousness.

Professional instructors taught CPR techniques and demonstrated tourniquet application to more than 2,000 students and schoolchildren.

With the support from the Miloserdnye Fund, an educational project was launched in the Lipetsk region aimed at orphans and children without parental care. They participated in a series of classes designed to equip them with skills for making informed financial decisions in their future independent lives. This project, supported by a grant from the Steel Tree programme, covered five specialized educational institutions in the region, benefiting approximately 200 children through lessons and business games.

Culture and initiatives aimed at fostering a comfortable urban environment

Identifying and addressing pressing issues in the regions where NLMK operates, as well as fostering a comfortable urban environment, are key priorities of the Company's external social programme.

NLMK supports cultural initiatives by providing assistance to organizations involved in cultural, historical,

and outreach activities in the regions where it operates. The Company also allocates funds for the preservation and maintenance of cultural, architectural, and historical heritage sites.

The Company supports corporate museums at Stoilensky and Altai-Koks, as well as the NLMK Museum in Lipetsk.



RUB 203.5 million

spent on culture and initiatives aimed at fostering a comfortable urban environment in 2023



In 2023, with the support from the Miloserdnye Fund, several new alleys were created in three Russian regions. The majority of the new trees and shrubs (over 2,000) were planted in Lipetsk. In Zarinsk, Altai Territory, more than two hundred trees were planted, some near sports grounds and kindergartens. In Stary Oskol, Belgorod Region, volunteers planted 180 new trees, while also removing emergency trees from city yards in response to residents' requests. This effort aims to prevent potential injuries caused by falling dead trees near children's play areas, sports grounds, car parks, and building entrances.



In 2023, Stary Oskol hosted the premiere performance of the verbatim play Inclusion at the Byl Centre for Contemporary Art. All five participants of this production use wheelchairs. The play featuring individuals with special needs is a volunteer project supported by the Steel Tree grant programme.



Through the Steel Tree grant programme, NLMK implemented a cultural and ethnographic project called Sloboda Remeslennaya (Crafts Sloboda) in Stary Oskol, Belgorod Region. Every weekend during the summer, skilled artisans conducted free master classes in various crafts such as felting, modelling, traditional rag doll making, patchwork, and beading.

Plans for 2024 and the medium term

In 2024, NLMK plans include developing charitable projects to support backyard infrastructure and organizing culture and sports leisure activities for residents of its regions of operation, under the BlagoDvoritelnost (Charity) project.

The Company aims to further develop the Steel Tree grant competition by building a community of competition participants and enhancing the educational component of the programme.





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and corporate ethics

The power of steelmaking

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](#).

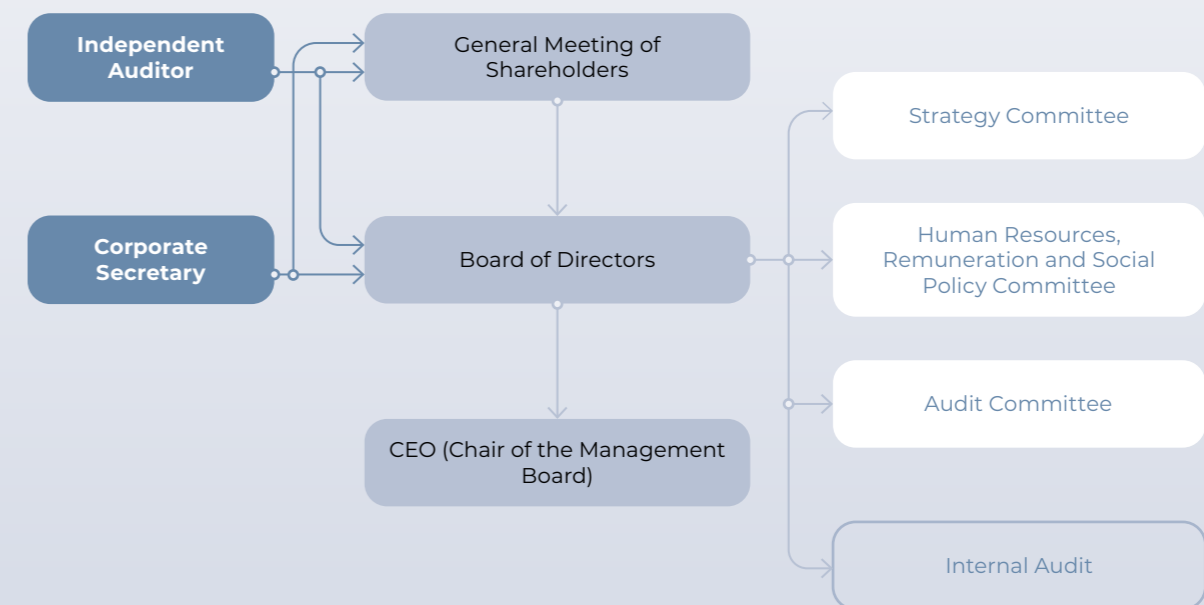
NLMK Corporate Governance Structure

[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.

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".

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.

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	<p>Sustainability risk assessment.</p> <p>Environment:</p> <ul style="list-style-type: none"> • Air emissions • Discharges and waste • Use of resources • Biodiversity • Climate change
Human Resources, Remuneration and Social Policy Committee	<p>Integration of ESG KPIs in the remuneration system.</p> <p>Social and employment:</p> <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	<p>Performance monitoring and sustainability reporting</p> <p>Corporate governance:</p> <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)

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

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

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

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.

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.

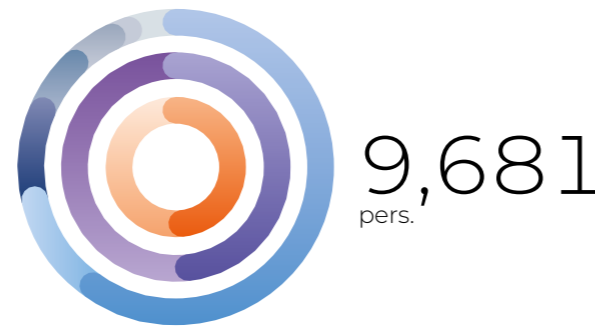
All employees of the highest management level are required to be familiarized annually with the Company's anti-corruption policies and practices as part of the annual conflict of interest declaration procedure.

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%



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



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.

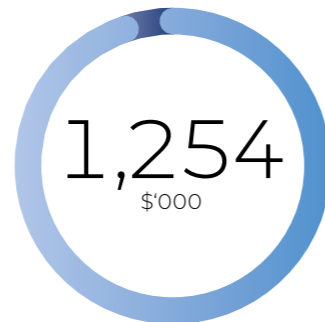
In 2023, it recommended that the Board of Directors and the General Meeting of Shareholders re-appoint TeDo as the Group's auditor 2023.

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
- Non-audit services

1,201
53

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



Appendix

Reporting boundaries

[GRI 2-2]

The main companies included in the scope of disclosure and grouped by divisions are:

<p>Mining and processing of raw materials</p> <ul style="list-style-type: none"> • Stoilensky • Altai-Koks • Vtorchermet • Stagdok • Dolomit • The Lipetsk site (coke production) 	<p>NLMK Russia Flat</p> <ul style="list-style-type: none"> • The Lipetsk site • Service companies
<p>NLMK Russia Long (until September 2023)</p>	<p>NLMK Electrical Steel</p> <ul style="list-style-type: none"> • The Lipetsk site (GO and NGO Shops) • VIZ-Steel • NLMK India
<p>NLMK Belgium Holdings S.A.¹</p>	<p>NLMK USA</p> <ul style="list-style-type: none"> • NLMK Indiana • NLMK Pennsylvania • Sharon Coating

¹ NLMK Belgium Holdings S.A. includes manufacturers of flat rolled products and plate in Belgium, France, Italy and Denmark. NLMK and Wallonie Entreprendre (WE) each hold a 49% equity stake in NLMK Belgium Holdings S.A.

External assurance

[GRI 2-5]

Proper preparation of selected qualitative and quantitative information for the year ended 31 December 2023 in accordance with the relevant GRI Standards (selected information) has been assured in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Revised,

Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The independent auditor's conclusion on the results of the assurance procedures, which provides limited assurance in respect of selected information, can be found in the Appendix. The independent auditor was AO Technologies of Trust – Audit.

Membership associations

[GRI 2-28]

Association/Initiative	NLMK Group's status
World Steel Association, an international association of iron and steel product manufacturers	2018 signatory to worldsteel's Sustainability Charter
UN Global Compact	Member
RUSLOM.COM (Non-Profit Partnership National Self-Regulatory Organization for the Recycling of Ferrous and Non-Ferrous Metal Scrap and Waste and Recycling of Vehicles)	Party to the Partnership
Anti-Corruption Charter of Russian Business	Party to the Charter
Steel Construction Development Association	Member

Methodology of the calculation for Pollutants discharged into water bodies with effluents

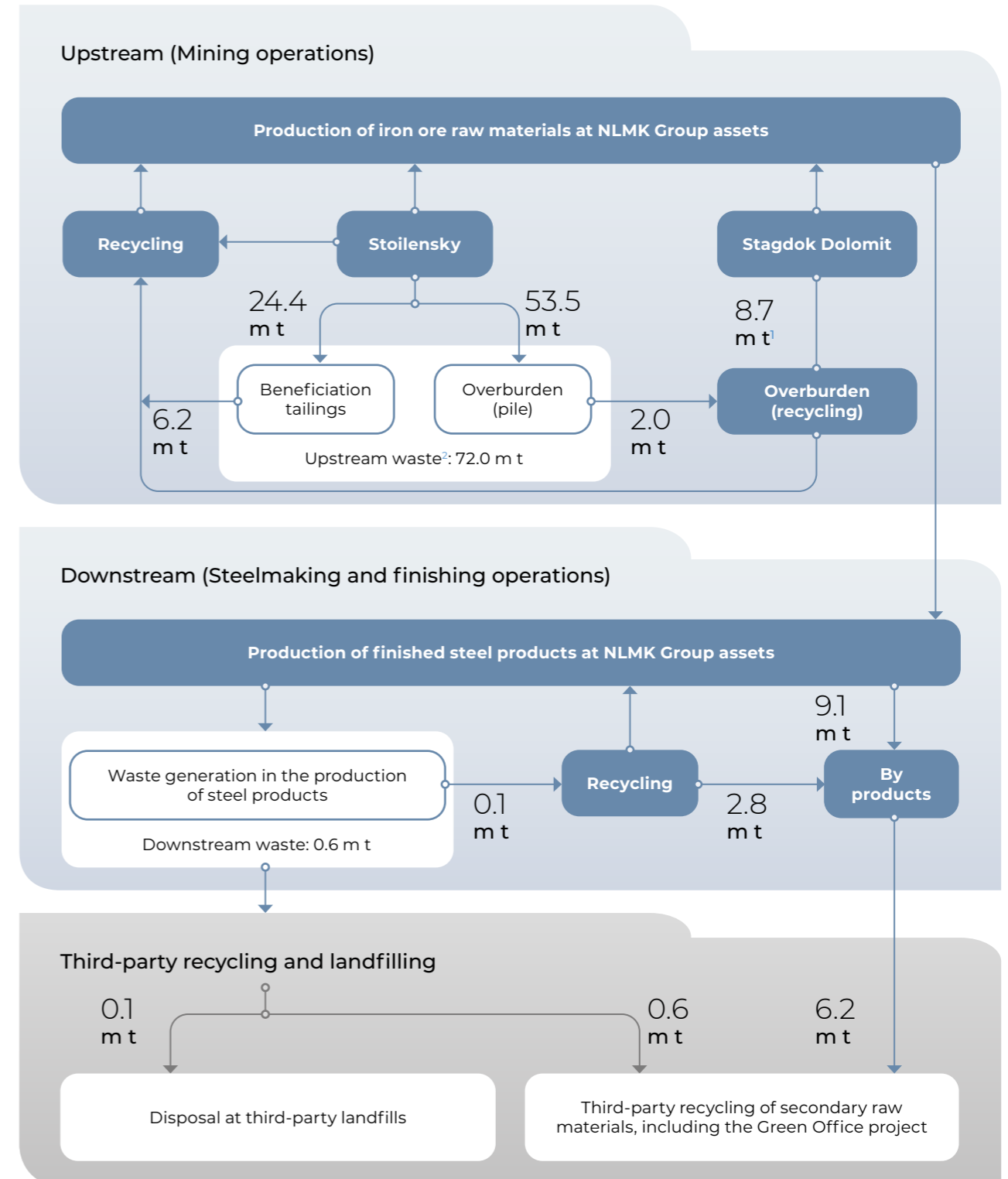
Calculation is made as sum of discharges of the Group companies both in volumes of water and weight of pollutants. Volumes of water are measured, where is required, in line with the permits and reported to the authorities. In permits, wastewater quality standards are established by authorized bodies based on the profile of water bodies and the so-called fisheries standards (standards for water bodies intended for fish breeding), which in Russia are significantly stricter than similar foreign requirements for industrial wastewater, as well as requirements to drinking water quality. The number of regulated indicators for the main production sites of the Group is approaching 20.

For all indicators regulated by the permits, the Group's companies carry out regular laboratory

control of compliance with established standards and requirements. Compliance with water discharge regulations is subject to regular monitoring by supervisory bodies. Measurements are carried out by accredited laboratories. The main component in discharges is the dry residue, which determines water mineralization. Mineral content of water is defined as the ratio of the mass of pollutants to the volume of discharge. This indicator is at the level of 300 mg/L. Summary data for the Group on the volume of water discharge and pollutants content are formed based on the basis of official statistics reports (2-TP Water management) for the Russian companies and reporting data of the Group's international companies. The bulk of pollutants are suspended solids, dry residues and biological oxygen demand.

Waste generation

[GRI 306-3] [GRI 306-4] [GRI 306-5]



¹ For Stagdok and Dolomit, overburden is not waste and is utilized for backfilling post-mining areas, as the mine is developed sideways, in contrast to Stoilensky, where the mine is being developed primarily "into the depths", and the resulting overburden is mostly considered waste by Russian law, even though it is a non-hazardous inert material.
² Many geographies do not classify beneficiation tailings and overburden as waste since they are non-harmful inert materials.

GRI content index

Statement of use	NLMK Group has reported in accordance with the GRI Standards for the period from 1 January 2023 to 31 December 2023
GRI 1 used	GRI 1: Foundation 2021

GRI standard	Disclosure	Page	Comment
GENERAL DISCLOSURES			
Information on the company and approach to reporting			
GRI 2: General disclosures 2021	2-1 Organizational details	7	
	2-2 Entities included in the organization's sustainability reporting	2, 168	
	2-3 Reporting period, frequency and contact point	2	
	2-4 Restatements of information	2	Information on restatements for previous periods is provided in the footnotes to the text of the Report
	2-5 External assurance	169	
Organization's activities and headcount			
GRI 2: General disclosures 2021	2-6 Activities, value chain and other business relationships	8, 82	
	2-7 Employees	91	
	2-8 Workers who are not employees	118	Details are not available
Corporate governance			
GRI 2: General disclosures 2021	2-9 Governance structure and composition	137, 140, 147	
	2-10 Nomination and selection of the highest governance body	139	
	2-11 Chair of the highest governance body	140	
	2-12 Role of the highest governance body in overseeing the management of impacts	19, 40, 140-142, 150	
	2-13 Delegation of responsibility for managing impacts	19, 87, 114, 140, 147	
	2-14 Role of the highest governance body in sustainability reporting	141, 144	
	2-15 Conflicts of interest	143	
	2-16 Communication of critical concerns	141	

GRI standard	Disclosure	Page	Comment
	2-17 Collective knowledge of the highest governance body	140	Many of Directors have occupied CEO positions, which enabled them to obtain competencies in steelmaking, mining, finance, investment, risk management, and ESC. Most Board members have substantial work experience on supervisory boards and boards of directors of other companies
	2-18 Evaluation of the performance of the highest governance body	142	
	2-19 Remuneration policies	148	
	2-20 Process to determine remuneration	148	
	2-21 Annual total compensation ratio		Not disclosed
Strategy, policies and practices			
GRI 2: General disclosures 2021	2-22 Statement on sustainable development strategy	4	
	2-23 Policy commitments	10, 86, 159	
	2-24 Embedding policy commitments	12, 40, 44, 70, 82, 87, 90, 114, 128, 159, 164	
	2-25 Processes to remediate negative impacts	21, 26, 44, 55, 83, 161	The Company's practices for remediating negative impacts are disclosed in the relevant topic sections
	2-26 Mechanisms for seeking advice and raising concerns	87, 90, 116, 128, 161	
	2-27 Compliance with laws and regulations	95, 117, 159	Not disclosed
	2-28 Membership associations	169	
	Stakeholder engagement		
GRI 2: General disclosures 2021	2-29 Approach to stakeholder engagement	76	
	2-30 Collective bargaining agreements	109	
Material topics			
GRI 3: Material topics 2021	3-1 Process to determine material topics	6	
	3-2 List of material topics	6	

GRI standard	Disclosure	Page	Comment
Occupational health and safety			
GRI 3: Material topics 2021	3-3 Management of material topic	113	
GRI 403: Occupational Health and Safety 201	403-1 Occupational health and safety management system	114	
	403-2 Hazard identification, risk assessment, and incident investigation	115	
	403-3 Occupational health services	117	
	403-4 Worker participation, consultation, and communication on occupational health and safety	115-116	
	403-5 Worker training on occupational health and safety impacts directly linked by business relationships	115-117	
	403-6 Promotion of worker health	107, 110	
	403-7 Prevention and mitigation of occupational health and safety management system	118	
	403-8 Workers covered by an occupational health and safety management system	114	
	403-9 Work-related injuries	120-123	<ul style="list-style-type: none"> ✓ Verified • LTIFR for the Group employees and contractors • TRIFR for the Group employees and contractors • Number of occupational accidents, employees and contractors • Number of occupational fatalities, employees and contractors • Number of lost time injuries, employees and contractors • Total man-hours worked for employees and contractors
	403-10 Work-related ill health	124	
HR policy and decent working conditions			
GRI 3: Material topics 2021	3-3 Management of material topic	90	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	92	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	91, 106	
	401-3 Parental leave	108	

GRI standard	Disclosure	Page	Comment
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	96	
	404-2 Programs for upgrading employee skills and transition assistance programs	96, 100	
	404-3 Percentage of employees receiving regular performance and career development reviews	94-95	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	91-92, 108, 140	
	405-2 Ratio of basic salary and remuneration of women to men	94-95	
GRI 406 Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	86, 91-92, 95	According to the Company's assessment, there were no cases of discrimination in the reporting year
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	83, 86	No such operations
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	83, 86	No such operations
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	83, 86	No such operations
Climate change and greenhouse gas (GHG) emissions			
GRI 3: Material topics 2021	3-3 Management of material topic	19	
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	29	Company website
GRI 302: Energy 2016	302-1 Energy consumption within the organization	32-33	
	302-2 Energy consumption outside of the organization		The Company does not keep records of energy consumption outside of the organization
	302-3 Energy intensity	34	The Company does not see much value in calculating the energy intensity indicator for the Group as a whole due to different production specifics at its companies. This indicator is therefore calculated only for the main production site – NLMK Lipetsk
	302-4 Reduction of energy consumption	36-37	
	302-5 Reductions in energy requirements of products and services	38	Not applicable

GRI standard	Disclosure	Page	Comment
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	23–24	<ul style="list-style-type: none"> ✓ Verified • Direct GHG emissions (Scope 1), '000 of t of CO₂-equivalent
	305-2 Energy indirect (Scope 2) GHG emission	23–24	<ul style="list-style-type: none"> ✓ Verified • Indirect energy GHG emissions (Scope 2), market-based method and location-based method, '000 of t of CO₂-equivalent
	305-3 Other indirect (Scope 3) GHG emissions	25	
	305-4 GHG emissions intensity	25	
	305-5 Reduction of GHG emission	27	

Other significant emissions into the atmosphere and minimization of its impact

GRI 3: Material topics 2021	3-3 Management of material topic	48	
GRI 305: Emissions 2016	305-6 Emissions of ozone-depleting substances (ODS)		NLMK Group companies do not produce, emit or use ozone-depleting substances in its processes, except for the use as a reagent in chemical laboratory analyses in extremely limited quantities, as well as for refuelling compressor equipment, air conditioning and fire extinguishing systems.
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	53	<ul style="list-style-type: none"> ✓ Verified • Volume of significant air emissions by the Group by substance type, '000 t

Reducing the impact on water resources, including metrics on water consumption and discharge

GRI 3: Material topics 2021	3-3 Management of material topic	55, 58	
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	55	
	303-2 Management of water discharge related impacts	58	
	303-3 Water withdrawal	56–58	
	303-4 Water discharge	58–59	<ul style="list-style-type: none"> ✓ Verified • Volume of water discharge by receiving water body and by region, m³ • Pollutants discharged into water bodies, '000 of t
	303-5 Water consumption	57	

GRI standard	Disclosure	Page	Comment
Reducing the impact on the soil and recycling of secondary raw materials, including reducing the impact on biodiversity			
GRI 3: Material topics 2021	3-3 Management of material topic	61, 71	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	61	
	306-2 Management of waste-related impacts		
	306-3 Waste generated	64, 171	<ul style="list-style-type: none"> ✓ Verified • Waste generation by the Group, hazardous and non-hazardous, m t
	306-4 Waste diverted from disposal	64, 171	<ul style="list-style-type: none"> ✓ Verified • Secondary raw materials recovered in-house, m t • Share of utilized overburden of JSC Stoilensky GOK and beneficiation tailings of the Group, %
	306-5 Waste directed to disposal	64, 171	<ul style="list-style-type: none"> ✓ Verified • Waste disposal at third-party landfills, hazardous and non-hazardous, m t • Overburden and beneficiation tailings generated and utilized by the Group, m t
GRI 101: Biodiversity 2024	101-1 Policies to halt and reverse biodiversity loss	71	
	101-2 Management of biodiversity impacts	71	
	101-4 Identification of biodiversity impacts	71	
	101-5 Locations with biodiversity impacts	71	
	101-6 Direct drivers of biodiversity loss	71	
	101-8 Ecosystem services	71	

Compliance and corporate ethics, including anti-corruption

GRI 3: Material topics 2021	3-3 Management of material topic	162	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	162	
	205-2 Communication and training about anti-corruption policies and procedures	162–164	
	205-3 Confirmed incidents of corruption and actions taken	162	In the reporting year, the Company or its subsidiaries and affiliates were not brought to administrative responsibility for committing corruption offenses

GRI standard	Disclosure	Page	Comment
Improving sustainability in the supply chain			
GRI 3: Material topics 2021	3-3 Management of material topic	82	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	85	
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	83	
	308-2 Negative environmental impacts in the supply chain and actions taken	84	
Developing local communities			
GRI 3: Material topics 2021	3-3 Management of material topic	126	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	129	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	129	
	203-2 Significant indirect economic impacts	126	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	128	
	413-2 Operations with significant actual and potential negative impacts on local communities		No such operations
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	87	According to the Company's assessment, there is no presence of indigenous peoples in the regions where NLMK Group companies operate

TCFD index

TCFD recommendations	Sustainability report 2023	Page
Governance		
Disclose the organisation's governance around climate-related risks and opportunities		
Describe the board's oversight of climate-related risks and opportunities	Sustainability agenda management at the Board of Directors level Climate change	19, 140
Describe management's role in assessing and managing climate-related risks and opportunities.	Climate change	19
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Climate change Company website	22
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Climate change Company website	22
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Climate change Company website	22
Risk management		
Disclose how the organisation identifies, assesses, and manages climate-related risks		
Describe the organisation's processes for identifying and assessing	Climate change Company website	29
Describe the organisation's processes for managing climate-related risks	Climate change Company website	29
Describe the organisation's processes for managing climate-related risks	Climate change Company website	29
Metrics and targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate change	23
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	Climate change	23
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Climate change	22

SASB index

Disclosure	Reference / Comment	Page
Greenhouse Gas Emissions		
EM-IS-110a.1 Gross global Scope 1 emissions, percentage covered under emissions limiting regulations	Gross global Scope 1 emissions – 30 m t of CO ₂ -eq. Only 1.2% are covered under emissions limiting regulations at NLMK Europe companies	23
EM-IS-110a.2 Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	NLMK Group consistently reduces greenhouse gas emissions by reducing the consumption of fossil fuels, improving energy efficiency, and introducing innovative decarbonization solutions. The targets in the field of minimizing the impact on the climate are determined by the Strategic Planning Committee of the Board of Directors	20
Air Quality		
EM-IS-120a.1 Air emissions of the following pollutants: 1) CO 2) NOx (excluding N2O) 3) SOx 4) particulate matter (PM10) 5) manganese (MnO) 6) lead (Pb) 7) volatile organic compounds (VOCs) 8) polycyclic aromatic hydrocarbons 9) (PAHs)	1) CO – 223.800 t 2) NOx (excluding N2O) – 19.400 t 3) SOx – 29.800 t 4) particulate matter – 18.800 t 5) manganese (MnO) – not material 6) lead (Pb) – 1 t 7) volatile organic compounds (VOCs) – 0.600 t 8) polycyclic aromatic hydrocarbons 9) (PAHs) – not material	
Energy Management		
EM-IS-130a.1 Total energy consumed percentage grid electricity and percentage renewable	Total energy consumed – 367.8 PJ percentage grid electricity – 17.3% (consumption of purchased electricity less transferred of the Group's total energy consumption) percentage renewable – 0.34%	32
EM-IS-130a.2 Total fuel consumed percentage coal percentage natural gas and percentage renewable	Total fuel consumed – 333.34 PJ percentage coal – 59.8% percentage natural gas – 26.6% percentage renewable – 0.34%	32

Disclosure	Reference / Comment	Page
Water Management		
EM-IS-140a.1 Total water withdrawn total water consumed percentage of each in regions with High or Extremely High Baseline Water Stress	Total water withdrawn – 19.4 k m ³ Total water consumed – 19.4 k m ³ The regions where the Group operates are characterized by high availability of water resources The Group does not operate in water-deficient areas	57
Waste management		
EM-IS-150a.1 Amount of waste generated percentage hazardous percentage recycled		64
Workforce Health & Safety		
EM-IS-320a.1 (1) Total recordable incident rate (TRIR) (2) fatality rate (3) near miss frequency rate (NMFR) for (a) direct employees and (b) contract employees		121–123
Supply Chain Management		
EM-IS-430a.1 Discussion of the process for managing iron ore or coking coal sourcing risks arising from environmental and social issues	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.	83–84

Table of compliance with the methodological recommendations of the Russian Ministry of Economic Development

Nº	Disclosure	Comment
Economic performance		
1	Revenue (an indicator similar to revenue)	The indicator is disclosed in the disclosed consolidated financial statements
2	Added value	The indicator is not disclosed
3	Net value added	The indicator is not disclosed
4	Total research and development spending	The indicator is not disclosed
5	Labour productivity	The indicator is not disclosed
6	The amount of accrued mandatory payments (excluding fines, penalties), total, including: taxes and fees, insurance premiums, other mandatory payments	The indicator is not disclosed
7	The amount of mandatory payments paid (excluding fines, penalties), total, including: taxes and fees, insurance premiums, other mandatory payments	The indicator is part of the disclosed consolidated financial statements
8	The share of purchases of Russian goods, works, and services in the total volume of purchased goods, works, and services	Page 85
9	The share of purchases of goods, works, and services from small and medium-sized businesses in the total volume of purchases from Russian organizations	Page 82
10	Sustainable investment, including green investment	The total amount of sustainable investments in the reporting year totalled ~RUB 30 bn, or \$352 million, which takes into account the investment in environmental protection and social investments of NLMK Group
11	Investments in projects related to the achievement of technological sovereignty and structural adaptation of the economy of the Russian Federation	The indicator is not disclosed Page 42, page 106
12	Economic vulnerability to climate risks	The indicator is not disclosed
Environment		
13	The volume of water used from all sources	Page 57
14	The volume of recycling water supply	Page 56
15	Discharge of contaminated wastewater, total, including without treatment	Page 59
16	Water use efficiency ("specific water consumption")	Page 57 The indicator is calculated in m ³ per t of steel
17	Generated waste of hazard class I–V, total, including: Class I, Class II, Class III, Class IV, Class V	Page 64
18	Waste management of hazard class I–V, total, including by category: "Disposed of waste", "Neutralized waste", "Buried waste", "Reused waste", "Recycled waste", "Reduction of waste generation"	Page 64
19	The mass of emissions of pollutants into the atmospheric air from stationary sources	Page 53
20	Greenhouse gas emissions	Page 23

Nº	Disclosure	Comment
21	EEexpenses for the implementation of measures related to environmental protection, in total, including: protection of atmospheric air and prevention of climate change, collection and treatment of wastewater, waste management, conservation of biodiversity and protection of natural territories	Page 42
22	Renewable and low-carbon energy consumption	Page 32
23	Energy efficiency: energy consumption per unit of net value added	Page 34 The indicator is calculated according to the Company's own methodology only for the main production asset – the Lipetsk site

Social		
24	Labour costs, total	Page 94 Only for the Russian assets
25	The average number of employees, total, including the number of people with disabilities	Page 91–92
26	Average salary, total, including: by occupation group, by gender, by age group	Page 95 Only total
27	Expenses for labor protection measures, total, including on average per employee	Page 120
28	Expenses for the organization of social, sports, and medical events for employees and their family member	Page 107
29	The number of victims of industrial accidents with disability for one working day or more and fatalities	Page 121
30	Employee training costs, total, including average per employee	Page 96
31	The average number of training hours per year per employee	Page 96
32	The share of employees covered by the collective agreement of the average number of employees	Page 109
33	Staff turnover rate	The indicator is not disclosed
34	Expenses for support of social programmes not aimed at employees and their family members, in total, including: charitable, housing, healthcare, education, support for people in need of social assistance	Page 106, 129

Governance		
35	Availability of a sustainable development policy and (or) other strategic documents in this area	Page 10
36	The number of meetings of the Board of Directors and their attendance rate	Page 140
37	Number of members of the Board of Directors, total, including by age group	Page 140
38	The number of meetings of the audit committee and their attendance rate	Page 144
39	Participation in sustainable development (ESG) indices and ratings	Page 11
40	The number of recorded cases of violations of the rights of indigenous minorities of the Russian Federation	Page 87
41	The proportion of employees filling positions with high corruption risk	Page 160
42	The average number of hours of anti-corruption training per employee	Page 164
43	The number of cases of bringing the organization, its subsidiaries and affiliated companies to administrative responsibility for committing corruption offenses	Page 163
44	The share of female managers in the total number of managers, including on the Board of Directors (Supervisory Board)	Page 91

Independent Auditor's Limited Assurance Report

To the Management of Novolipetsk Steel:

Introduction

We have been engaged by the Management of Novolipetsk Steel (hereinafter – the "Company") to provide limited assurance on the selected information described below and included in the Sustainability Report of the Company for the year ended 31 December 2023 (hereinafter – the "Sustainability Report"). The Sustainability Report represents information related to the Company, its subsidiaries and a joint venture and its subsidiaries (hereinafter together – the "Group"), unless otherwise stated in the Sustainability Report.

Selected information

We assessed the quantitative and qualitative information specified in Appendix to this report that is disclosed in the Sustainability Report and referred to in the GRI Content Index of the Sustainability Report (hereinafter – the "Selected Information").

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2023 only. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability Report and, therefore, do not express any conclusion thereon.

Reporting criteria

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Sustainability Reporting Standards 303, 305, 306 and 403 (hereinafter – the "GRI Standards"), published by Stichting Global Reporting Initiative (hereinafter – the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the Group's management

Management of the Group is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Management of the Group.

This report, including our conclusion, has been prepared solely for the Management of the Group in accordance with the agreement between us, to assist management in reporting on the Group's sustainability performance and activities. We permit this report to be disclosed in the Sustainability Report, which will be published on the Company's website*, to assist management in responding to its governance responsibilities by obtaining an independent auditor's limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Group for our work or this report except where the respective terms are expressly agreed between us in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our limited assurance engagement in respect of the Selected Information in the Russian Federation.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Group's management, including the Group Sustainability Reporting (SR) team and those with responsibility for SR management and Group SR reporting;
- conducted interviews of Group's personnel responsible for the preparation of the Sustainability Report and collection and analysis of underlying data;
- performed analysis of the relevant internal methodology and guidelines, gaining an understanding of the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported in the Selected Information; and
- reviewed the Selected Information for compliance of the disclosures with the relevant requirements of the Reporting Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance

* The maintenance and integrity of the Company's website is the responsibility of the Management of the Company; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Reporting and measurement techniques

Under the GRI Standards there is a range of different, but acceptable, reporting and measurement techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by management in preparing the Sustainability Report, described therein, and for which the Group is solely responsible.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2023 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

31 May 2024

Moscow, Russian Federation



Fomin Aleksei Borisovich is authorised to sign on behalf of the General Director of Joint-Stock Company "Technologies of Trust – Audit" (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906104343)

Appendix to the Independent Auditor's Limited Assurance Report dated 31 May 2024

The Selected Information subject to limited assurance procedures and prepared in accordance with the GRI Disclosures, as applicable, is set out below:

GRI Disclosure number	Description of GRI Disclosure	Selected information for the year ended 31 December 2023*
303-4	Water discharge	- Volume of water discharge by receiving water body and by region, million m ³ - Pollutants discharged into water bodies, thousands of t.
305-1	Direct (Scope 1) GHG emissions	- Direct GHG emissions (Scope 1), thousands of t of CO ₂ -equivalent.
305-2	Energy indirect (Scope 2) GHG emissions	- Indirect energy GHG emissions (Scope 2), market-based method and location-based method, thousands of t of CO ₂ -equivalent.
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	- Volume of significant air emissions by the Group by controlled substance type, thousands of t
306-3	Waste generated	- Waste generation by the Group, hazardous and non-hazardous, million t
306-4	Waste diverted from disposal	- Secondary raw materials recovered in-house, million t - Share of utilized overburden of JSC Stoilensky GOK and beneficiation tailings of the Group, %
306-5	Waste directed to disposal	- Waste disposal at third-party landfills, hazardous and non-hazardous, million t - Overburden and beneficiation tailings generated and utilized by the Group, million t
403-9	Work-related injuries	- LTIFR for the Group employees and contractors - TRIFR for the Group employees and contractors - Number of occupational accidents, employees and contractors - Total man-hours worked for employees and contractors

* Reporting boundaries in terms of the Company and its subsidiaries and a joint venture and its subsidiaries are set up in Appendix "Entities included in the organization's sustainability reporting" to the Sustainability Report, unless stated otherwise in the Sustainability Report.