



ANNUAL
REPORT

2020

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PRELIMINARILY APPROVED BY
NLMK BOARD OF DIRECTORS,
MINUTES NO. 279 D.D. 22.03.2021

APPROVED BY NLMK GENERAL
MEETING OF SHAREHOLDERS,
MINUTES NO. 62 D.D. 29.04.2021

STATEMENT BY MEMBER OF NLMK BOARD OF DIRECTORS

GRI 102-14



DEAR SHAREHOLDERS,

Here at NLMK Group, sustainable development considerations are embedded into the design of our long-term development strategy. This is how we make our contribution to the Sustainable Development Goals as a UN Global Compact participant.

Aware of the gravity of global climate change implications, we are committed to reducing our environmental footprint. This year NLMK Group published its first report in line with the recommendations of the Task Force on Climate-related Financial Disclosures. The report features a climate risk analysis and an updated target to reduce specific greenhouse gas emissions by 2023 (-3.5% vs. 2019). Over the past five years we have already reduced our CO₂ emissions per tonne of product¹ by 4%: from 1.98 in 2016 to 1.90² in 2020. The new target to cut greenhouse gas emissions is backed up by a portfolio of tangible projects designed to boost energy efficiency and reduce consumption of carbon-based fuels. In addition, we are testing out innovative decarbonization technologies and enhancing environmental and climate cooperation with our Russian and international partners.

In 2019–2020, we implemented several environmental projects at our flagship site in Lipetsk. Their controlled emission reduction effect (for substances other than CO₂) totalled 9,000 tonnes (-3% vs. 2018). Upgrades at our blast furnace and steelmaking operations enabled these units to reduce their emissions by 95%. The projects involved best available technologies that can capture 99.9% of dust and reduce the Company's environmental impact despite growing output.

Substantial environmental investments (\$1.3 billion since 2000) halved NLMK Group's specific emissions: from 43.3 to 19.8 kg/tonne of steel. Total emissions decreased by 10%, even as steel output nearly doubled.

We have also made significant strides in other sustainable development areas. The Company completed a planned audit of management systems for the environment, energy efficiency, occupational health, and industrial safety. NLMK Group's Russian companies confirmed that their current management systems fully comply with all the requirements of international standards. In 2020, the Company continued to introduce new tools and programmes to improve safety. As a result, the rate of severe injuries among employees and contractors went down by 30% compared to 2019.

NLMK Group seeks to build long-term partnerships with stakeholders. In our cooperation we are mindful of all parties complying with legislation in the field of human rights, occupational health and safety, labour relations, and environmental protection.

The Company's performance was reflected in upgrades of our ESG ratings. In the Sustainalytics rating, NLMK ranks among the top 5 out of 142 companies¹. Likewise, SAM S&P Global increased our sustainable development score year-on-year². We also ranked sixth in the World Wildlife Fund (WWF) Russia and National Rating Agency's Environmental Transparency Rating of Mining & Metals Companies, improving our standing by three positions compared to 2019.

I would like to extend my sincere gratitude to all shareholders, clients, and partners who believe in us and work alongside us.

Oleg Bagrin
Member of the NLMK Board of Directors

¹ Specific CO₂ emissions are calculated based on steel output taking into account pig iron production, since NLMK's commercial pig iron output increased significantly in 2020 compared to previous periods amid concurrent upgrades at steelmaking operations. Pig iron production and operations upstream of it account for the bulk of CO₂ emissions.

² Specific emissions without the influence of temporary factors associated with a decrease in production.

¹ <https://www.sustainalytics.com/esg-rating/novolipetsk-steel/1028285007/>

² <https://www.spglobal.com/esg/csa/yearbook/ranking/>

ABOUT THE COMPANY

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STRATEGY AND BUSINESS REVIEW

2020 KEY PERFORMANCE INDICATORS



OPERATING INDICATORS 2020

Production

Sales to third parties



IRON ORE

18.5 m t
flat yoy

0.8 m t
+57% yoy



FLAT STEEL

14.7 m t
+8% yoy

14.9 m t
+5% yoy



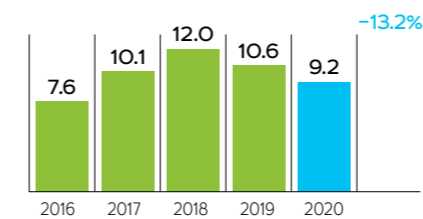
LONG STEEL

2.7 m t
-1% yoy

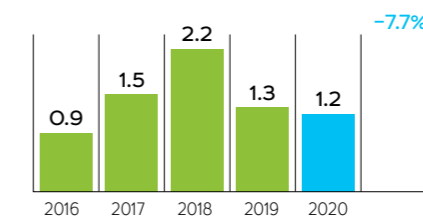
2.6 m t
-7% yoy

FINANCIAL PERFORMANCE

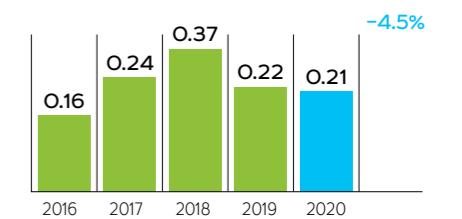
REVENUE, \$ BN



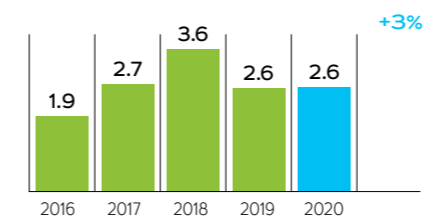
NET PROFIT, \$ BN



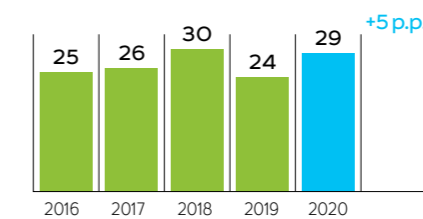
EARNINGS PER SHARE, \$/SHARE



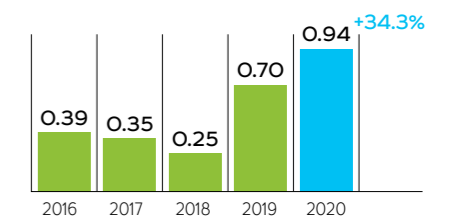
EBITDA, \$ BN



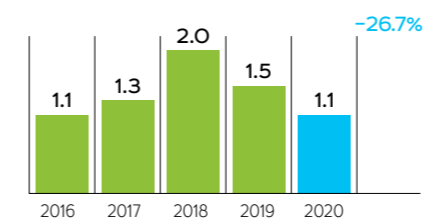
EBITDA MARGIN, %



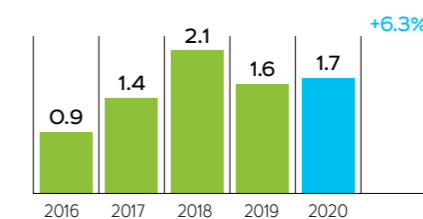
NET DEBT / EBITDA, X



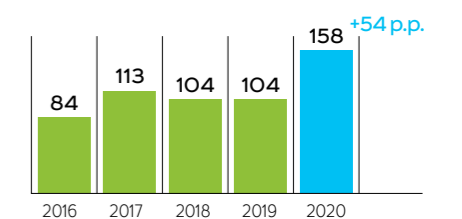
FREE CASH FLOW, \$ BN



DIVIDENDS¹, \$ BN



DIVIDENDS / FCF, %



¹ Dividends accrued include Q4 2020 dividends in the amount of RUB 7.25 per share recommended by the Board of Directors for paying out on 11 February 2020 and are subject for approval by the Meeting of Shareholders.

ABOUT THE COMPANY

GRI 102-7

NLMK Group is the largest integrated steelmaker in Russia and one of the most efficient in the world [GRI 102-1](#).

NLMK Group's steel products are used in various industries, from construction and machine building to the manufacturing of power-generating equipment and offshore wind turbines.

NLMK operates production facilities in Russia, Europe, and the United States. The Company's steel production capacity is 18.5 m t per year¹ [GRI 102-4](#).

NLMK has a highly competitive cash cost among global manufacturers and one of the highest profitability levels in the industry. In 2020, the Company generated \$9.2 bn in revenue and \$2.6 bn in EBITDA. Net debt/EBITDA stood at 0.94x. The Company has investment grade credit ratings from S&P, Moody's, Fitch, and Expert RA.

NLMK's ordinary shares with a 20.7% free-float are traded on the Moscow Stock Exchange (ticker "NLMK") and its global depository shares are traded on the London Stock Exchange (ticker "NLMK:LI"). The Company's share capital is divided into 5,993,227,240 shares with a par value of RUB 1.



¹ Taking into account the capacity growth at the Lipetsk site following the completion of two-year large-scale repairs in the end of 2020.

WHAT WE MAKE

GRI 102-2

NLMK is a leading supplier of high-quality steel products in key sales markets. NLMK has a balanced product mix that includes semi-finished, high value-added, and niche products. Flat steel accounts for around 85% of total output, while long steel used in construction makes up 15% of production.

NLMK SALES IN 2020¹

	Sales, m t	Share in total sales, %
Pig iron	1.5	8
Slabs	3.1	18
Hot-rolled steel	4.9	28
Hot-rolled steel plate	1.0	5
Cold-rolled steel	1.9	11
Galvanized steel	1.4	8
Pre-painted steel	0.5	3
Non-grain-oriented electrical steel	0.3	2
Grain-oriented electrical steel	0.3	2
Billet	0.3	2
Long products	2.0	11
Metalware	0.3	2
Total	17.5	100

■ High value-added products

¹ NLMK sales to third parties (with NBH)

OUR PRODUCTS

SEMIS	PLATE	HOT-ROLLED STEEL	COLD-ROLLED STEEL
Share of total sales			
Description			
Pig iron and semi-finished steel products for further processing: slabs are processed into flat steel products; billets are processed into long steel products. A wide range of semis, both standard and niche products with specific chemical composition, physical properties, and dimensions	Flat steel products with higher thickness than that of hot-rolled steel. A range of standard products and niche abrasion-resistant and high-strength plates. Produced at NLMK Group's European sites from slabs supplied by NLMK Lipetsk	Flat steel products that have been hot-rolled. A wide range of hot-rolled steel in sheets and coils with a variety of performance characteristics	Flat steel products that have been cold-rolled. A wide range of cold-rolled steel sheets and coils with a variety of performance characteristics, including niche high-ductility products
Consumers			
Steelmaking, pipe industry	Lifting and transport equipment, offshore wind turbines, drilling platforms, shipbuilding, pipelines, boilers, and tanks for aggressive environments (pressure, temperature, load, etc.)	Pipe industry, steel structures, shipbuilding, machine building, high-pressure vessels, yellow machinery, commercial, residential, and infrastructure construction	Automotive industry, machine building, pipe industry, yellow machinery and white goods, and commercial, residential, and infrastructure construction
Sites			
NLMK Lipetsk, NLMK Kaluga	NLMK DanSteel, NLMK Clabecq, NLMK Verona	NLMK Lipetsk, NLMK La Louvière, NLMK Indiana, NLMK Pennsylvania	NLMK Lipetsk, NLMK La Louvière, NLMK Pennsylvania
Market share¹			

¹ NLMK share in apparent consumption.

■ Global market ■ European market ■ Russian market

COATED STEEL	ELECTRICAL STEEL	LONG PRODUCTS	METALWARE
Share of total sales			
Description			
Galvanized and pre-painted steel from hot-rolled and cold-rolled flats. Coatings are applied on a production line to protect the steel from corrosive environments. Available in coils, strip, and sheets	Dynamo (non-grain-oriented) and transformer (grain-oriented) electrical steel. Includes a range of standard products with conventional properties, and unique high-permeability steel (HGO). Available in coils, strip, and sheets	Rebar in rods and coils, wire rod, and sections	A wide range of low-carbon metalware. This includes wire and secondary products, with various coatings and surface finishes, nails, and fasteners
Consumers			
Automotive industry, yellow and white goods, construction, and facing materials.	Electrical machines, transformers, power engineering, and instrument making	Construction	Construction and machine building
Sites			
NLMK Lipetsk, NLMK Strasbourg, Sharon Coating	NLMK Lipetsk, VIZ-Steel	NLMK Ural, NLMK Kaluga	NLMK Metalware
Market share¹			
Galvanized steel 	NGO steel 		
Pre-painted steel 	GO steel 		

NLMK GROUP'S BUSINESS MODEL

NLMK is a vertically integrated group with a well-balanced value chain controlling every stage of steel

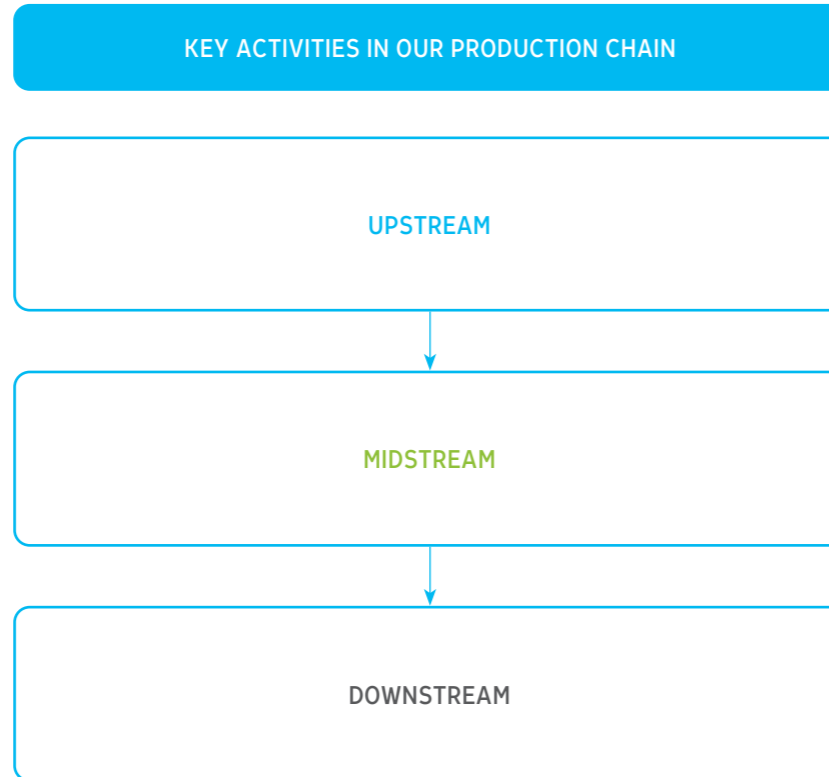
production, from the mining of raw materials through to finished high-tech product sales to end-users. During this process we operate with a commitment to corporate responsibility for all our people, our communities and our environment.

NLMK Group's vertically integrated business model

NLMK has created a unique business model. A key factor is our ability to make the most of our strategic advantages based on the geographical location of our assets.

Mining and steel production (the most material- and resource-intensive aspects of the metallurgical process) are concentrated in low-cost regions, while finished products are manufactured much closer to the Group's client base. This allows NLMK to minimize expenditure on production and logistics while at the same time swiftly and flexibly adapting to the changing requirements of our end users and the situation in local sales markets.

KEY ACTIVITIES IN OUR PRODUCTION CHAIN



UPSTREAM

The Company has achieved the status of one of the most cost-efficient steelmakers in the world through

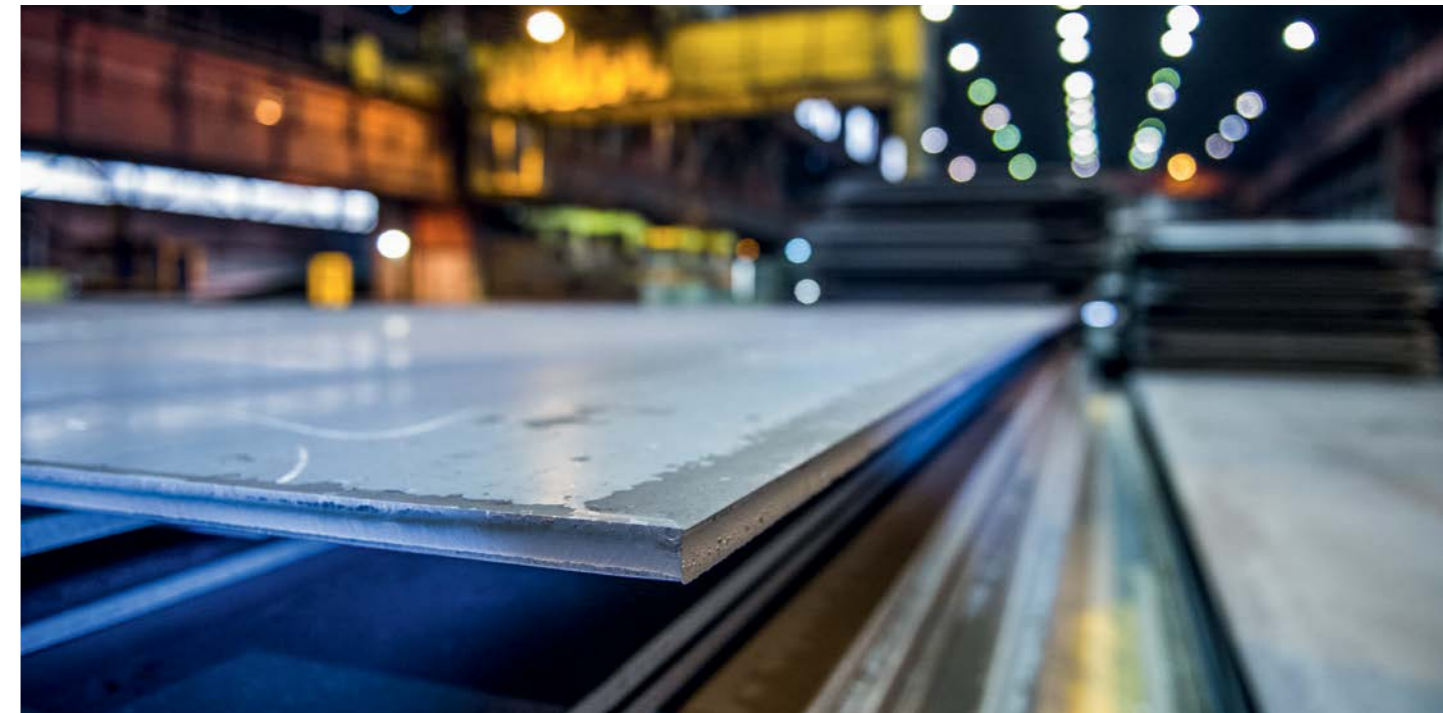
a world-class resource base with leading-edge technology for mining and processing, an optimal process environment, and the NLMK team's high professionalism.

Up to 100% of raw materials produced are used in the steel production stage further along the value chain.

SELF-SUFFICIENCY IN RESOURCES

ENERGY	SCRAP	COKE	PELLETS	IRON ORE CONCENTRATE
64%	64%	100%	95%	100%
Captive electric power is generated primarily through the recovery of by-product gases from coke and blast furnace operations.	NLMK's scrap collection and processing network is the largest in Russia, ensuring the stable delivery of scrap to NLMK Group's Russian steelmaking facilities.	Captive coke production guarantees NLMK high-quality coke products, which boost the efficiency of operations further along the value chain.	Stoilensky is one of the most efficient iron ore producers in the world and is located 250 km from the Group's main production facility in Lipetsk. Stoilensky's iron ore reserves are upward of 5 bn t.	





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 18.5 m t per year¹, 95% of which is made in Russia.

Cost leadership: NLMK is among global leaders in cost. NLMK Group enjoys sustainable cost leadership through its high utilization rates, efficient vertical

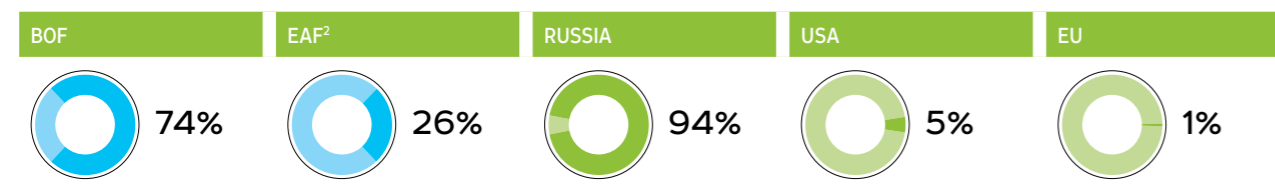
integration, and upgraded production capacities. The production cost of Lipetsk steel in 2020 was \$207/t.

Sales vs. further processing: 70% of NLMK steel is processed into finished products, while 30% is sold as semi-finished steel. NLMK produces both flat and long steel products, and our reputation as a reliable supplier ensures stable demand for the Group's product offering.

High capacity utilization: An expansive product offering and availability of the Company's rolling facilities in the regions of consumption, i.e. Russia, Europe, and the United States.

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.

NLMK'S STEELMAKING CAPACITY



DOWNSTREAM

Finished products are made locally in the Company's strategic markets of Russia, the EU, and the USA, in close proximity to consumers. With total production capacity of finished products standing at 15.3 m t, NLMK can process as much as 80% of captive crude steel at its own rolling facilities.

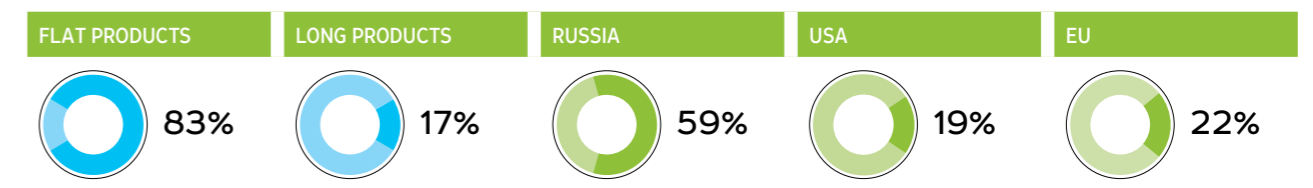
High quality: The use of captive raw materials in rolled steel production guarantees consistent high quality and short lead times. The Company's products are certified according to international standards.

Optimal production footprint: Due to the location of NLMK Group's rolling operations in strategic markets, 60% 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.

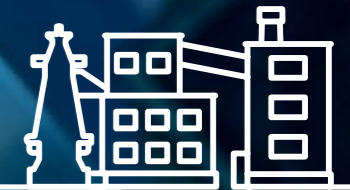
Balanced product portfolio: NLMK's extensive steel product offering, from conventional hot-rolled steel to custom electrical steels and other niche products, allows the Company to diversify sales by sector, reducing the dependency of sales volume on demand fluctuations in individual sectors.

ROLLING CAPACITY



¹ Taking into account the capacity growth at the Lipetsk site following the completion of two-year large-scale repairs in the end of 2020.
² Electric arc furnace.

ASSETS STRUCTURE



MINING



NLMK RUSSIA FLAT

PRODUCTION SITES

- NLMK Lipetsk
- VIZ-Steel
- Altai-Koks

FUNCTIONS

- Produces steel, including semis for international companies, flat products and coke

PRODUCTS

- Coke, pig iron, slabs, hot-rolled steel, cold-rolled steel, galvanized steel, pre-painted steel, and grain-oriented and non-grain-oriented steel

CONSUMERS

- Internal: international rolling divisions
- External: construction, pipe production, automotive industry, machine building, white goods, yellow machinery, power industry, and other sectors

HEADCOUNT

- 30,600 people

PRODUCTION CAPACITY, M T

2019/2020

Steel ¹	14.2
Flat products	6.3

PRODUCTION, M T

Coke ²	6.1	+4%
Pig iron	12.8	+9%
Steel	12.3	+2%
Commodity semis	7.1	+14%
Rolled products	6.1	+7%

SALES TO EXTERNAL CUSTOMERS, M T

Commodity pig iron	1.5	+191%
Slabs	3.1	0%
Hot-rolled steel	2.8	+11%
Cold-rolled steel	1.5	-2%
Galvanized steel	0.8	+7%
Pre-painted steel	0.4	-3%
NGOES	0.3	+6%
GOES	0.3	+1%

INTRAGROUP SALES, M T

Supplies to NLMK Europe	2.7	-3%
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FINANCIALS, \$ M

Total revenue	6,788	-7%
EBITDA	1,430	-4%
Investments	806	-6%

PRODUCTION SITES

- Stoilensky
- Dolomit
- Stagdok

FUNCTIONS

- Covers the Group's demand for raw materials

PRODUCTS

- Iron ore concentrate, pellets, sinter ore, limestone, and dolomite

CONSUMERS

- Internal: NLMK Lipetsk
- External: steelmakers, road construction, and agriculture

HEADCOUNT

- 7,000 people

PRODUCTION CAPACITY¹, M T

2019/2020

Iron ore concentrate	17.9
Sinter ore	1.0
Pellets	6.8

PRODUCTION, M T

Iron ore	18.5	0%
Fluxes	6.4	-4%

INTRAGROUP SALES, M T

Iron ore concentrate	9.9	0%
Pellets	6.7	-4%
Sinter ore	1.0	0%
Limestone	2.8	-3%
Dolomite	1.5	-6%

SALES TO EXTERNAL CUSTOMERS, M T

Iron ore concentrate	0.8	+57%
Limestone	0.6	-40%
Dolomite	0.5	-33%

FINANCIALS, \$ M

Revenue	1,399	+6%
EBITDA	1,064	+9%
Investments	202	-7%

¹ Hereinafter, current capacities are based on current shifts and product mix without the impact of overhauls.

¹ Taking into account the capacity growth at the Lipetsk site following the completion of two-year large-scale repairs in the end of 2020.
² 6% moisture.

NLMK RUSSIA LONG

PRODUCTION SITES

- NLMK Vtorchermet scrap collecting facilities
- NLMK Ural
- NLMK Kaluga
- NLMK Metalware

FUNCTIONS

- Processes scrap for the Group's steelmaking facilities in Russia
- Produces long products and metalware

PRODUCTS

- Scrap, billets, rebar, wire rod, sections, and metalware

CONSUMERS

- Construction and machine building

HEADCOUNT

- 8,300 people

PRODUCTION CAPACITY, M T 2019/2020

Steel	3.3
Long products	2.6

PRODUCTION, M T

Scrap processing	2.2	+3%
Steel	2.8	-2%
Long products	2.4	-1%
Metalware	0.3	-6%

SALES, M T

Billets	0.3	+5%
Long products	2.1	-9%
Metalware	0.3	-8%

FINANCIALS, \$ M

Total revenue	1,539	-12%
EBITDA	93	+4%
Investments	38	-24%

NLMK DANSTEEL

PRODUCTION SITES

- NLMK DanSteel

FUNCTIONS

- Produces plates from NLMK Lipetsk and NLMK DanSteel semis

PRODUCTS

- Niche steel semis and plates, including Q&T

CONSUMERS

- Producers of heavy vehicles and loading equipment, offshore wind turbines, drilling rigs, shipbuilding sector, and producers of pipes, boilers, and reservoirs for hostile environments

HEADCOUNT

- 400 people

PRODUCTION CAPACITY, M T 2019/2020

Plate	0.6
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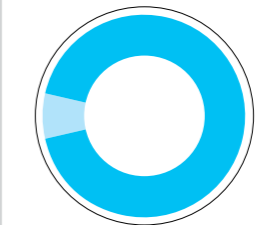
PRODUCTION, M T

Plate	0.5	-8%
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SALES, M T

Plate	0.5	-1%
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SALES GEOGRAPHY



NLMK USA

PRODUCTION SITES

- NLMK Pennsylvania
- NLMK Indiana
- Sharon Coating

FUNCTIONS

- Produces flat steel

PRODUCTS

- Hot-rolled steel, cold-rolled steel, and galvanized steel

CONSUMERS

- Construction, pipe production, automotive industry, machine building, white goods, and yellow machinery production

HEADCOUNT

- 1,100 people

PRODUCTION CAPACITY, M T 2019/2020

Steel	0.8
Flat products	2.9

PRODUCTION, M T

Steel	0.6	-15%
Flat products	1.6	-25%

SALES, M T

Hot-rolled steel	0.9	-25%
Cold-rolled steel	0.3	-31%
Galvanized steel	0.4	-28%

FINANCIALS, \$ M

Total revenue	1,086	-37%
EBITDA	76	0%
Investments	49	+32%

NBH

PRODUCTION SITES

- NLMK La Louvière
- NLMK Strasbourg
- NLMK Clabecq
- NLMK Verona

FUNCTIONS

- Produces flat steel from slabs coming from the Lipetsk site and from internally produced semis

PRODUCTS

- Hot-rolled steel, cold-rolled steel, galvanized steel, and pre-painted steel

CONSUMERS

- Producers of heavy vehicles and loading equipment, offshore wind turbines, drilling rigs, shipbuilding sector, and producers of pipes, boilers, and reservoirs for hostile environments, construction, pipe production, automotive industry, machine building, white goods.

HEADCOUNT

- 1,700 people

PRODUCTION CAPACITY, M T 2019/2020

Steel	0.2
Flat products	2.8

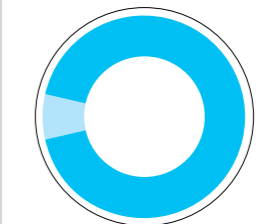
PRODUCTION, M T

Steel	0.2	+1%
Flat products	2.1	-3%

SALES, M T

Hot-rolled steel	1.2	-4%
Cold-rolled steel	0.03	-22%
Pre-painted steel	0.3	-14%
Plate	0.6	-1%

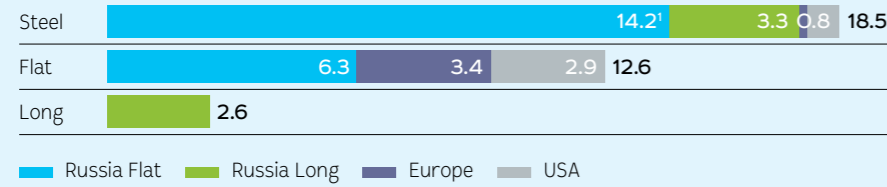
SALES GEOGRAPHY



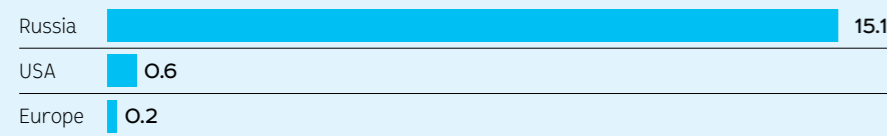
WHERE WE MAKE AND MARKET STEEL

GRI 102-4, GRI 102-6

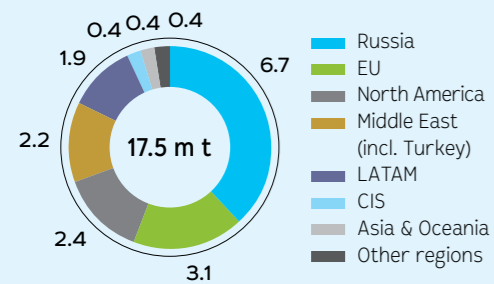
PRODUCTION CAPACITY, M T



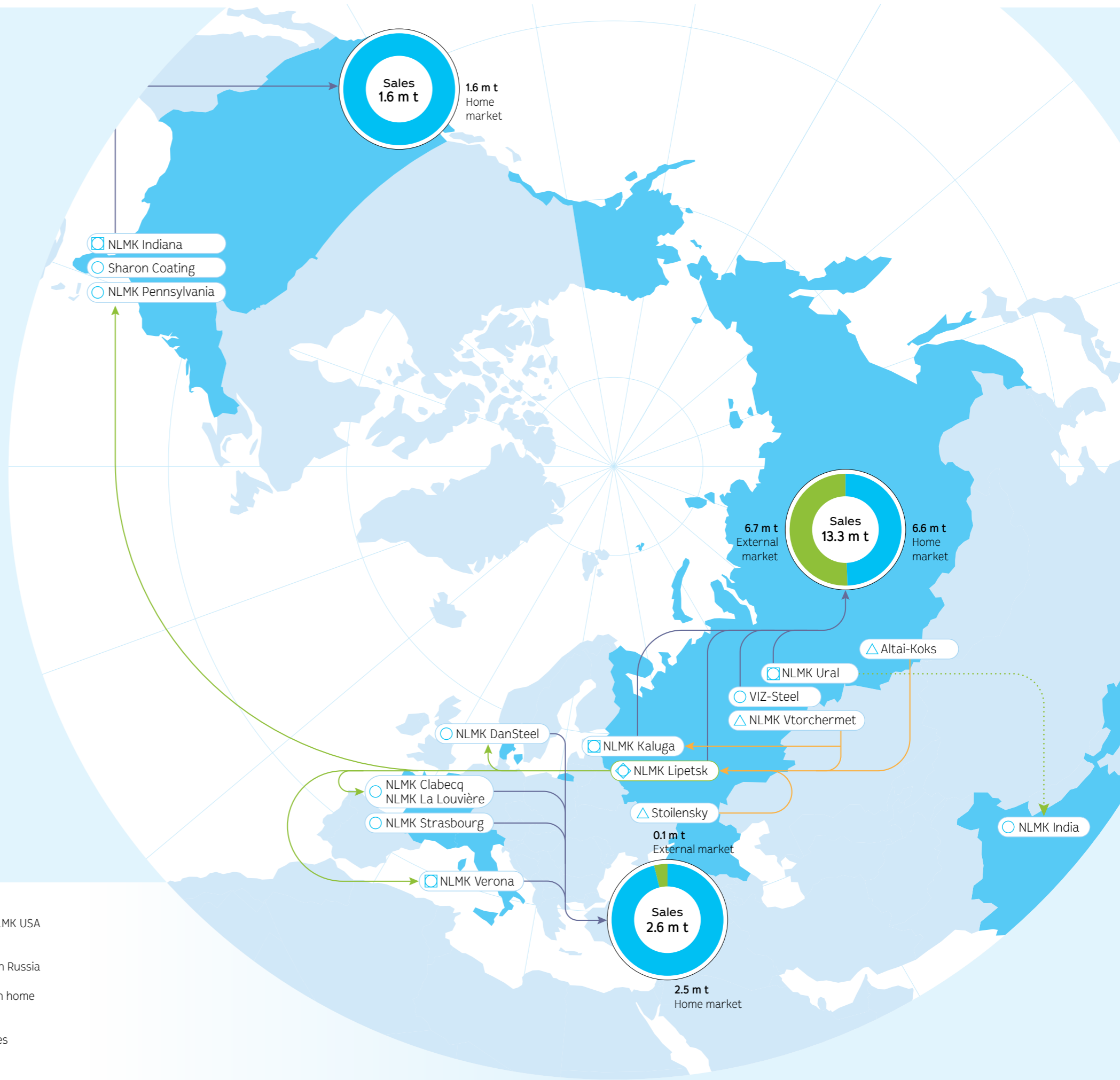
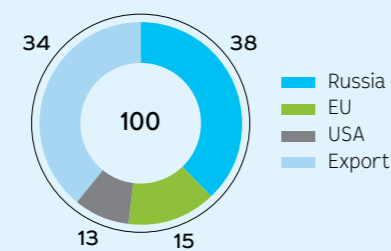
STEEL PRODUCTION, M T



SALES² IN 2020, M T



SALES STRUCTURE BY LOCAL / EXPORT MARKETS, %



¹ Accounting for the Lipetsk site capacities growth following the completion of major repairs in the end of 2020
² Sales with NBH

- △ Upstream assets
- ◇ BF & BOF Operations
- Rolling assets
- EAF

- Slab supplies from Lipetsk to NLMK USA and NLMK Europe
- Intragroup raw material flows in Russia
- Sales of steel to third parties on home and export markets
- Intragroup international supplies

OUR INNOVATIONS

As a modern, high-tech company, NLMK Group's development is inextricably linked to innovation. For us, innovation is a means of attaining strategic goals. The Company focuses its resources on seeking and quickly integrating new technologies that boost the efficiency of business processes.

NLMK Group's approach to innovation is based on quick project implementation and tolerance for the risk inherent in testing potential solutions and technologies. This approach helps reduce project implementation costs, catalyse the development and adoption of innovative solutions, and minimize innovation-related risks.

Innovation projects are pursued and implemented across all of the Company's main business processes: steel production, technologies and materials for repairs, customer service improvement, sustainable development, logistics, energy, HR.

One of the formats that NLMK is developing to seek out new ideas is open innovation: building up partnerships with universities, venture funds, development institutions, and technology parks both in Russia and abroad. Innovation-related changes are systemic in nature, shaping the culture and the innovation ecosystem that unites NLMK Group with its partners.

Additionally, NLMK sees innovation projects as a way to develop and fulfil our team's potential. Any employee can participate in such projects. The Company encourages initiative and provides opportunities for experimentation by simplifying the processes and mechanisms of innovation project implementation. The open innovation format also facilitates our employees' professional growth: partnerships with leading universities and venture funds open up new sources of ideas and access to one-of-a-kind projects.

Examples of innovative solutions and technologies that the Company adopted in 2020 include 3D printing, photographic mapping via drones, and new wear-resistant materials for mining and steelmaking. We have also taken the first steps to integrate robotics into the Group's production processes. Over 40 innovation projects are already being implemented.

In mid-2020, we launched the NLMK Innovation Lab online portal (<https://lab.nlmk.com/en/>). This new platform creates a simple and quick channel enabling all developers of innovative products and technologies to communicate with their end customers at NLMK. All projects are thoroughly evaluated, and efficient ones can then be implemented at NLMK Group sites. The portal has operated for less than six months and has already received over 100 applications, of which 50 are currently being analysed in-depth.

NLMK expands use of drones

NLMK Group has established a centre to process and analyse data collected using unmanned aerial vehicles (UAVs) at its mining facilities. Drones will be used in the open-cast mine for prospecting and monitoring the condition of the roads, heat networks, power lines, and other infrastructure elements. The gain from expanding the use of UAV technology is estimated at RUB 100 million per year.

RESEARCH AND DEVELOPMENT

The Company develops new products to respond to market demands, analyzing technological progress trends in the industry and determining the vector of innovation development. The life cycle of a new product development project includes computer and physical simulations and the use of advanced tools and methods to test laboratory prototypes before starting full-scale experiments on industrial equipment. This approach helps reduce project implementation costs, catalyse the development and adoption of innovative solutions, and minimise innovation-related risks.

To achieve the Strategy 2022 goals, the Company has set up an R&D department and a corporate Centre for Research and Development (R&D Centre) as part of its innovation activities. The department and centre possess the core capabilities and resources required to create digital and physical prototypes of new products and manufacture them at the Group's facilities. The R&D department operates in Russia and Belgium. The main laboratory research facility is located at the Lipetsk site, while computer modelling and premium coating development capabilities are based in La Louvière (Belgium).

In February 2020, microstructural analysis laboratories were opened at the Lipetsk site. Their purpose is to analyse the properties of steel produced during physical simulation and industrial experiments. The unit draws together unique research competencies and state-of-the-art measurement equipment. Several dozen high-precision devices support more than a thousand types of microscopy and chemical analysis measurements. This multi-method research will facilitate the development of new steel grades and products for the automotive, energy, and construction sectors.

In December 2020, three laboratories developing new coatings were opened at the La Louvière site, enabling a broad spectrum of physical, chemical, and analytical studies, simulation of various technologies and application modes, and tests of end products (coated steel).

Apart from researching new products, we also carry out studies in the domain of sustainable development. In December 2020, the Company became a member of K1-MET, Europe's leading metallurgical competence centre, and commenced a joint project with Voestalpine to process zinc-containing dust and sludge. Our industrial waste recycling project was backed by the Austrian government through the COMET programme (Competence Centers for Excellent Technologies).

NLMK interacts actively with the innovation ecosystem, creating mechanisms for cooperation with venture funds, development institutions, and technology parks both in Russia and abroad. The goal of these efforts is to create a constant flow of ideas and projects for subsequent integration and piloting at Group sites. The Company's main body in charge of innovations is the Innovation Projects Committee led by NLMK's CEO (Chairman of the Management Board). The Committee has been in operation since 2018.

In 2020, the number of projects in our research and development portfolio tripled. The portfolio primarily focuses on product innovations on the 2030 horizon. The goal is to ensure the Company's competitive advantage and steady technological development.

The Company's efforts to expand its product portfolio are anchored in the R&D development strategy, which was approved by the NLMK Board of Directors in 2018. The Company is actively developing its process base to regulate project management approaches in order to successfully implement R&D and innovation projects.

TOP RESEARCH AND DEVELOPMENT PRIORITIES UNTIL 2022

Introduce product innovations

Establish a diversified product portfolio for the automotive, heavy engineering, energy, and industrial and civil construction industries

In 2020, we developed, patented, and produced a number of innovative steel grades:

- Ultra-high-strength cold-rolled steel with a tensile strength of over 1,000 MPa for safer car bodies
- High-strength ultra-low-carbon (non-ageing) steel with highly homogeneous properties manufactured using a cassette technology and annealed in bell-type furnaces for the production of extra-deep-drawing automotive parts and undercarriages
- Steel with an anti-corrosion coating of zinc, aluminium, magnesium, and a polymer finish, 2-3 times more durable than standard zinc coatings
- High-strength steel plate for manufacturing the nodes of heavy-duty vehicles, ensuring the equipment's operation under high static and dynamic loads and in temperatures below -50°C
- Plate for construction equipment with a strength of up to 1,200 MPa, high plasticity and toughness
- High-strength hot-rolled steel with good formability and increased resistance to cracking for structural car body elements

NLMK DanSteel supplies steel heavy plates for next-generation floating offshore wind farm

NLMK DanSteel has supplied its heavy plate for the Wind Float Atlantic project, the first semi-submersible floating wind farm in the world, located off the north coast of Portugal. NLMK DanSteel's high-quality steel is used in the production of floating platforms and foundations.

Wind Float Atlantic comprises three wind turbines of 8.4 MW each, mounted on floating platforms. The wind farm will be able to generate enough energy to supply 60,000 households in Portugal and save almost 1.1 million tonnes of CO₂ emissions per year.

With the aim of participating in such innovative offshore projects, NLMK DanSteel has improved its production process and developed a special chemical composition of high-strength steel that ensures strong performance under high static and dynamic loads at low temperatures. Together with the American Bureau of Shipping (ABS), the plant has successfully completed product certification.

DIGITALIZATION

The development of information technologies and digital solutions is an essential tool for attaining NLMK Group's strategic goals. Dozens of cross-functional teams are engaged in the development of over 90 digital products for production sites and corporate functions. Every digital solution is designed to achieve our first-priority goals and to eliminate faults. The Company employs machine learning and machine vision, advanced analytics, Industrial Internet of Things, unmanned aerial vehicles, additive and other technologies that are most relevant to every given task.

Digitalization in the context of Strategy 2022

- **Leadership in efficiency.** Every year, NLMK Group increases its investment into the automation of production processes. Our teams create solutions to boost the efficiency of production, repairs, logistics, and energy. We are successfully implementing a one-of-a-kind set of calendar planning and scheduling programmes, which will enable reduced lead times for customers and higher capacity utilization. Mobile devices are used for planning and executing production equipment repairs. Over the course of the current strategy cycle, initiatives involving digital solutions will contribute at least \$50 million to the operational efficiency goal.
- **Development of low-cost steel production.** Our active use of BIM technologies in major investment projects has allowed for a significant decrease in the number of project collisions, optimization of construction timeframes, and the elimination of unforeseen risks related to construction and installation works.
- **Sustainable development.** The Company harnesses new technologies to increase production safety, reducing human participation in dangerous operations, improving automotive and railway transport safety, and providing employees with convenient tools for risk identification when executing dangerous work. In our efforts to deal with environmental concerns, we use technologies that help us more

efficiently clean emissions from harmful impurities. We have also integrated a digital system for environmental impact monitoring.

- **Sales development.** Our digital tools and services, including our online sales platform, ensure prompt customer interaction, increase loyalty, and shorten feedback loops with our customers. In-depth analytics allow us to build the sales system around customer experience, reduce order lead times, and create competitive advantages.

The digital ecosystem we have established ensures effective "ground rules" for cross-functional teams, sustainable solutions, knowledge accumulation in the Company, and a seamless collaboration environment with over 30 partner companies specializing in various subjects and technologies. In terms of digital ecosystem development, NLMK Group has reached two key objectives in 2020:

- **Stabilizing the organizational model of digital product creation and development.** The model is based on the iterative work of cross-functional teams comprising employees of specialized production units and functions along with technology, IT, and data specialists. The teams focus on identifying the digitalization potential of a given production unit or function and are in charge of the entire life cycle of the solutions they create. Dedicated teams work on end-to-end cross-functional digital products. The teams are reasonably autonomous, which means that they are able to experiment with innovative solutions and to engage and develop high-potential specialists.
- **Creating a machine learning platform,** which ensures that the dozens of Company solutions that involve AI technologies operate consistently and continue to develop. Our DSML (Data Science and Machine Learning) platform is a single environment for data scientists. It creates a feedback loop between mathematical models.

The Company is actively introducing digital and mobile services for employees. Such solutions support the full HR cycle: planning vacations and business trips, training, objective management, performance reviews, career track selection, and much more.

The digitalization of Stoilensky has allowed for an increase in iron ore output and an optimisation of the mine development plan

Calculating the optimal opencast mine development plan is always a challenge. The ore is not hosted evenly, and its ferrum content varies. We have built a digital 3D model of the mine, visualized the deposit structure and the ore bedding conditions, and used the model to develop a mining scenario for thirty years to come. Based on this data, we put together yearly and monthly plans with replacement tasks and adjust them automatically.

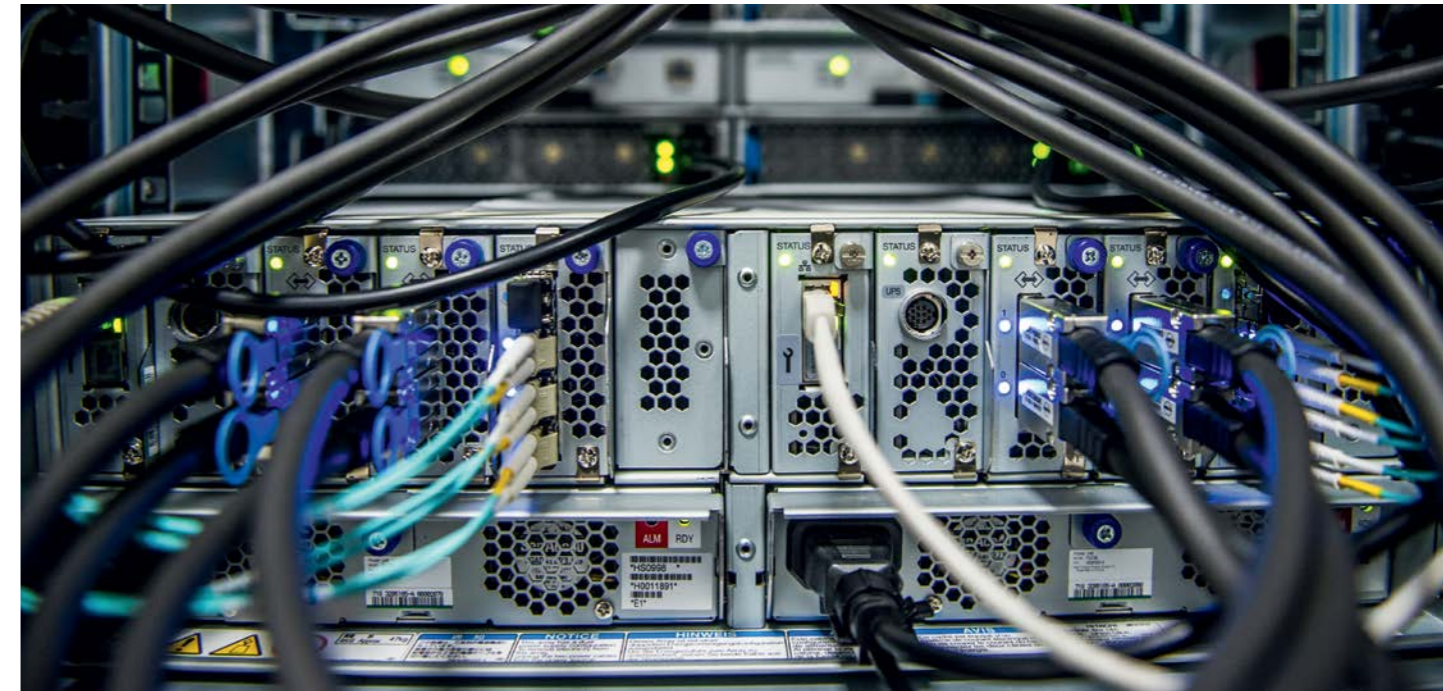
In addition, an optimizer system manages the transport flows in the mine. It sends messages to every driver, specifying where to load and unload their truck. The routes are distributed so that ores with different ferrum content levels are mixed together, forming a homogeneous mass.

The digitalization of NLMK's BOF operations has helped optimize ferroalloy consumption

NLMK produces hundreds of steel grades. In order to manufacture a particular grade, we need to ensure a certain concentration of the required chemical elements in the composition, which means adding the right amount of ferroalloys. Our ferroalloy consumption optimizer service determines the optimal composition and calculates the precise amount of the required additives. Through a user-friendly interface, it recommends the right amounts to the steel caster, which can add just enough ferroalloys for producing the steel grade in question. If there are several options, the most cost-effective one will be selected.

The solution is expected to generate a gain over RUB 90 million per year.

CYBERSECURITY



NLMK Group follows a unified approach to countering cyber threats. To this effect, the Company has established a comprehensive information security system that has proven its reliability during the rollout of the remote work practice. This provides confirmation that the Company's cybersecurity management has taken effective measures, based on the principle of the top management's involvement in ensuring integrated and centralized information security management and risk-based approach implemented by the Risk Assessment and Management team.

The Company has adopted a practice of regular internal audits of compliance with trade secret and personal data processing requirements. The maturity

level of information security processes is also regularly evaluated in accordance with the COBIT 5 standard to make sure that the Company is well on track towards its target. As for the level of the corporate network's resilience to potential attacks, the Company plans to carry out regular external penetration testing (Pentest).

With a view to counteracting man-made cyber threats, all NLMK employees, when they join the company, are familiarized with internal regulatory documents on information security through the electronic document management system and the corporate portal. The Company also regularly carries out awareness-raising activities (including informing about incident-related procedures), which include online learning courses, phishing email recognition tests, publications on cybersecurity matters, and e-mail newsletters.

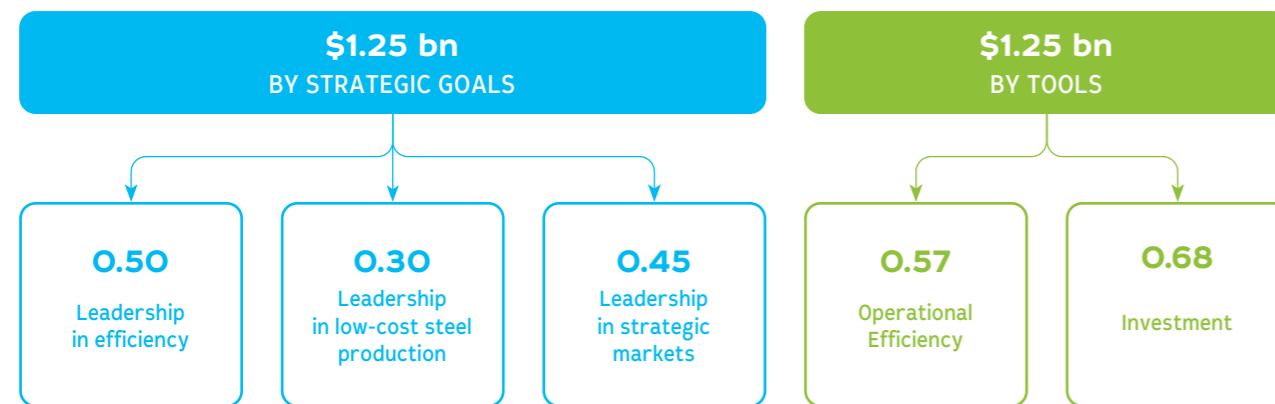
Each employee is personally responsible for compliance with the applicable information security requirements. Employees may be subject to disciplinary or other action for their violation.

NLMK Group sets ambitious strategic goals for the development and digitalization of its operations, in which countering cyber threats will undoubtedly be of high importance. The Company will continue to focus on this area to improve the established information security risk management process.

OUR STRATEGY

STRATEGY 2022

Strategy 2022 is predicated on enhancing NLMK Group's competitive advantages through boosting operational efficiency across the entire production chain, growing cost-efficient steel production, enhancing vertical integration into key raw materials, increasing sales of high value-added (HVA) products, and pursuing environmental, safety, and human capital development programmes. Strategy 2022 targets net gains of +\$1.25 bn to EBITDA.



KEY ELEMENTS OF STRATEGY 2022

1. LEADERSHIP IN OPERATIONAL EFFICIENCY	2. GROWTH IN LOW-COST STEEL PRODUCTION
<p>Goal: Focus on operational efficiency and working towards best production practices; global leadership in the cash cost of steel production</p> <p>Target structural EBITDA gain: \$0.5 bn</p> <p>Capex over the strategic period: \$0.05 bn</p>	<p>Goal: Growth of steel output at NLMK Lipetsk; maintaining 100% self-sufficiency in iron ore; growth in energy self-sufficiency at NLMK Lipetsk; decrease in coal consumption, including deficit grades</p> <p>Target structural EBITDA gain: \$0.3 bn</p> <p>Capex over the strategic period: \$1.0 bn</p>
3. WORLD-CLASS SALES PORTFOLIO	4. LEADERSHIP IN SUSTAINABILITY AND SAFETY
<p>Goal: Growth of steel product sales; growth of high value-added (HVA) product output and sales</p> <p>Target structural EBITDA gain: \$0.45 bn</p> <p>Capex over the strategic period: \$1.1 bn</p>	<p>Goal: Minimizing environmental footprint and ensuring safe operations</p>

STRATEGY IN ACTION

Operational efficiency

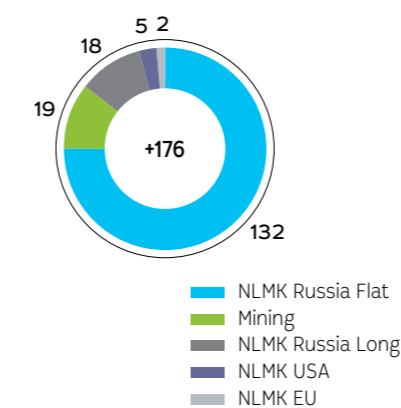
Target EBITDA gain by 2023
+\$570 m pa

Total EBITDA gain in 2020 (vs. 2019)
+\$176 m

Goal:
Reduce cash cost and increase output across the entire integrated value chain

Results:
The structural gain to EBITDA from operational efficiency programmes amounted to \$176 m vs. the 2019 base

EBITDA GAIN BY SEGMENT IN 2020, \$ M



NLMK Russia Flat (+\$132 m): lower expenses on coal charge structure; additional output of slabs, hot-rolled steel, and galvanized steel; optimization of metallic charge consumption; logistics and energy projects. Significant improvement in the surface quality of commercial grain-oriented steel.

Stoilensky (+\$19 m): increased output of concentrate and pellets.

NLMK Russia Long (+\$18 m): lower metallic charge consumption at NLMK Kaluga and NLMK Ural; process optimization at NLMK Metalware.

NLMK USA (+\$5 m): increased steel output; lower metallic charge consumption at the Indiana plant.

NLMK EU (+\$2 m): increased efficiency at the Verona plant.

These achievements were largely due to the development of NLMK Production System (NPS). In the reporting year NPS was rolled out to all Russian sites. At key sites, such as Sintering & Ironmaking and Stoilensky, projects were implemented to increase NPS maturity with a focus on consistent growth of ideas with an economic effect. Despite the pandemic, last year's number of initiatives was surpassed already in mid-November. Altogether, approximately 27,000 initiatives were submitted in 2020. The number of initiatives with an economic effect increased by 50%. 98% of ideas with gains exceeding RUB 100,000 were submitted by blue collars and line managers, which ensures the system's stability.

Using the Control Charts NPS tool, the pelletizing and induration area of the Stoilensky Pellet Plant stabilized specific gas consumption per tonne of pellets

While analyzing control charts, specialists at the plant noticed that gas consumption rates went beyond the control limits, leading to significant overconsumption. This was due to a malfunction causing the induration unit to operate at the wrong speed. The speed of pallet cars is regulated by sensors that measure layer height. The incorrect readings of these sensors led to the machine's speed increasing above normal, causing the induration unit to stop. Measures were taken to determine and formalize the maximum levels of pellet layer height, and the sensors were recalibrated. This enabled the stabilization of pallet car speed. Specific gas consumption at the pelletizing and induration area has become more stable and manageable.

Production System at NLMK Vtorchermet

In 2020 the managing company and four operation companies of NLMK Vtorchermet implemented the first wave of the NPS development project. This project has the most unique geography of all NPS projects in the Group: it involves 12 scrap collection facilities in the Ural region, Siberia, and Central Russia.

In 2020, a total of 47 initiatives were submitted (vs. 33 in 2019) with a confirmed economic effect of RUB 168 million (vs. RUB 43.5 million in 2019).

Operation companies that collect, process, and ship scrap mostly use standard technological processes and equipment, which enables the roll-out of related best practices across all NLMK Vtorchermet sites. The improvement projects will result in higher productivity and increased equipment reliability and safety.

STRATEGY IN ACTION

Investments

Target EBITDA gain by 2023

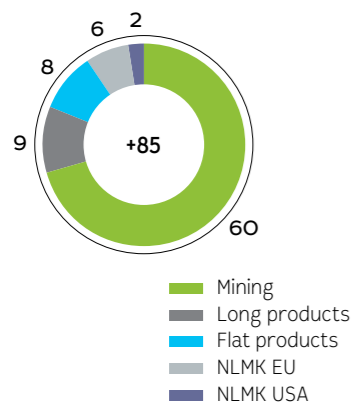
+\$680 m pa

Total EBITDA gain in 2020 (vs. 2019)

+\$85 m**Goal:**

Growth in low-cost steel production and growth of premium product output and sales

EBITDA GAIN BY SEGMENT IN 2020, \$ M



Over 90% of all gains were obtained at the Group's Russian companies:

Stoilensky (+\$60 m): launching the additional beneficiation section.

NLMK Russia Long (+\$9 m): commissioning new power complexes built in 2019. Power complexes are a new-type of mini power plants providing NLMK Russia Long sites with heating, hot water, and chemically purified water for processes, as well as captive electricity.

NLMK Russia Flat (+\$8 m): operation of the briquetting plant, which launched in May 2019; launch of the new logistics complex at the Lipetsk site.

In addition, a number of major projects were completed in 2020, and we expect to see their positive impact in 2021–2022. For example, NLMK Group completed a project to increase steelmaking capacities at the Lipetsk site by 1 million tonnes, up to 14.2 million tonnes per year.

- NLMK has relaunched Blast Furnace No. 4 (BF-4) following a large-scale upgrade. As a result, the maximum output of the furnace increased by 8% to 3.4 million tonnes of pig iron per year. A new air treatment system captures 99.9% of dust particles, keeping residual dust content at the level of best available technologies (BAT) of 5 mg/m³. All of the blast furnace gas formed as a by-product in the manufacturing of pig iron is used for energy generation at NLMK's cogeneration plant, while blast furnace slag is processed into construction materials. The total CAPEX for the project amounted to over RUB 35 billion. The furnace is equipped with an advanced automated control system with built-in artificial intelligence components. The system is able to autonomously select optimal process parameters, boosting blast furnace performance.
- NLMK has relaunched its Basic Oxygen Furnace No. 3, a steelmaking facility with a capacity of over 3 million tonnes per year, following an overhaul. The launch of a new dust and gas collection system in line with best available technologies (BAT) was tied in with the relaunch of the BOF.
- At NLMK Lipetsk, a new facility for the production of steel products, a continuous casting machine (CCM-9) was launched. The productivity of CCM-9 is 1.8 million tonnes of steel per year. The company plans to use the equipment to master the production of a premium mix of products that will be used to make wind turbine parts, marine vessels, oil drilling rigs, and large-diameter pipes.

Altai-Koks has launched coal stamp charging unit at an operational coke battery

Instead of using the top charging method, stamp charging involves feeding already compacted coal briquettes into the oven horizontally. The technology has been introduced at Coke Battery No. 5, the most advanced coke oven battery at Altai-Koks. It has a production capacity of 1.1 million tonnes of coke per year. The new unit is equipped with an advanced and efficient gas treatment system.

NLMK to increase galvanized steel production capacity

NLMK Lipetsk has embarked on a project to construct a new continuous hot-dip galvanizing line (HDGL-5) with a capacity of 450,000 tonnes of steel per year. The new line will produce high-quality steel for the construction, automotive, and white goods industries.

Stoilensky finished hot testing at new additional beneficiation section

Hot testing was performed at three new concentrate grinding lines. The commissioning of the new additional beneficiation section will enable Stoilensky to increase its concentrate output from 17.5 million tonnes to 20 million tonnes per year and its ore processing capacity from 37 million tonnes to 42 million tonnes by 2021.

Leadership in sustainability and safety

Goal:

Minimize environmental footprint and ensure safe operations

Leadership in sustainability and safety remains a priority for NLMK Group.

Priority areas include:

- Further minimization of our environmental footprint, including a reduction in specific emissions per tonne of steel at NLMK Russia to the level of the EU best available technologies
- Further reduction of injury rate to LTIFR¹ 0.5 for our own employees and contractors
- High level of social protection and employee engagement



¹ Lost Time Injury Frequency Rate.

SUSTAINABILITY MANAGEMENT

OUR APPROACH TO SUSTAINABILITY MANAGEMENT

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.

A number of NLMK Group's internal documents regulate sustainability measures. A more detailed list of these documents can be found further in the text of this Report.

Sustainability management is integrated into NLMK Group's corporate governance system and is carried out at all the Group's 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 (Chairman of the Management Board), and the Management Board determine strategic growth priorities and ensure overall sustainability management.

Vice presidents of functional units 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 the 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 details).

NLMK GROUP'S VALUES

GRI 102-16

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 of our employees	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 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"). This Policy defines the Group's principles, goals, and objectives in matter concerning sustainable development as well as the mechanism for managing the relevant agenda at the level of the Board of Directors. In particular, the Board's Strategic Planning Committee is responsible for determining the Company's goals and strategy for minimizing its environmental footprint, including greenhouse gas emissions, and reviewing and approving the relevant investment programme. The Board's Audit Committee monitors the integrity of the disclosure of sustainable development information.

The relevant functions are set in regulations on Committees, which were approved at NLMK's General Meeting of Shareholders. For more information, see the *Corporate Governance* section.

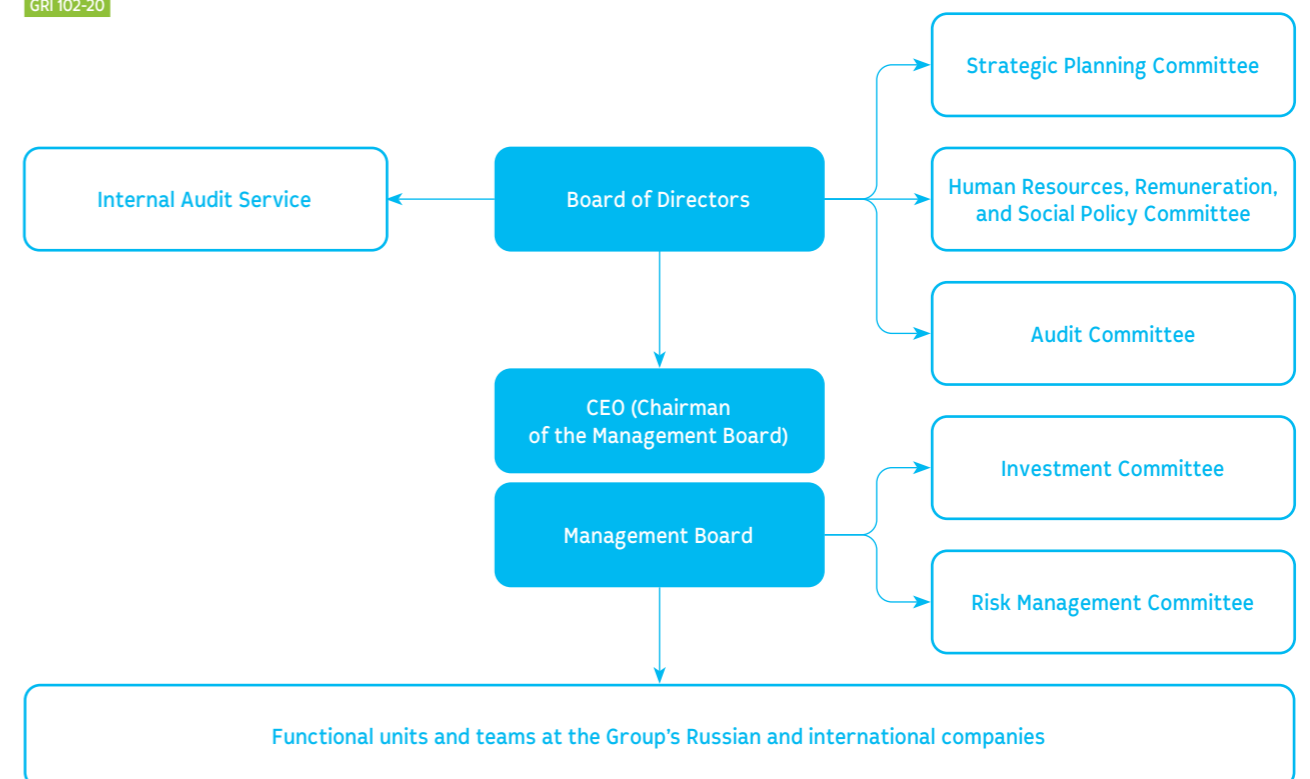
Leadership in sustainability and safety is one of the four main goals of NLMK Group's Strategy 2022, and the changes that have been implemented will contribute to the successful achievement of this goal. The changes are in line with best international practices and stakeholder requirements, and confirm NLMK Group's commitment to the principles and objectives of the UN Global Compact, to which the Company is a party.

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. The full text of the Policy is available on the Company's website via this [link](#).

ORGANIZATIONAL STRUCTURE FOR MANAGING SUSTAINABILITY ISSUES AT NLMK

GRI 102-20



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 website*.

SUSTAINABILITY AGENDA MANAGEMENT AT THE BOARD OF DIRECTORS LEVEL

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




CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS ADOPTED BY THE UN GENERAL ASSEMBLY


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, support local communities, and ensure safe and decent working conditions.

NLMK GROUP'S CONTRIBUTION TO ACHIEVING UN SUSTAINABLE DEVELOPMENT GOALS

UN Goal	NLMK Group's contribution
<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>Ensure healthy lives and promote wellbeing for all at all ages</p> <ul style="list-style-type: none"> • Implementing programmes aimed to help employees stay healthy and increasing the availability and quality of medical services for employees • Informing the Group employees and contractors about occupational safety rules • Implementing training programmes in occupational health and safety • Implementing initiatives aimed at reducing water consumption, pollutant emissions, and overall waste <p><i>See the following chapters of the Report: Our team, Developing local communities, Occupational health and safety, Human rights, Supply chain management, Environmental protection</i></p>
<p>4 QUALITY EDUCATION</p>	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> <ul style="list-style-type: none"> • Implementing training and development programmes to enhance professional skills of employees • Implementing external social programmes aimed to support education in the regions where the Company operates • Cooperating with educational institutions to improve the quality of training programmes and vocational training for future employment opportunities <p><i>See the following chapters of the Report: Our team, Developing local communities</i></p>
<p>6 CLEAN WATER AND SANITATION</p>	<p>Ensure availability and sustainable management of water and sanitation for all</p> <ul style="list-style-type: none"> • Introducing water recycling systems • Implementing water treatment technologies • Reducing water intake through equipment upgrades • Monitoring and disclosing information on the use of water resource <p><i>See the following chapters of the Report: Environmental protection</i></p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Ensure access to affordable, reliable, sustainable, and modern energy for all</p> <ul style="list-style-type: none"> • Improving energy efficiency • Transitioning to captive energy generation • Consuming energy from secondary resources • Monitoring and disclosing information on the volume of energy consumed <p><i>See the following chapters of the Report: Energy efficiency</i></p>

UN Goal	NLMK Group's contribution
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all</p> <ul style="list-style-type: none"> • Fulfilling tax obligations • Ensuring equal access for all Group employees to social benefits and creating equal opportunities for high performance, professional growth, and the development of creative potential • Creating jobs in the regions where we operate • Implementing training and development programmes to enhance employees' professional skills • Ensuring decent and safe working conditions • Developing NLMK Group's human rights policy prohibiting forced and child labour, recognizing the right to a minimum wage, outlawing discrimination, and guaranteeing safe working conditions • Ensuring the transparency of procurement procedures • Supplier's Code of Business Conduct, which is binding for all counterparties • Evaluating supplier compliance with applicable occupational health and safety standards as part of auditing and qualifying suppliers and contractors • Implementing initiatives to minimize the Group's environmental footprint <p><i>See the following chapters of the Report: Our team, Developing local communities, Occupational health and safety, Human rights, Supply chain management, Environmental protection</i></p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Ensure sustainable consumption and production patterns</p> <ul style="list-style-type: none"> • Increasing the efficiency of natural resource usage • Recycling ferrous scrap • Implementing a series of measures aimed at improving energy efficiency and the efficiency of resource use and reducing the environmental footprint of operations • Upgrading equipment and improving technology in order to minimize their negative impact on human health and the environment <p><i>See the following chapters of the Report: Environmental protection</i></p>
 <p>13 CLIMATE ACTION</p>	<p>Climate change</p> <ul style="list-style-type: none"> • Implementing a set of measures to reduce specific greenhouse gas emissions • Sales of products that enable lower emissions on the consumer side • International cooperation on projects aimed at reducing greenhouse gas emissions <p><i>See the following chapters of the Report: Environmental protection, Climate change</i></p>

UN Goal	NLMK Group's contribution
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels</p> <ul style="list-style-type: none"> • Countering corruption and fraud and preventing conflicts of interest • Introducing NLMK employees to the Code of Corporate Ethics and Anti-Corruption Policy • Introducing counterparties to the Supplier's Code of Business Conduct • Creating and continuously improving efficient corporate governance practices • Creating and developing a system of government relations • Ensuring human rights protection • Complying with applicable laws, including occupational practices • Openly interacting with stakeholders and informing stakeholders about the Company's positive and negative impacts • Creating feedback channels • Monitoring and regular reporting on the management of environmental aspects and disclosing information about legal non-compliance, including with environmental protection and labour laws <p><i>See the following chapters of the Report: Corporate governance, Operational control and risk management, Information for shareholders and investors, Environmental protection</i></p>
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>Strengthen the means of implementation and revitalize the global partnership for sustainable development</p> <ul style="list-style-type: none"> • Cooperating with government authorities to ensure that the interests of local communities are taken into account in decision-making • Disclosing information about payments to the state budgets • Concluding partnerships with NGOs to implement programmes which aim to develop local communities • Supporting sustainability initiatives implemented by Russian and international industry organizations • Strengthening partnerships with other companies in the industry <p><i>See the following chapters of the Report: Stakeholder dialogue, Developing local communities, Environmental protection, Supply Chain management, About the Report</i></p>

OUR RESULTS

COVID-19 RESPONSE

The Company focused all of its efforts on ensuring employee safety during the pandemic. In view of the epidemiological situation, a comprehensive programme to mitigate the impact of COVID-19 was initiated in March 2020. The programme covered all Group companies, whose total headcount exceeds 50,000 people, as well as certain categories in the communities of the regions where the companies operate, such as socially vulnerable groups and medical workers. The Group's Russian companies instituted an obligatory remote work mode for all employees over the age of 60. Approximately 5,000 people switched to working from home. The Company provided the necessary protective equipment and preventive medication, and organized regular tests both for employees and contractors. NLMK Group prohibited all mass gatherings, events, and meetings with over 15 people, and placed limits on business trips. New requirements included wearing masks, practising social distancing, measuring temperature, and obtaining a negative COVID-19 test result before returning to work after a long absence (vacation or sick leave). In addition, NLMK initiated supplementary assistance programmes in the regions where it operates, working in close cooperation with the municipal and regional authorities.

The Company attached particular importance to informing its employees about the current pandemic situation in a timely manner. One of NLMK's first response measures was the creation of a COVID-19 call centre that employees could contact in case of infection risk, as well as a crisis centre to prevent the spread of COVID-19. When the epidemiological situation was at its most difficult, NLMK Group's CEO published weekly addresses to employees on the corporate portal, providing them with the latest information about the pandemic and the Company's



Employee safety

- Over 100,000 COVID-19 tests for employees
- 5,000 employees switched to working remotely
- >35,000 PPE units for employees
- Limiting business trips and in-person meetings, maximizing online training
- Changing work schedules to reduce workplace density
- More buses and routes to deliver employees to work
- RUB 30,000 in additional payments to staff to compensate for pandemic-related expenses

Social assistance

- 67 ventilators
- 46 oxygen concentrators
- 4 PCR labs equipped
- >530,000 PPE units provided to medical facilities
- Vehicles for hospitals, X-ray machines, and other medical equipment
- 1,000 families of employees that have three or more underage children or are raising children with disabilities received financial support
- 25,000 food parcels were provided to elderly people, veterans, families with three or more underage children, and single parents in the regions where the Group operates

measures to protect employees' interests. Additionally, in August, at the live phone-in event with the CEO, he spoke about the way that the Company coped with the crisis period, and employees could pose their questions to him directly.

Many of our business processes have undergone changes. NLMK had two main goals: employee safety and production continuity. The Company was successful in adapting to the new conditions.

For instance, the NLMK Innovation Lab began holding its idea generation and project exploration sessions in an online format. In 2020 the Lab and the Sessions & Conferences department of the Corporate University organized four in-person events for Sintering & Ironmaking, Rolling Operations, Steelmaking, and the Procurement function.

The pandemic became a professional challenge for our IT departments, which had to urgently lay a technical foundation for effective remote work. It took the IT infrastructure team only two weeks to deploy remote access services on a mass scale.

In order to continuously develop our employees' qualifications, we transferred most training activities into an online format. The Corporate University team adapted the contents of its programmes accordingly.

The pandemic also spurred changes in the processes related to major repairs at NLMK's flagship Lipetsk site. We piloted the Virtual Line Walk system for monitoring construction and installation works and successfully

used it during the overhaul of a continuous casting machine in BOF Shop No. 2. The service is designed to oversee construction works, including those at remote facilities, compare the actual construction with the 3D project models, and collect retrospective data for subsequent analysis of the construction process.

The pandemic gave further impetus to the Company's digitalization process, stimulated the development of the corporate volunteer movement, with more volunteers joining its ranks at Company level, and shifted the focus of charitable activities towards supporting healthcare.

When it comes to the Company's economic and financial performance, the pandemic had an adverse impact on overall business activity in Q2 2020, leading to significantly weaker steel demand at our traditional sales markets and to lower steel product prices. In April 2020 we had to reduce output at our Long Products Division.

In order to sustain high capacity utilization at NLMK's flagship Lipetsk site, we adjusted our regional sales structure (in particular, increasing supplies to Asian markets in April and May) and diversified our product portfolio. NLMK Group's flexible business model enabled it to redirect its supplies, mainly to China, where steel demand had already started to recover.

We navigated the crisis with confidence by relying on our diversified product line-up and flexible supply chains. The Company proceeded with its main investment projects planned for 2020. In this difficult period, our financial performance remained stable.

In 2020, the total programme budget for various measures to combat the pandemic amounted to more than RUB 4.7 billion, including RUB 4.1 billion – for internal expenses (measures to reduce the risk of the spread of infection, social support for employees, etc.), RUB 0.6 billion - for external social expenses (support for the regions of presence).

Stoilensky provides assistance to Stary Oskol medical professionals

Stoilensky Mining and Beneficiation Plant, an NLMK Group company, provided three ventilators to medical facilities in Stary Oskol. In order to curb the spread of COVID-19, the plant assisted the city in purchasing masks, gloves, and disinfectants for a total of RUB 1.5 million.

NLMK's social partner, the Miloserdnye Charity Fund, provided 500 protective suits to health professionals on the frontlines of the fight against the virus.

In order to sensitize local communities on how to prevent the spread of COVID-19, Stoilensky placed banners with information about key prevention measures around the city.

MARKET REVIEW

The COVID-19 pandemic has had a significant impact on the global steel industry in 2020. A high level of uncertainty, restrictions to contain the spread of the infection, partial suspension of production chains, and turbulence on raw material markets have led to substantial supply and demand imbalances, changing the structure of global trade flows in all key regions.

The first country where business activity began to recover was China. A large-scale state programme to stimulate the economy and finance major infrastructure projects led to a surge in internal demand for steel products and, consequently, an increase in steel product prices globally.

Worldsteel Association estimates that in 2020 global steel production decreased by 1% yoy to 1.83 bn t, which was almost entirely offset by China's all-time-high steel output (+5% yoy, to 1.05 bn t). Average global steelmaking capacity utilization stood at 82%.

Global apparent demand decreased by 2% yoy, to 1.75 bn t, while in China it grew by 8% yoy to 1.02 bn t. At the same time, exports from China went down by 17% yoy to 54 m t.

US MARKET

In 2020 steel output in the US decreased by 17% yoy to 73 m t. Capacity utilization rates averaged 67%, and remained lower than pre-crisis levels at the end of the reporting period.

Steel consumption in 2020 went down by 19% yoy to 86 m t amid limited demand from manufacturers due to the COVID-19 pandemic. Demand was recovering in the automotive and construction sectors towards the end of the reporting period, but steelmakers' lead times reached record highs: long-term contracts were prioritized and there was practically no steel supply on the spot market.

Steel imports in 2020 decreased by 21% yoy to 20 m t, while exports were down by 4% yoy to 6 m t.

EU MARKET

Steel output decreased by 12% yoy to 139 m t. By the end of the year steel output bounced back to almost pre-crisis levels as production became highly marginal. Capacity utilization rates during the pandemic went down to nearly as low as 50%, but recovered to 70% by the end of the year.

Apparent steel product consumption in the EU was down by 12% yoy to 142 m t in 2020, as demand was low due to the COVID-19 pandemic and capacities had to be suspended. At the end of the reporting period demand was recovering in the automotive and machine building sectors.

Imports of flat and long steel were down by 17% yoy to 21 m t, while exports decreased by 13% yoy to 18 m t.

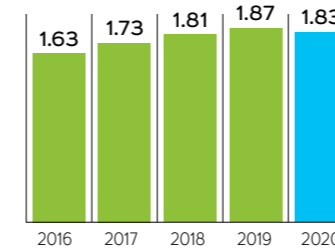
RUSSIAN MARKET

In 2020 apparent consumption of finished steel products decreased by 3% yoy due to limited demand for flat and long products. Demand for coated steel grew by 4% due to an uptick in construction and renovation of country houses during the COVID-19 pandemic. Internal demand was supported by the state programme of discount mortgages and subsidies for the automotive industry.

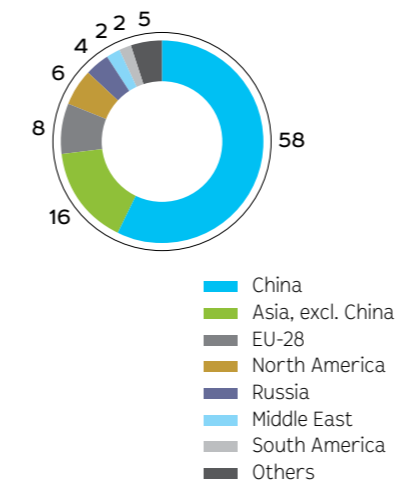
Steel output in Russia remained flat yoy in 2020, totalling 72 m t. Meanwhile, steel imports were down by 18% yoy to 5.1 m t, and finished steel exports increased by 6% yoy, reaching 13 m t.

Sources: Bloomberg, Worldsteel, Eurofer, Metal Expert. Preliminary data.

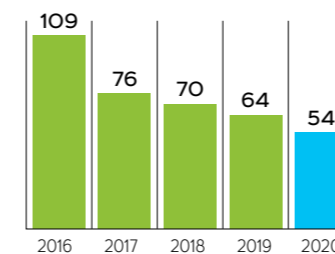
GLOBAL STEEL PRODUCTION, BN T



STEEL PRODUCTION BY REGION, %



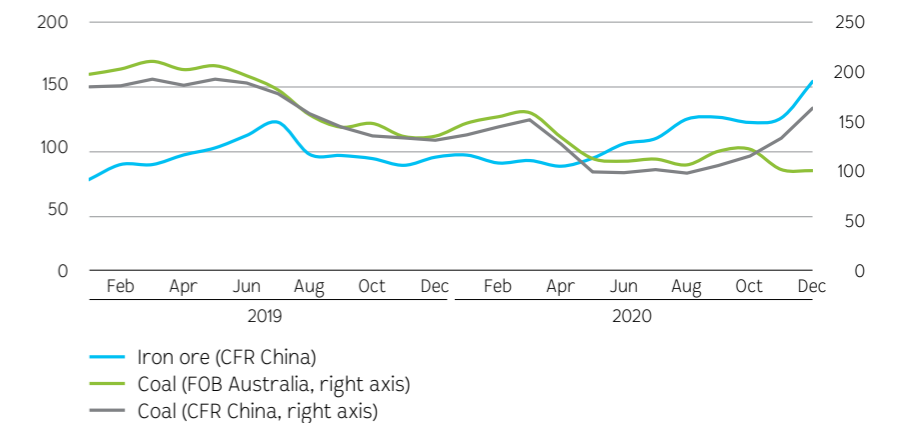
EXPORTS FROM CHINA, M T



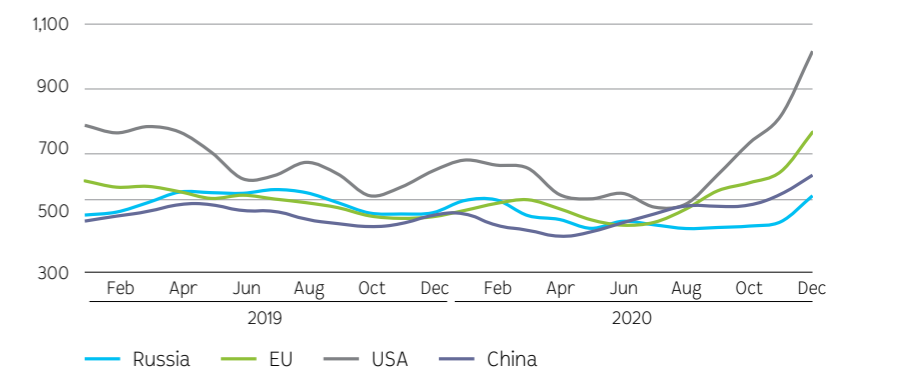
PRICE TRENDS

Average global coal prices decreased by 29% yoy in 2020 due to weak demand from the steel industry during the pandemic and China's restrictions on imports of Australian coal. Iron ore prices grew by 15% yoy due to high demand from Chinese steelmakers amid forecasts of lower raw material supplies from Brazil and Australia. Market prices for flat products in the US were down by 2% yoy, hitting a local minimum in early Q3 2020 and later rebounding sharply to multi-year highs. The decrease in European prices averaged 5% yoy, but starting from early Q3 the region saw dramatic growth as well. Dollar-denominated steel product prices on the Russian market decreased by 9-13% yoy following global prices and a weaker ruble.

GLOBAL RAW MATERIALS PRICES, \$/T



HOT-ROLLED STEEL PRICES, EXW, \$/T



Source: Bloomberg

OPERATING PERFORMANCE

Steel output grew by 1% yoy to 3.9 m t (+3% yoy) following the increase in productivity. NLMK Lipetsk capacity utilization rate remained high at 98%. Russian Long Products capacities were running at 84%. The utilization rate of NLMK's European companies was 79%.

Consolidated sales grew by 3% yoy to 17.5 m t supported by a three-fold yoy increase in pig iron sales to 1.5 m t amid higher steel output during BOF overhauls at NLMK Lipetsk. Sales of semi-finished products to third parties grew by 25% yoy to 4.9 m t due to higher pig iron and billet exports. Slab sales to NBH totalled 2.1 m t (flat yoy). Finished rolled steel sales declined by 5% yoy to 10.5 m t amid weak demand in April-May 2020 and sales redistribution to semi-finished products.

Sales on 'home' markets reduced by 6% yoy to 10.7 m t, which was mostly due to lower sales of NLMK USA. Sales in Russia remained flat year-on-year at 6.7 m t. Sales on export markets grew by 17% yoy to 6.8 m t, due mainly to higher pig iron and billet exports.

Sales in the NLMK Russia Flat Products segment increased by 7% yoy to 13.4 m t as export sales of pig iron grew, along with hot-rolled steel sales on the Russian market. Sales of finished steel reached 6.1 m t (+5% yoy) amid the completion of repairs at NLMK's Hot Strip Mill. Sales of semis to third parties went up by 27% yoy to 4.6 m t, driven mainly by higher export sales of pig iron. Sales of semis



to NLMK Group and NBH companies totalled 2.7 m t (-12% yoy) due to lower slab demand from NLMK's European companies and suspended slab supplies to NLMK USA.

NLMK Russia Long Products segment sales went down by 7% yoy to 2.6 m t due to lower demand for long products in 2020. Sales of long products in Russia went down by 12% yoy to 1.8 m t amid the COVID-19 pandemic. Export sales increased by 4% yoy to 0.9 m t due to higher billet sales to Turkey, China, and African markets.

Performance of NLMK's international companies was influenced by the COVID-19 pandemic: NLMK USA sales stood at 1.6 m t (-27% yoy). NLMK Dansteel Sales went down by 1% yoy to 0.52 m t. NBH deliveries decreased by 5% yoy to 2.1 m t sales.

Iron ore sales from the Mining segment remained flat year-on-year at 18.4 m t. Sales of iron ore to third parties totalled 0.8 m t (+57% yoy).

FINANCIAL RESULTS

REVENUE

Revenue reduced by 12% yoy to \$9.2 bn, due to a reduction in steel product prices and an increase in the share of semi-finished products in total sales.

The share of semi-finished products in the revenue grew by 30% yoy to 4 p.p. due to higher pig iron and billet exports; the share of finished products decreased by 3 p.p. to 65%. The share of high value-added products decreased by 2 p.p. to 36%.

The share of the Russian market in the revenue totalled 41% (flat yoy). The EU and US share decreased to 17% and 15% accordingly (-1 p.p. yoy; -3 p.p. yoy).

EBITDA¹

EBITDA reached \$2.6 bn (+3% yoy). Strategy 2022 programme gains, the accrued refund from the US Department of Commerce in line with the settlement agreement, and a weaker ruble fully offset the narrower slab/uncoated flat steel spread and the negative impact of the incident at Stoilensky in September 2020.

Commercial expenses totalled \$845 m (flat yoy). General and administrative expenses decreased by 2% yoy to \$346 m.

NET PROFIT

Net profit reduced by 8% yoy to \$1.2 bn mainly due to the recognition of the NBH investment value impairment in the amount of \$120 m in Q2 2020. Without the impact of this non-cash transaction, net profit would have stood at \$1.3 bn.

FREE CASH FLOW

Free cash flow decreased by 28% yoy to \$1.1 bn due to working capital financing as receivables grew.

Cash outflow from working capital totalled \$16 m due to:

- \$177 m: an increase in receivables due to higher prices and increased slab sales to NBH
- + \$117 m: a decrease in raw material and finished product stocks
- + \$46 m: an increase in payables

INVESTMENT

The Group's investment went up by 4% yoy to \$1.1 m in line with the previous guidance. The increase of investment was due to the completion of large-scale upgrade projects at the NLMK Lipetsk blast furnace operations and active phase of investment programme implementation in line with Strategy 2022.

DIVIDENDS

On 11 February 2021, the Board of Directors recommended that shareholders approve the payment of Q4 2020 dividends in the amount of RUB 7.25 per share (for a total of \$570 m). Consequently, the Company can accrue 12M 2020 dividends in the amount of RUB 21.64 per share.

DEBT MANAGEMENT

Total debt in 2020 grew by 31% yoy to \$3.5 bn.

Net debt increased by 40% yoy to \$2.5 bn due to cash outflow to dividend payments and increase of investment. Net debt/EBITDA was 0.94x.

¹ EBITDA used in NLMK's financial releases is calculated as operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets, adjusted to depreciation and amortization. EBITDA is not an indicator of operating profit, operating activity or liquidity under IFRS, and NLMK discloses it because equivalent indicators could be used by investors and analysts. That said, NLMK's EBITDA should not be viewed on a standalone basis, or in place of profit before tax, or cash flows from operations, as defined by IFRS, or as an indicator of operational efficiency, or as the sum of free cash funds that NLMK can invest into business development. NLMK's EBITDA margin and EBITDA might not be comparable to similar indicators disclosed by other companies as there are no commonly accepted rules for calculating them. For instance, NLMK's EBITDA is calculated similar to what is termed as 'Adjusted EBITDA' in other companies, as NLMK's EBITDA excludes other profit/loss items in addition to interest payments, income tax, depreciation and amortization.



SEGMENT RESULTS

NLMK Russia Flat Products	EBITDA decreased by 4% yoy to \$1.4 bn amid narrowing price spreads and higher personnel costs due to additional one-off payments to employees as part of the COVID-19 pandemic support.
NLMK Russia Long Products	EBITDA grew by 4% yoy to \$93 m due to operational efficiency programme gains and a weaker ruble, as the share of billet exports increased.
Mining and Processing of Raw Materials	EBITDA increased by 9% yoy to \$1.1 bn due to higher iron ore prices, a weaker ruble, and gains from investment and operational efficiency programmes that offset production losses associated with the September 2020 incident.
NLMK USA	EBITDA grew to \$76 m, vs. -\$37 m in 2019. Without the accrued refund in line with the settlement agreement with the US Department of Commerce, the Segment's EBITDA was -\$21 m amid lower output and sales.
NLMK DanSteel and plate distribution network	EBITDA decreased to -\$4 m (vs. \$8 m the previous year) due to lower plate prices.
JV performance (NBH)	EBITDA totalled -\$93 m vs. -\$134 m the previous year. Losses in the Segment were due to low prices for end products coupled with a decrease in output and sales amid the COVID-19 pandemic. The relative decrease in losses vs. the previous year was due, among other factors, to last year's accrual of non-operating provisions for NLMK Clabecq restructuring.

SUSTAINABILITY MANAGEMENT

GENERATING ECONOMIC VALUE

By implementing its activities in various areas of sustainable development, NLMK Group generates additional value for its stakeholders. In 2020, the volume of distributed economic value amounted to \$ 9,230 m¹.

ECONOMIC VALUE GENERATED AND DISTRIBUTED, \$ M ^{GRI 201-1}

Indicator	Stakeholder group	2017	2018	2019	2020
Generated direct economic value		10,104	12,069	10,578	9,274
Revenue		10,065	12,046	10,554	9,245
Revenue from financial investments	Wide range of stakeholders	29	21	18	18
Income from sale of assets		10	2	6	11
Distributed economic value		(9,773)	(11,565)	(11,111)	(9,230)
Operating expenses	Wide range of stakeholders	(6,994)	(7,967)	(7,516)	(6,201)
Employee wages and other payments and benefits paid to employees	Employees	(960)	(979)	(970)	(909)
Payments to providers of capital		(1,354)	(1,946)	(2,169)	(1,702)
including dividends paid	Shareholders and investors	(1,285)	(1,890)	(2,120)	(1,638)
including interests paid to creditors		(69)	(56)	(49)	(64)
Payments to government	Government authorities	(454)	(662)	(445)	(372)
Community investments	Local communities	(11)	(11)	(11)	(46)
Non-distributed economic value		331	504	(533)	44

¹ Calculated as required by GRI Standard 201.

SUSTAINABLE DEVELOPMENT RATINGS

The high positions of NLMK Group in the ratings of the leading international ESG agencies reflect the efforts of the NLMK Group management in the field of sustainable development.



45/100 – score in 2020

The score increased by 12 points yoy – to a level higher than the industry average



3,5/5 – score in 2020

NLMK's assessment is higher than the industry average. The Company's shares continue to be part of the FTSE4Good index following the June 2020 revision.



28/100 – score in 2020²

The score improved by 3.3 points yoy. NLMK is in the top-5 among 140 metals & mining companies analysed by the agency



BBB – score in 2019 and 2020

(where CCC – the lowest score, AAA – the highest) NLMK's rating is at the industry average level.

CONTACTS

We will be happy to answer additional questions regarding this Report as well as to receive feedback from our stakeholders in order to further develop and improve the content of the Company's future public reports

[GRI 102-53](#)

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[GRI 102-3](#)

FIVE-YEAR HIGHLIGHTS

Indicators	2016	2017	2018	2019	2020
Financial performance,¹ \$ m					
Revenue	7,636	10,065	12,046	10,554	9,245
Net profit ²	935	1,450	2,238	1,339	1,236
EBITDA	1,943	2,655	3,589	2,564	2,645
EBITDA margin	25%	26%	30%	24%	29%
Operating cash flow	1,699	1,899	2,741	2,623	2,281
Investment	559	592	680	1,080	1,124
Net debt	761	923	891	1,786	2,495
Free cash flow	1,092	1,266	2,027	1,523	1,103
Dividends, \$ per share	0.1535	0.2383	0.3525	0.2630	–
Operating performance,² '000 t					
Steel output	16,438	16,850	17,285	15,531	15,667
Steel output (with NBH)	16,641	17,076	17,493	15,696	15,833
Steel product sales	15,925	16,469	17,591	17,069	17,520
Finished steel sales	10,211	10,759	10,762	11,056	10,535
Sales to home markets	10,225	10,650	10,573	11,376	10,744
Sustainability performance					
NLMK Group headcount, '000 people	54.0	53.2	53.4	52.8	51.9
Labour productivity, t of steel/pers., NLMK Lipetsk	482	502	503	448	461
Specific air emissions, kg/t of steel	20.0	19.5	18.9	20.2 (18.9) ³	19.8 (18.6) ³
Specific CO ₂ emissions, t/t of steel + merchant pig iron (Scope 1)	1.76	1.73	1.70	1.75	1.72

¹ Excluding NBH, unless otherwise specified.

² Net profit attributable to NLMK shareholders.

³ Specific emissions without influence of temporary factors associated with steel output reduction.

¹ The lower the score, the better the company manages sustainability issues.

CORPORATE GOVERNANCE

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risk management

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and investors

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE SYSTEM

CORPORATE GOVERNANCE IN ACTION

NLMK Group's corporate governance system plays a key role in the Company's operations, its successful sustainable development, risk management, and in balancing the rights and interests of shareholders, the Company 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, the listing rules of the Moscow and London stock exchanges, GRI information disclosure standards, and provisions of the Corporate Governance Code recommended for use by the Central Bank of Russia.

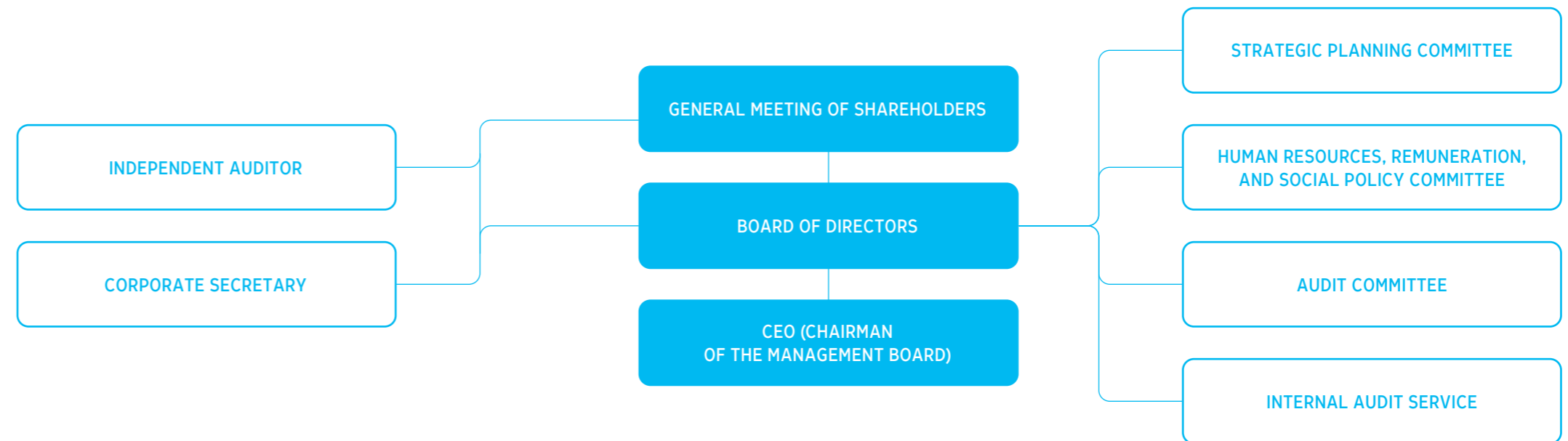
The functioning of a well-developed corporate governance system that secures the rights of shareholders and potential investors is considered a driving force for enhancing NLMK's efficiency and investment appeal.

Key principles 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, receive dividends from the Company, participate in meetings, vote on issues on the agenda, and get up-to-date information on the activities of the Company and its governing and controlling bodies

NLMK'S CORPORATE GOVERNANCE STRUCTURE

GRI 102-18



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 alienate 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. Open and transparent communications, including by disclosing full and up-to-date information about the Company to give shareholders and investors an opportunity to make informed decisions, as well as by providing documents (information) related to the Company upon shareholders' request
9. Complying with business ethics in conducting operations

All documents regulating corporate governance practices and principles are available on *NLMK Group's official website*.

CORPORATE GOVERNANCE STRUCTURE

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

- The General Meeting of Shareholders, which is the Company'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 tentatively review key matters concerning the Company's activities
- The CEO (Chairman 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 Company's Corporate Secretary, who handles interaction with shareholders, coordinates the Company's activities that aim to protect shareholders' rights and interests, and supports the Board of Directors
- The Internal Audit Service, which oversees the Company's financial and economic activities

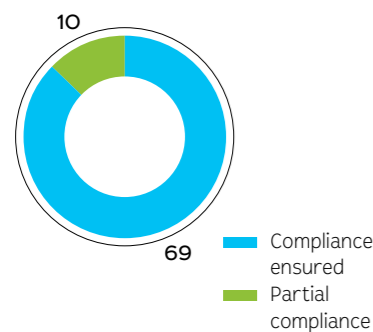
IMPROVING CORPORATE GOVERNANCE PRACTICES IN 2020

In 2020, the Company continued to improve its corporate governance system to ensure it complies with international standards.

In accordance with best Russian and international corporate governance practices, the following steps were taken:

- In March 2020 the Board of Directors approved a new revision of the Regulations on Insider Information, which takes into account the recommendations and requirements of Russian and EU legislation. The revision of the insider information management system included updating the list of insider information and the Regulations on access to insider information, the rules of protecting its confidentiality and of internal control over compliance.

COMPLIANCE OF THE GROUP'S CORPORATE GOVERNANCE TO CORPORATE GOVERNANCE CODE RECOMMENDATIONS



- In December 2020 the Board of Directors approved the Internal Control and Risk Management Policy, a top-level document regulating the functioning of the Company's internal control and risk management system and serving as the basis for further development of internal methodological, organizational and administrative documents regulating the organization and implementation of risk management and internal control.
- In February 2020 the Board of Directors approved a new revision of the Corporate Governance Code to align it with the changes adopted earlier at the Extraordinary General Meeting of Shareholders to the Regulations on the Board of Directors regarding the removal of the list of standing committees, which will allow the Board of Directors, within its competence defined by the NLMK Charter, to set up and reorganize committees efficiently in accordance with the Company's current needs.

Based on its 2020 results, NLMK complies with all principles of the Corporate Governance Code: 69 principles (87%) are fully observed and 10 principles are partially observed. The Company uses the 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 meetings held in 2020, the Company continued to employ an electronic voting service, which allows shareholders to vote regardless of where their shares are registered. The total number of shareholders to have used the service in 2020 has doubled since 2019.

In accordance with Federal Law No. 50-FZ dd. 18.03.2020 and a resolution of the Board of Directors, the Company's Annual General Meeting of Shareholders on 2019 performance was held by absentee ballot.

In 2020, the number of NLMK shareholders increased by 1.7 times, and by the end of the year it exceeded 114,000 (+70% growth over the year).

PLANS FOR 2021 AND THE MEDIUM TERM

In 2021, NLMK will continue to analyze the best corporate governance practices and evaluate them in terms of their introduction into the Company's activities. Further steps in relation with the external evaluation of the Board of Directors and an analysis of its results are planned in order to improve the efficiency of the corporate governance system. As always, attention will be paid to the analysis of rankings and benchmarking, 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.

GENERAL MEETING OF SHAREHOLDERS



The Company strives to ensure equal and fair treatment of all shareholders when they exercise their right to participate in the management of NLMK.

NLMK shareholders are given an equal and fair opportunity to participate in the Company's profits by receiving dividends on equal terms.

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.

The Company's internal documents stipulating the General Meeting procedure contain, among other things, provisions relating to:

- The option for the Company's shareholders to participate in the Meeting of Shareholders online
- The option to discuss agenda items and make decisions on issues put to a vote while being absent from the venue where the voting takes place
- The option to complete electronic ballots online

The notice about the General Meeting of Shareholders and documents (materials) to be provided to persons entitled to participate in the General Meeting of Shareholders are published in Russian and in English on NLMK's website according to the procedure and within the timeframe established by the NLMK Charter and Russian legislation, at least 30 days before the meeting.

In addition to the mandatory materials required by law, the Company provides its shareholders with additional information and materials pertaining to the agenda items of the General Meeting of Shareholders in line with the recommendations of the Corporate Governance Code recommended by the Central Bank of Russia. For instance, the Company posts a map of how to get to the General Meeting of Shareholders, a sample form of a proxy that shareholders may issue to their representative for participation in the meeting, and information on certifying such proxy.

The Company also publishes all this information in English to ensure the equal treatment of all shareholders, including international ones.

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

The voting results and resolutions passed by the General Meeting of Shareholders are disclosed in accordance with the requirements of Russian legislation and published on the *Company's website*.

ACTIVITIES IN 2020

Five General Meetings of Shareholders were held in 2020.

NLMK's Annual General Meeting of Shareholders on 2019 performance was held on 24 April 2020 by absentee ballot. It was attended by shareholders and shareholder representatives holding a total of 88.72% of NLMK's equity, which meets the quorum requirements. During the meeting, resolutions were passed on the issues envisaged by Item 1, Article 47 of the Federal Law 'On Joint-Stock Companies'. The resolution on the payment of FY 2019 dividends was not passed (it was later passed at the Extraordinary Meeting on 29 May 2020).

NLMK's 2020 Extraordinary General Meetings of Shareholders were held by absentee ballot.

At the NLMK Extraordinary General Meeting of Shareholders held on 29 May 2020, shareholders passed a resolution to pay (declare) FY 2019 dividends on ordinary shares in the amount of RUB 17.36 per ordinary share, including out of previous profits. Taking into account the interim dividends paid in the amount of RUB 14.24 per ordinary share, the outstanding amount for payment was RUB 3.12 per ordinary share.

At the NLMK Extraordinary General Meeting of Shareholders held on 30 June 2020, shareholders passed

a resolution to pay (declare) Q1 2020 dividends on ordinary shares in the amount of RUB 3.21 per ordinary share, including out of retained earnings.

At the NLMK Extraordinary General Meeting of Shareholders held on 25 September 2020, shareholders passed a resolution to pay (declare) H1 2020 dividends on ordinary shares in the amount of RUB 4.75 per common share, including out of retained earnings.

At the NLMK Extraordinary General Meeting of Shareholders held on 18 December 2020, shareholders passed a resolution to pay (declare) 9M 2020 dividends on ordinary shares in the amount of RUB 6.43 per common share, including out of retained earnings. They also voted to approve NLMK's membership in the Tsentrisiskaniya Self-Regulatory Organization (Central Association of Organizations for Engineering Construction Survey).

Detailed information on the voting results and resolutions passed by the General Meetings of Shareholders in 2020 is available on *the Company's website*.

NLMK'S GENERAL MEETINGS OF SHAREHOLDERS HELD IN 2020

General Meeting of Shareholders by status (format)	Number
Annual meeting (absentee ballot using e-voting technology)	1
Extraordinary meeting (absentee ballot using e-voting technology)	4

NLMK'S EXTRAORDINARY GENERAL MEETINGS OF SHAREHOLDERS HELD IN 2020

Date	Number of votes held by the General Meeting participants, %
29.05.2020	89.02
30.06.2020	89.19
25.09.2020	89.44
18.12.2020	90.22

BOARD OF DIRECTORS

NLMK BOARD OF DIRECTORS PROCEDURES

A key component of the Company's corporate governance system, 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 [GRI 102-26](#).

In addition to the main functions of the Board of Directors stipulated by legislation and NLMK's Regulations on the Board of Directors, key importance is attached to such goals and objectives as assessing political, financial, and other risks, ensuring compliance with corporate governance and sustainable development principles, and monitoring compliance with the Sustainable Development Policy.

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, and make objective independent judgements and decisions that serve the interests of the Company and its shareholders.

The Regulations on the Board of Directors establish the procedure of preparing for and holding meetings of the Board of Directors, as well as the procedure for the nomination and selection of potential Board members [GRI 102-24](#).

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. The requirement for members of the Board of Directors to have sufficient time for efficient participation in the Board's work 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. Amid the pandemic, the prevailing meeting format was via videoconference, which enabled members to consider agenda items without compromising discussion quality. The effectiveness of the Board of Directors is facilitated by the following components:

- Planning its activities by approving the meeting schedule
- Optimal Board composition that is balanced in terms of qualifications and experience
- Inclusion of independent directors on the Board
- Induction procedures for newly elected members of the Board of Directors
- Annual assessment of the Board of Directors and its committees
- Ensuring the succession of the Board of Directors by regularly rotating its composition while preserving its purview and best practices

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.

Information on the activities of NLMK's Board of Directors, including information on its composition, its committees, meetings, and decisions is disclosed on the *Company's official website*.

COMPOSITION OF THE BOARD OF DIRECTORS

GRI 102-22 The composition of the Company's Board of Directors is balanced in terms of qualification, experience, knowledge, business acumen, and diversity. Members of the Board of Directors have an impeccable business reputation, knowledge, skills, and experience in steelmaking, mining, finance, investment, corporate governance, and other areas that are important for governing the Company successfully.

Members of the Board of Directors have ample work experience as CEOs, partners, and management body members of major international companies. The Company pays particular attention to the diversity of the Board's composition and the share of independent directors. The Board of Directors includes a woman and citizens of various states, ensuring sociocultural and gender diversity.



VLADIMIR LISIN

Chairman of the Board of Directors

Member of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee



OLEG BAGRIN

Member of the Board of Directors

Chairman of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee



THOMAS VERASZTO

Member of the Board of Directors, *Independent director*

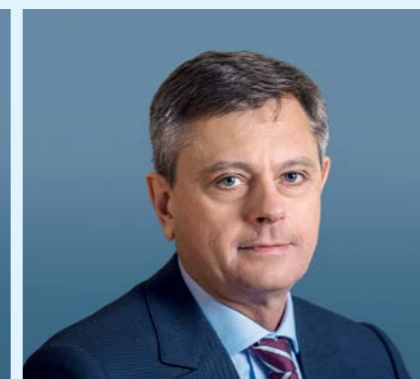
Member of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee



MARJAN OUDEMAN

Member of the Board of Directors, *Independent director*

Chair of the Audit Committee and member of the Strategic Planning Committee



STANISLAV SHEKSHNIA

Member of the Board of Directors, *Independent director*

Chairman of the Human Resources, Remuneration, and Social Policy Committee and member of the Audit Committee



BENEDICT SCIORTINO

Member of the Board of Directors, *Independent director*

Member of the Audit Committee and member of the Strategic Planning Committee



NIKOLAI GAGARIN

Member of the Board of Directors

Member of the Audit Committee



SERGEY KRAVCHENKO

Member of the Board of Directors, *Independent director*

Member of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee

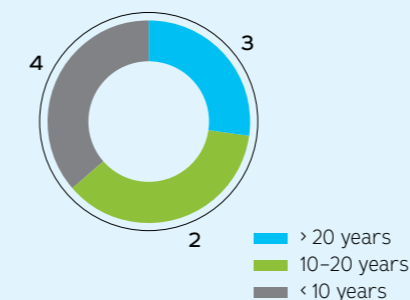


JOACHIM LIMBERG

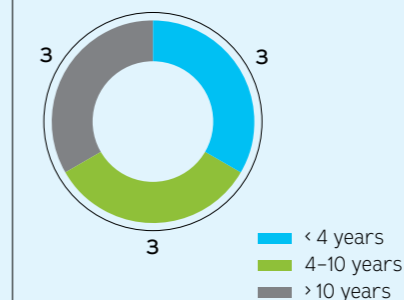
Member of the Board of Directors, *Independent director*

Member of the Strategic Planning Committee and member of the Human Resources, Audit Committee

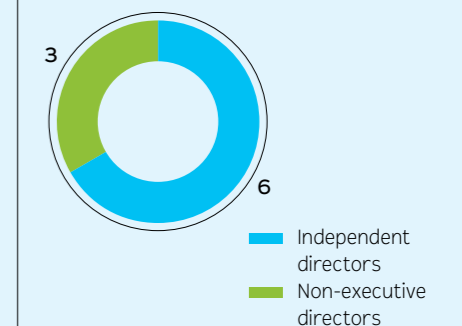
DIRECTORS' EXPERTISE IN THE STEEL SECTOR



DIRECTORS' LENGTH OF TENURE¹



COMPOSITION OF THE BOARD OF DIRECTORS BY DIRECTOR STATUS¹



¹ As of 31 December 2020.

CHAIRMAN OF THE BOARD OF DIRECTORS

GRI 102-23 The Chairman of the Board of Directors ensures the efficient functioning of the Board of Directors, arranges for the preparation of the Board's schedule, supervises the execution of resolutions passed by the Board, compiles the agenda, and makes sure that the most efficient decisions on the agenda items are made.

The Chairman of the Board also plays a key role in organizing the Board's activities and ensuring that the committees of the Board of Directors function efficiently.

The Chairman of the Board is elected by its members among themselves by a majority vote of the total number of Board members.

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

INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

In order to ensure that the Board of Directors effectively performs its functions, including those related to the protection of shareholders' interests and risk management, the Company's Board of Directors includes independent directors. Their participation 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.

The fact that the governing body includes independent directors increases the level of confidence in the Company among shareholders and the investment community. Independent directors, who have made up the majority of the Company's Board since 2016, 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, preventing and resolving corporate conflicts, assessing the quality of work performed by the executive bodies, establishing an efficient incentive system, and conducting performance assessments to ensure that the Company's activities are in the interest of all its shareholders. In addition, independent directors play a key role in the operation of the Board's committees.

The Corporate Secretary regularly conducts a preliminary analysis and assessment of the Board members' compliance with independence criteria.

NLMK's independent directors fully meet the independence criteria stipulated by the Regulations on the Company's Board of Directors and the Corporate Governance Code recommended by the Bank of Russia.

In some exceptional cases, the Board of Directors may recognize the independent status of a member of the Board of Directors in the assessment process, despite them having some formal criteria of being affiliated with the Company, as long as such affiliation does not affect the individual's ability to exercise independent, impartial, and fair judgement.

In the course of the independence assessment of Board members, conducted by the Board of Directors in 2020, five out of six directors were deemed to be fully compliant with the independence criteria defined by the Regulations on the Company's Board of Directors, while one director, who has a formal relationship with NLMK (Mr. Benedict Sciortino has been a member of the Board for more than seven, but less than twelve years), was recognized as independent due to the formality of his affiliation and the fact that it does not influence the director's decisions and his work on the Board of Directors.

COMPOSITION OF THE BOARD OF DIRECTORS

GRI 102-22 The share of directors matching the independence criteria stands at 67%, which is one of the best ratios among public Russian companies with advanced corporate governance practices.

As of 31 December 2020, the Board of Directors elected at the Annual General Meeting of Shareholders on 24 April 2020 consisted of nine members, including six independent directors. In order to maintain the balance of key competencies, experience, and the optimal Board composition, including the optimal number of independent directors on the Board, the Company continuously ensures succession on the Board of Directors. In 2020, Sergey Kravchenko was elected as a new independent director.



MEMBERS OF NLMK BOARD OF DIRECTORS AS OF 31 DECEMBER 2020

Board member	Position	Tenure, years	Status	Member of the Strategic Planning Committee	Member of the Audit Committee	Member of the Human Resources, Remuneration, and Social Policy Committee
Vladimir Lisin	Chairman of the Board of Directors	24	Non-executive director	✓		✓
Oleg Bagrin	Member of the Board of Directors	16	Non-executive director	Chair		✓
Thomas Veraszto	Member of the Board of Directors	5	Independent director	✓		✓
Nikolai Gagarin	Member of the Board of Directors	19	Non-executive director		✓	
Sergey Kravchenko	Member of the Board of Directors	1	Independent director	✓		✓
Joachim Limberg	Member of the Board of Directors	2	Independent director	✓	✓	
Marjan Oudeman	Member of the Board of Directors	3	Independent director	✓	Chair	
Stanislav Shekshnia	Member of the Board of Directors	6	Independent director		✓	Chair
Benedict Sciortino	Member of the Board of Directors	9	Independent director	✓	✓	

COMPOSITION OF NLMK BOARD OF DIRECTORS IN 2020

Composition of NLMK Board of Directors from 19 April 2019 until 24 April 2020		Composition of NLMK Board of Directors elected on 24 April 2020	
Member of the Board of Directors	Position	Member of the Board of Directors	Position
Vladimir Lisin	Chairman of the Board of Directors	Vladimir Lisin	Chairman of the Board of Directors
Oleg Bagrin	Member of the Board of Directors	Oleg Bagrin	Member of the Board of Directors
Thomas Veraszto	Member of the Board of Directors, independent director	Thomas Veraszto	Member of the Board of Directors, independent director
Joachim Limberg	Member of the Board of Directors, independent director	Joachim Limberg	Member of the Board of Directors, independent director
Nikolai Gagarin	Member of the Board of Directors	Nikolai Gagarin	Member of the Board of Directors
Karen Sarkisov	Member of the Board of Directors	Sergey Kravchenko	Member of the Board of Directors, independent director
Stanislav Shekshnia	Member of the Board of Directors, independent director	Stanislav Shekshnia	Member of the Board of Directors
Benedict Sciortino	Member of the Board of Directors, independent director	Benedict Sciortino	Member of the Board of Directors, independent director
Marjan Oudeman	Member of the Board of Directors, independent director	Marjan Oudeman	Member of the Board of Directors, independent director

KEY COMPETENCIES OF THE NLMK BOARD OF DIRECTORS

GRI 102-27

Competency	Number of Board members			
	Board of Directors (9) ¹	Strategic Planning Committee (7)	Audit Committee (5)	Human Resources, Remuneration, and Social Policy Committee (5)
Knowledge of industry	7	7	3	4
Corporate governance	8	6	5	4
Strategy	7	7	3	4
Finance and investment	9	7	5	5
HR management	7	6	3	5
Risk management	8	6	5	4
Customers and sales	5	5	2	3
Digitalization and IT	4	3	2	3
Sustainability	6	5	4	3

On 14 December 2020, Benedict Sciortino, who was previously not an NLMK shareholder, acquired 6,900 global depositary shares (equivalent to 69,000 ordinary shares) making up 0.00115% of NLMK's charter capital.

Other Board members are not NLMK shareholders.

¹ The number in brackets indicates the number of Board members who sit on the executive body.

BIOGRAPHIES OF MEMBERS OF THE BOARD OF DIRECTORS

VLADIMIR LISIN

Year of birth: 1956

Member of the Board of Directors since 1996, Chairman of the Board of Directors since 1998

Member of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee

Dr. Lisin started his career in 1975 as an electrical fitter. At Tulachermet, he worked his way up from assistant steelmaker to deputy shop manager. In 1986, he went to work in Kazakhstan, first as Deputy Chief Engineer and later as Deputy CEO of the Karaganda Steel Plant. He has been a member of boards of directors at several leading Russian steel companies since 1993.

Dr. Lisin graduated from Siberian Metallurgic Institute, where he majored in ferrous and non-ferrous foundries. In 1990, he graduated from the Higher School of Commerce under the Foreign Trade Academy. In 1992, he graduated from the Academy of National Economy with a major in economics and management. He holds a Ph.D. in engineering and economic sciences and is a professor. He won the USSR Council of Ministers Prize for Science and Technology, is an Honorary Metallurgist of the Russian Federation, and is a holder of the Order of Honour and the Order of Alexander Nevsky. He serves as President of the International Shooting Sport Federation.

OLEG BAGRIN

Year of birth: 1974

CEO (Chairman of the Management Board) from 2012 until March 2018. Member of the Board of Directors since 2004

Chairman of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee

Member of the Board of Freight One. Director and member of the Board of Directors of Fletcher Group Holdings Limited.

Oleg Bagrin graduated from the State Management University with a major in mathematical methods and operations research in economics. He has a postgraduate degree in economics and a degree in business administration from the University of Cambridge, UK.

THOMAS VERASZTO

Year of birth: 1962

Member of the Board of Directors since 2016, [independent director](#)

Member of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee

Dr. Veraszto was a Partner and Managing Director with the Boston Consulting Group (BCG) in 2014–2015, serving primarily clients in the industrial goods sector on strategy, organizational development, and operational improvement. He continues to be a Senior Advisor for BCG in this area.

Dr. Veraszto has held senior management positions at large industrial and consulting companies such as McKinsey & Company, where he spent 15 years serving clients in various industries.

Dr. Veraszto earned a doctorate in law and a master's in philosophy in Slavic languages in 1984 and 1985, respectively, both from the University of Graz (Austria). In 1988, he also received a diploma from the Bologna Center of the School of Advanced International Studies at Johns Hopkins University (USA).

NIKOLAI GAGARIN

Year of birth: 1950

Member of the Board of Directors since 2001

Member of the Audit Committee

In 2003, as a Managing Partner, Mr. Gagarin was appointed Chairman of the Board at Reznik, Gagarin, Abushakhmin, and Partners Law Offices. He has been Chairman of the Board and a Managing Partner at Reznik, Gagarin, and Partners Law Offices, Moscow, since 2009.

Nikolai Gagarin has extensive experience in corporate law, foreign investment, taxation, finance, real estate, contract law, arbitration proceedings, and civil litigation.

He is a graduate of Lomonosov Moscow State University with a major in law.

SERGEY KRAVCHENKO

President of Boeing Russia/CIS since 2002.

Year of birth: 1960

Member of the Board of Directors since 2020, [independent director](#)

Member of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee

Dr. Kravchenko is in charge of developing all of Boeing's business areas in Russia, Ukraine, and the CIS countries. He leads a team consisting of regional department heads from every company sector. In 2017 he was appointed Innovation Accelerator Leader at Boeing Global Services.

Before joining Boeing in 1992, Dr. Kravchenko worked as professor and lead scientist at the Russian Academy of Sciences. He also taught in Moscow and worked as a visiting professor and research consultant in the United States, Sweden, and South Korea.

Dr. Kravchenko graduated from Moscow Polytechnic University, obtaining his doctorate degree in engineering in 1991 and his title of professor in 1992. He has published more than 70 research papers and holds more than 20 patents in various areas of engineering.

He is an independent director at TMK Group.

Dr. Kravchenko is a member of the Russian Academy of Engineering, member of the American Institute of Aeronautics and Astronautics, and Doctor Honoris Causa of the Georgian Technical University. In 2007 he was elected to the Board of Directors of the American Chamber of Commerce in Russia. In 2009 Dr. Kravchenko was awarded the Businessman of the Year prize by the American Chamber of Commerce.

JOACHIM LIMBERG

Year of birth: 1954

Member of the Board of Directors since 2019, [independent director](#)

Member of the Strategic Planning Committee and member of the Audit Committee

Mr. Limberg was Chairman of the Management Board of the Materials Services Business Area, CEO and Chairman of the Executive Board of thyssenkrupp Materials International GmbH from October 2009 until 31 December 2018. He was responsible for the Materials unit in Germany, North America, Eastern Europe, and Western Europe/Asia Pacific, Materials Processing Europe, Materials Trading, the Special Materials units (special steels) of AST and Distribution Stainless, as well as the Special Services units of Plastics Europe, Aerospace, and Technical Services.

Mr. Limberg began his career in 1976 at Klöckner. He then spent several years as managing director/CEO of various small and medium-size companies. In 1995, he joined thyssenkrupp Group, initially as head of the Product Management Steel and Materials Management departments at thyssenkrupp Schulte. In 1998, he was appointed to the Executive Board. From 2002 to 2005, he served as Chairman of the Executive Board of thyssenkrupp Schulte GmbH. On 1 April 2001, Mr. Limberg was appointed to the Executive Board of thyssenkrupp Materials AG, later thyssenkrupp Services AG.

In January 2002, he was made additionally responsible for the North American operations of thyssenkrupp Materials N.A., of which he was chairman. With the establishment of thyssenkrupp Materials Europe GmbH on 1 June 2005, he took over as Chairman of the company's Executive Board and continued in this position after the company was renamed thyssenkrupp Materials International GmbH.

From October 2006 to September 2009, he was Vice Chairman of the Executive Board of thyssenkrupp Services AG, where he was primarily responsible for strategic corporate development. One of his particular focuses was on developing activities in North America, Eastern Europe and South America, as well as establishing the aerospace and services business as core activities. This also included business actions in Asia, which he was in charge of for several years while located in Hong Kong.

Mr. Limberg is a professional exporter. He obtained a degree in economics (DIPLOM-ÖKONOM) from the Open University of Hagen and has extensive financial experience.

MARJAN OUDEMAN

Year of birth: 1958

Member of the Board of Directors since 2018, [independent director](#)

Chair of the Audit Committee and member of the Strategic Planning Committee

Ms. Oudeman served as President of the Executive Board of Utrecht University (The Netherlands) from 2013 until June 2017.

From 2010 to 2013, Ms. Oudeman was a member of the Executive Committee of AkzoNobel, where she was responsible for HR and organizational development.

From 2007 to 2010, Ms. Oudeman served as a member of the Executive Committee of Corus Group, and Executive Director of the Corus Strip Products Division.

She also held the positions of CEO at Corus Nederland BV and Managing Director of Corus Strip Products IJmuiden from 2004 to 2007, and Managing Director of Corus Packaging Plus from 2000 to 2004.

Before joining Corus, Ms. Oudeman worked for Hoogovens Group NV, where she held various corporate staff positions in legal, corporate finance, and controlling, culminating in 1998–2000 as a Member of the Management Board of the Steel Division of Hoogovens Group NV and Managing Director of Hoogovens Packaging Steel.

Ms. Oudeman holds positions in the governing bodies of a number of entities: she is a member of the Boards of Solvay SA, SHV Holdings, Aalberts NV, and UPM-Kymmene Corporation.

She has extensive experience as a line manager in the steel industry and considerable financial and international business experience.

Ms. Oudeman has a law degree from Rijksuniversiteit Groningen in the Netherlands and an MBA in Business Administration from the University of Rochester, New York, USA and Erasmus University, Rotterdam, the Netherlands.

KAREN SARKISOV

Year of birth: 1963

Member of the Strategic Planning Committee

Aide to the Chairman of the Board of Directors on External Economic Relations and a member of the Board of Directors of NLMK International B.V.

From 2006 to 2007, Mr. Sarkisov served as the Chairman of the Board of Directors of VIZ-Steel. From the early 1990s to 2008, he worked at steel trading companies, where he held various executive positions at a number of international metal trading entities.

He is a graduate of Tashkent State University, where he majored in oriental studies.

Until 24 April 2020, Mr. Sarkisov served as a member of the NLMK Board of Directors and Audit Committee. He continues to sit on the Strategic Planning Committee.

STANISLAV SHEKSHNIA

Year of birth: 1964

Member of the Board of Directors since 2015, [independent director](#)

Chairman of the Human Resources, Remuneration, and Social Policy Committee and member of the Audit Committee

In 1991–2002, Dr. Shekshnia held senior executive positions at Russian and international corporations, including HR Director of Otis Elevator in Central and Eastern Europe, President and CEO at Millicom International Cellular in Russia and the CIS, COO at VimpelCom, and CEO of Alfa-Telecom. He has extensive financial experience. He served as Chairman of SUEK, Russian Fishery Company, and Vimpelcom-R and as a board member of a number of Russian and Ukrainian companies. Dr. Shekshnia was an independent director at DTEK BV, Ilim Timber Industry, Naftna Industrija Srbije (NIS), and Ener1. Currently, Dr. Shekshnia is Chairman of the Board of the Samolet Group. In 2002, he co-founded Zest Leadership International Consultancy.

From April 2007 until July 2019, Dr. Shekshnia was a Senior Partner of LEADERSHIP VECTOR, a talent equity consulting practice. He focused on leadership, leadership development, corporate governance, and business in emerging economies. He is now a Senior Consultant at Ward Howell. Dr. Shekshnia also provides personal coaching to business owners and corporate executives.

Dr. Shekshnia is an Affiliate Professor of Entrepreneurship at INSEAD. He has over 15 years of graduate-level teaching experience in Russia, France, and the United States, and is the author, co-author, or editor of ten books, numerous articles, executive commentaries, interviews, and case studies on entrepreneurship, leadership, people management, intercultural management, and business and management in Russia.

Dr. Shekshnia has a master's degree in economics, a Ph.D. from Moscow State University, and an MBA from Northeastern University in Boston.

BENEDICT SCIORTINO

Year of birth: 1950

Member of the Board of Directors since 2012, [independent director](#)

Member of the Audit Committee and member of the Strategic Planning Committee

From 1977 to 1995, Mr. Sciortino worked as an attorney-at-law and a partner with Baker & McKenzie, New York. He served as a member of the Board of Directors of Duferco S.A., where he was responsible for Duferco Group North American and South African business, overseeing trading operations, financial and legal matters, and mergers and acquisitions. Mr. Sciortino serves as a director of several companies.

Since March 2013, he has served as CEO and member of the Board of Directors of DXT Commodities SA (formerly Dufenergy Trading SA).

He graduated from Queens College, New York with a BA degree and received JD and LL.M degrees from New England School of Law (Boston, MA) and New York University Law School, New York. Mr. Sciortino has extensive financial experience.

BOARD OF DIRECTORS' ACTIVITY IN 2020

In 2020, NLMK's Board of Directors held nine meetings, seven of which were held by absentee ballot. 28 items were considered at the meetings.

MAIN ISSUES EXAMINED BY THE GROUP'S BOARD OF DIRECTORS IN 2020

Questions	Resolutions	Stakeholders
Strategy and priority areas	<ul style="list-style-type: none"> Status of NLMK Group's 2018-2022 Strategy and approval of the consolidated budget for 2021 	<ul style="list-style-type: none"> Investors and shareholders Consumers Suppliers Government authorities Employees Local communities
Appointments and remuneration	<ul style="list-style-type: none"> Reviewing proposals on the nomination of candidates to NLMK's governing bodies (the Board of Directors, NLMK CEO (Chairman of the Management Board)) and inclusion of the nominees in the voting list of people to be elected to these governing bodies Providing recommendations to the Annual General Meeting of Shareholders regarding the payment of remuneration to Board members Election of the Chairman of NLMK's Board of Directors Forming the committees of NLMK's Board of Directors Recognition of the independent status of nominees to NLMK's Board of Directors Performance evaluation of NLMK's Board of Directors Performance reports of the committees of NLMK's Board of Directors 	<ul style="list-style-type: none"> Investors and shareholders Government authorities Employees
Corporate governance	<ul style="list-style-type: none"> Convocation of NLMK's General Meetings of Shareholders Approving the agendas, draft documents, and measures necessary for preparing for and holding the Annual General Meeting of Shareholders Providing recommendations to NLMK's Annual General Meeting of Shareholders regarding profit distribution/dividend payment Providing recommendations to NLMK's Annual General Meeting of Shareholders regarding NLMK's membership in the Tsentriskaniya Self-Regulatory Organization (Central Association of Organizations for Engineering Construction Survey) Approving the 2019 NLMK report on interested-party transactions Approving the 2019 NLMK Draft Annual Report Providing recommendations to the Annual General Meeting of Shareholders regarding the approval of NLMK's Auditor and remuneration to be paid for the Auditor's services Approving the meeting schedule for NLMK's Board of Directors Approving the following revised documents: Corporate Governance Code, Regulations on Insider Information, Internal Control and Risk Management Policy 	<ul style="list-style-type: none"> Investors and shareholders Government authorities employees
Financial reporting	<ul style="list-style-type: none"> Approving the Company's annual accounting (financial) statements for 2019, as well as NLMK's IFRS 2019 annual consolidated financial statements 	<ul style="list-style-type: none"> Investors and shareholders Consumers Suppliers Government authorities Employees Local communities

PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN ITS MEETINGS AND THE MEETINGS OF ITS COMMITTEES

Board member in the reporting year	Independent director	Participation in the Board meetings ¹	Audit Committee	Human Resources, Remuneration, and Social Policy Committee	Strategic Planning Committee
Oleg Bagrin		9 (9)		4 (4)	5 (5)
Thomas Veraszto	✓	9 (9)		4 (4)	5 (5)
Nikolai Gagarin		9 (9)	5 (5)		
Vladimir Lisin		9 (9)		4 (4)	5 (5)
Karen Sarkisov ²		3 (3)	2 (2)		5 (5)
Stanislav Shekshnia	✓	9 (9)	5 (5)	4 (4)	
Benedict Sciortino	✓	9 (9)	5 (5)		5 (5)
Marjan Oudeman	✓	9 (9)	5 (5)		5 (5)
Joachim Limberg ³	✓	9 (9)	3 (3)	2 (2)	5 (5)
Sergey Kravchenko ⁴	✓	6 (6)		2 (2)	4 (4)

In addition, a seminar on sustainability was organized for Board members in March 2020. This event aimed at enhancing the Board's ESG competence underscores the Company's focus on sustainability.

BOARD OF DIRECTORS PERFORMANCE ASSESSMENT

GRI 102-28 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 assessment of the Board of Directors' performance is an effective tool for improving the corporate governance system, each component of which is related to the work of the governing body.

In line with the recommendations of the Corporate Governance Code recommended by the Bank of Russia

and best international practices, the Company has been conducting an annual assessment (self-assessment) of the Board of Directors' performance since 2016. The formal assessment procedure does not only cover the Board of Directors as a whole, but also assesses the work of the Board's committees, Chairman and each individual member. The assessment includes an analysis of the Board's composition and qualifications, its agendas, meeting efficiency, and interaction with management and the Corporate Secretary.

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's 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 contribution to the Company's successful development, and identify areas for the continuous improvement of the Board's procedures.

If necessary, based on the results of the Board's performance assessment, the Chairman of the Board of Directors and the Human Resources, Remuneration, and Social Policy Committee put forward proposals that aim to improve the work of the Board of Directors and its committees. Individual assessments of Board members identify aspects that need to be developed and strengthened. Recommendations as well as individual training programmes (training sessions) may be offered to improve the skills of individual Board members.

The Board's strengths and areas for improvement were analysed as part of an annual assessment carried out in January 2020 in the form of an online survey of its members in the format approved by the HR Committee. The assessment confirmed the effectiveness of the Company's Board of Directors and its committees in 2019. Board members commended the meeting agendas, approaches to holding

¹ The number in brackets denotes the number of meetings of the Board of Directors or the Board's committee held during this director's tenure.

² Karen Sarkisov was a member of the Board of Directors, the Audit Committee, and the Strategic Planning Committee until 24 April 2020 (he continues to sit on the Strategic Planning Committee).

³ Joachim Limberg was a member of the Human Resources, Remuneration, and Social Policy Committee until 24 April 2020. He was elected to the Audit Committee at the 24 April 2020 Board meeting.

⁴ Sergey Kravchenko was elected to the Board of Directors at NLMK's Annual General Meeting of Shareholders. He was elected to the Strategic Planning Committee and the Human Resources, Remuneration, and Social Policy Committee at the 24 April 2020 Board meeting.

PERFORMANCE ASSESSMENT OF THE NLMK BOARD OF DIRECTORS



meetings and control over the execution of instructions, the contribution of the Board Chairman, and the Corporate Secretary's performance. Recommendations were issued on developing certain competencies of the Board of Directors, introducing certain practices, prioritizing several issues that are of strategic importance to the Company, and using additional formats for engaging with the management.

The results of the Board's performance assessment and recommendations on further improving the work of the Board, its committees, and individual Board members were reviewed at the in-person Board meeting in March 2020.

In 2020 the activities of the Board and the Corporate Secretary were focused on implementing the recommendations resulting from the assessment.

Guided by current trends and recommendations of normative bodies, the Company engaged an independent consulting firm, Spencer Stuart, to carry out an independent assessment of the Board's performance. The external assessment of the Board's activities included questionnaires, individual interviews with directors, analysis of the agendas, practices, and internal documents of the Board and its committees, and a benchmark against the advanced corporate governance practices of international companies.

INDUCTION PROGRAMME FOR NEWLY ELECTED MEMBERS OF NLMK'S BOARD OF DIRECTORS AND THE ONBOARDING PROCESS

An induction course for newly elected members of NLMK's Board of Directors was developed and approved by the Human Resources, Remuneration, and Social Policy Committee, in compliance with best corporate governance practices to ensure the efficient functioning of the Board of Directors.

The programme of the induction course 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 (Chairman of the Management Board), members of the Board of Directors, members of 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 Company's core facilities, processes, and products.

PREVENTING A CONFLICT OF INTEREST AMONG BOARD MEMBERS

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 interests. As part of these requirements, members of the Board of Directors shall:

- Notify the Board in case there is a potential conflict of interest (including an interest in the Company making a transaction) and put the Company's interests above their own under all circumstances
- 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 and the grounds for it 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 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 2020 (including none related to their participation in the governing bodies of NLMK's competitors)

GRI 102-25

COMMITTEES OF THE BOARD OF DIRECTORS

GRI 102-22 In order to improve the efficiency of the decisions taken by the Board of Directors, ensure the preliminary examination and study of the most essential matters in the Company's activities, and prepare the appropriate recommendations, the Board of Directors has set up the following standing committees:

- Strategic Planning Committee
- Audit Committee
- Human Resources, Remuneration, and Social Policy Committee

The committees are structured around the most important Board activities. Their composition is determined with the most effective application of the members' expertise and professional experience in mind.

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

Due to the need for a comprehensive discussion of the issues under consideration, the committees are composed of Board members with specialized knowledge and skills. 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 decision-making on issues within the committees' remit.

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

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.

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 and promoting asset growth, profitability, and investment appeal. The Committee defines the goals for minimizing the Company's environmental impact, including greenhouse gas emissions, and reviews and approves the appropriate investment programme.

Committee members as of 31 December 2020

The Strategic Planning Committee includes five independent directors. 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.

The Committee's composition changed in 2020.

Committee's activities in 2020

In 2020, the Strategic Planning Committee held five meetings. The Committee reviewed and passed resolutions on the following issues:

- Development of NLMK Group's functional areas and key projects of its divisions
- Updated CO₂ emission reduction targets for 2023
- Status of NLMK Group's investment programme and 2021 investment budget
- Strategic Planning Committee schedule for 2020

Plans for 2021

In 2021, the Strategic Planning Committee plans to actively determine development areas for the new strategy cycle beyond 2023, which includes reviewing the first draft of NLMK Group's long-term climate strategy. The Committee will also analyze the implementation of its instructions and the progress of NLMK Group's investment programme.

STRATEGIC PLANNING COMMITTEE MEMBERS IN 2020

Committee members from 19 April 2019 to 24 April 2020		Committee members as of 24 April 2020	
Member of the Board of Directors	Position	Member of the Board of Directors	Position
Oleg Bagrin	Chair of the Committee	Oleg Bagrin	Chair of the Committee
Thomas Veraszto	Member of the Committee	Thomas Veraszto	Member of the Committee
Helmut Wieser	Member of the Committee	Helmut Wieser	Member of the Committee
Joachim Limberg	Member of the Committee	Joachim Limberg	Member of the Committee
Vladimir Lisin	Member of the Committee	Vladimir Lisin	Member of the Committee
Marjan Oudeman	Member of the Committee	Marjan Oudeman	Member of the Committee
Karen Sarkisov	Member of the Committee	Karen Sarkisov	Member of the Committee
Grigory Fedorishin	Member of the Committee	Grigory Fedorishin	Member of the Committee
Benedict Sciortino	Member of the Committee	Benedict Sciortino	Member of the Committee
Sergey Filatov	Member of the Committee	Sergey Filatov	Member of the Committee
		Sergey Kravchenko	Member of the Committee

AUDIT COMMITTEE

The Audit Committee drafts and submits recommendations to the Board of Directors on matters concerning the Board's active involvement in the supervision of the Company's financial and business activities. These include recommendations on annual independent audits of NLMK's accounting (financial) statements, the quality of services provided by the auditor, compliance with the requirements for auditor independence, the process of the independent appraisal of property in cases stipulated by Russian legislation and other cases, as well as issues related

to disclosure of the Company's information about sustainable development [GRI 102-32](#). Since 2019, one of the Audit Committee's responsibilities is monitoring performance and considering reports related to sustainable development, including matters of environment and occupational health and safety [GRI 102-29](#).

The Committee analyzes and evaluates the Company's information disclosure system on sustainable development issues and monitors its completeness, accuracy, and reliability.

Committee members as of 31 December 2020

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

The Committee's composition changed in 2020.

AUDIT COMMITTEE MEMBERS IN 2020

Committee members from 19 April 2019 to 24 April 2020		Committee members as of 24 April 2020	
Member of the Committee	Position	Member of the Committee	Position
Marjan Oudeman	Chair of the Committee	Marjan Oudeman	Chair of the Committee
Karen Sarkisov	Member of the Committee	Joachim Limberg	Member of the Committee
Nikolai Gagarin	Member of the Committee	Nikolai Gagarin	Member of the Committee
Stanislav Shekshnia	Member of the Committee	Stanislav Shekshnia	Member of the Committee
Benedict Sciortino	Member of the Committee	Benedict Sciortino	Member of the Committee

Audit Committee's activities in 2020

In 2020, the Audit Committee held five meetings. The Committee reviewed and passed resolutions on the following key issues:

- Accounting (financial) statements with respect to the consideration of the relevant draft documents
- Risk management, internal control, and corporate governance, as well as other reports related to asset protection and management of the Company's significant risks
- Mitigating the risks associated with COVID-19
- External and internal audits, including non-audit services provided by the independent auditor
- Non-financial results of NLMK Group's activities prepared in accordance with GRI standards and quality assessment of the preparation of the disclosed GRI indicators

"In an era of fast-paced adoption of new technologies, business models, and growing uncertainty in the world, the Company's risks are growing more than ever. Today large companies realize that the strategy of sustainable development has become an absolute must, and their business objectives go beyond just making profit: they also include obtaining long-term benefits associated with the enablement in the field of environmental and socio-economic sustainable development.

In order to meet the growing expectations of the business, internal audit needs to maintain a high level of innovation adoption in its processes, expand its role from following a reactive approach to focusing on the future of the company, from protecting assets to supporting value creation by developing methods of continuous audit and transferring innovations to the business.

As it fulfils its task of 'driving the development of a mature risk management system', internal audit needs to strive to become a reliable advisor and business partner.

The focus of the Audit Committee is expanding to consider the efficiency of the Company's top risk management, corporate governance practices, business processes of international companies, business continuity management issues and improving the company's overall resilience to external threats."

Marjan Oudeman,
Chair of the Audit Committee

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. In fulfilling its oversight responsibilities, the Committee reviews reports on the performance of the internal control and risk management system prepared by the external auditor, Internal Audit Service, and the Group's other bodies responsible for fulfilling the risk management, oversight, and compliance functions. The Committee holds regular meetings with the Audit Director and the external auditor's team.

Internal Audit

The Audit Committee is responsible for monitoring the operation and evaluating the efficiency of the internal audit function. This is done via discussions with the Audit Director and approval of the annual internal audit plan. Progress

reports, key findings, and recommendations are submitted to the Committee throughout the year 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. The Audit Director has the right to raise any matter that he/she deems to be important, reports to the Audit Committee, including on audit results above a certain materiality threshold, and/or in line with other obligatory disclosure requirements, and meets with the external auditors as required.

The Internal Audit Service undergoes regular independent external quality assessments (at least once every five years). The results of these assessments are submitted to the Audit Committee for consideration. The most recent assessment was in 2017.

External audit

AO PricewaterhouseCoopers Audit (PwC) has been the Group's Auditor since 2003.

NLMK Group companies hire PwC from time to time to provide non-audit services. NLMK management is certain that these services do not impair the auditor's independence and are not related to the preparation of financial statements. In 2020, the share of non-audit services was at an acceptable level of no more than 30% of the total services provided by PwC. PwC regularly rotates key audit staff (at least once every 7 years) to ensure compliance with independence requirements.

PwC submits quarterly reports to the Audit Committee, and members of the Committee review and discuss key audit issues with external auditors. As a result of this review, the Committee concluded that the external audit process is proceeding effectively.

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 the 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
- Social policy of the Company

Members of the HR Committee as of 31 December 2020

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 who is knowledgeable in matters concerning motivational management and personnel administration.

The Committee's composition changed in 2020.

HUMAN RESOURCES, REMUNERATION, AND SOCIAL POLICY COMMITTEE MEMBERS IN 2020

Committee members from 19 April 2019 to 24 April 2020		Committee members as of 24 April 2020	
Member of the Committee	Position	Member of the Committee	Position
Stanislav Shekshnia	Chair of the Committee	Stanislav Shekshnia	Chair of the Committee
Vladimir Lisin	Member of the Committee	Vladimir Lisin	Member of the Committee
Thomas Veraszto	Member of the Committee	Thomas Veraszto	Member of the Committee
Oleg Bagrin	Member of the Committee	Oleg Bagrin	Member of the Committee
Joachim Limberg	Member of the Committee	Sergey Kravchenko	Member of the Committee

Committee's activities in 2020

NLMK's Human Resources, Remuneration, and Social Policy Committee held four meetings in 2020, including two in the form of absentee voting. The Committee reviewed and passed resolutions on the following issues:

- Eligibility of nominees proposed for independent directors to be voted on at the Annual General Meeting of Shareholders on the Company's 2019 results
- Professional background of nominees to the Board Directors proposed at the Annual General Meeting of Shareholders on the Company's 2019 results

- Review of proposals to the NLMK Board of Directors on the amount of remuneration to be paid to Board members
- Progress against target KPIs by the NLMK Group CEO (Chairman of the Management Board) in 2019 and approval of target project KPIs for 2020
- Progress against target KPIs by Company management in 2019
- Implementation status of Committee instructions
- Managerial competency model
- Labour productivity improvement
- Development of professional competencies

In 2020, the Committee continued to analyze 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 considered the implementation status of the labour productivity improvement programme and professional competency development programmes.

"In 2020, the Human Resources, Remuneration, and Social Policy Committee reviewed a number of key matters within its remit and developed relevant recommendations for the Board of Directors.

The Committee reviewed the execution status of NLMK Group's HR Strategy, oversaw the implementation of earlier instructions, and systematically tackled related issues.

One important outcome is engaging the Spencer Stuart consulting firm to participate in the independent assessment of the Board. The firm

has an impeccable reputation and international expertise in corporate governance. Spencer Stuart's experience will lend a fresh perspective on the Board's development prospects and ways to enhance its practices, further strengthening its performance.

It should be noted that during the pandemic the Committee addressed new challenges encountered by the Company. At the same time, the Committee continued to operate with maximum effectiveness, as its members, who have extensive competencies and international experience, used modern means of communication and remained highly engaged in the consideration and discussion of the agenda items. All this ensured in-depth exploration of the relevant issues discussed and fruitful collaboration with management, facilitating the adoption of quality resolutions and instructions, effective follow-up of their implementation, and introduction of best practices into the Company's activities."

Stanislav Shekshnia,
Chair of the Human Resources, Remuneration, and Social Policy Committee

CORPORATE SECRETARY

NLMK's Corporate Secretary ensures efficient 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 regulated by the Regulations on the Corporate Secretary, developed in accordance with the Corporate Governance Code recommendations of the Bank of Russia. In line with these recommendations, the Corporate Secretary is also in charge of the induction course for newly elected members of the Company's Board of Directors, corporate governance in subsidiaries and affiliates, working with insiders, and accounting for affiliates of the Group's companies. All these functions enable the establishment of a dynamic and balanced corporate governance system that ensures efficient interaction between the Company's shareholders, Board of Directors, and management.

Functionally subordinate to the Board of Directors and administratively to NLMK's CEO (Chairman of

the Management Board), the Corporate Secretary is appointed and dismissed by the CEO (Chairman of the Management Board) based on a resolution of 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. Mr. Loskutov has been with NLMK since 1998 and has served as NLMK's Corporate Secretary since 2005. He has been Secretary of the Human Resources, Remuneration, and Social Policy Committee since 2017.

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 8th Director of the Year national award in the Corporate Governance Director/Corporate Secretary category.

Mr. Loskutov ranked first in the Best Corporate Governance Director in Metals and Mining category of the 21st Top 1,000 Russian Managers annual rating by the Russian Managers Association and Kommersant Publishing House.

COMPOSITION OF THE MANAGEMENT BOARD

MANAGEMENT BOARD PROCEDURES

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 decisions of the General Meeting of Shareholders and the Board of Directors
- Cooperation with trade unions comprised of the Company's employees in order to take into account the employees' interests
- Cooperation with government agencies and local authorities on the most important issues

The list of issues in the Management Board's remit is regulated by the NLMK Charter and Regulations on the Management Board, which are available on the Company's official website.



GRIGORY FEDORISHIN

CEO (Chairman of the Management Board)

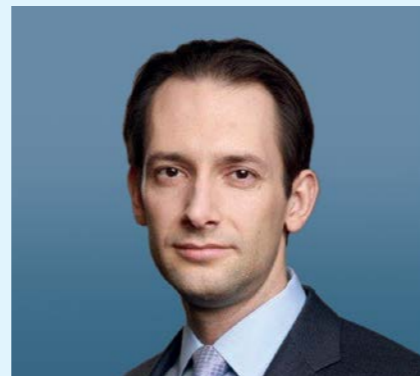
Member of the Strategic Planning Committee



TATYANA AVERCHENKOVA

Member of the Management Board

Vice President, Operational Efficiency



MIKHAIL ARKHIPOV

Member of the Management Board

Vice President, HR and Management System



SERGEY LIKHAREV

Member of the Management Board

Vice President, Logistics



EVGENY OVCHAROV

Member of the Management Board

Vice President, Risk Management



SERGEY CHEBOTAREV

Member of the Management Board

Vice President, Energy and Environment



ILYA GUSCHIN

Member of the Management Board

Vice President, Sales



BEN DE VOS

Member of the Management Board

Vice President, International Operations



SHAMIL KURMASHOV

Member of the Management Board

Vice President, Finance

COMPOSITION OF THE MANAGEMENT BOARD

NLMK Group's Management Board consisted of nine members as of 31 December 2020. The current composition of the Management Board was approved by the Board of Directors at a meeting held on 24 October 2019.

CEO (CHAIRMAN OF THE MANAGEMENT BOARD)

The CEO (Chairman of the Management Board) is the 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 (Chairman of the Management Board) stipulated by the existing legislation of the Russian Federation as well as the CEO's contract with the Company.

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

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

Grigory Fedorishin has been the CEO (Chairman of the Management Board) since 12 March 2018.

BIOGRAPHIES OF MEMBERS OF THE MANAGEMENT BOARD

GRIGORY FEDORISHIN

Year of birth: 1979

Member of the Strategic Planning Committee.
CEO (Chairman of the Management Board) since March 2018

Mr. Fedorishin graduated from the State Finance Academy in Moscow. He holds a master's degree in business administration from INSEAD business school in France and Singapore. He is member of the Certified Financial Analysts (CFA) association.

Mr. Fedorishin was Senior Vice President and Deputy Chairman of the Management Board from March 2017 until March 2018, and Vice President for Finance (CFO) from 2013 until 2017. In 2016, he also headed NLMK Group's Russia Long Products Division.

From 2011 to 2013, Mr. Fedorishin served as NLMK's Strategy and Business Development Director. From 2009 to 2011, he served as an investment manager at Libra Capital, a Moscow-based investment management company. From 2001 to 2009, he worked for the PricewaterhouseCoopers consulting company, where he held positions up to director for business restructuring practice.

TATYANA AVERCHENKOVA

Year of birth: 1979

Vice President, Operational Efficiency.
Member of the Management Board since 2017

Ms. Averchenkova graduated from Lipetsk State Technical University with a major in economics and management.

Ms. Averchenkova has been with NLMK since 2001. She served as Director for Controlling and held various senior management positions in the Strategy Department. In 2016, she was appointed Vice President for Operational Efficiency.

ILYA GUSCHIN

Year of birth: 1976

Vice President, Sales.
Member of the Management Board since 2014

Mr. Guschin graduated from the Faculty of Economics at Lomonosov Moscow State University. He holds a Ph.D. in economics.

Mr. Guschin joined NLMK in 2013. From 2009 to 2013, he worked for SIBUR Group, including as head of SIBUR International, the group's export division.

From 2008 to 2009, he served as Financial Director at Skolkovo School of Management in Moscow. From 2002 to 2007, he held various positions at Microsoft.

BEN DE VOS

Year of birth: 1967

Vice President, International Operations.
Member of the Management Board since 2016

Mr. de Vos holds a bachelor's degree with a major in electrical engineering (supplementary training programme) and a master's degree with a major in process engineering from the University of Pretoria.

From 2011 onwards, he has served as Director of NLMK Belgium Holdings as well as a number of its subsidiaries. He is CEO and Chairman of the Management Board of NLMK International B.V., leading the turnaround and operating efficiency programmes.

Mr. de Vos joined Duferco La Louvière in Belgium in 2004 and served as a Management Board member of the NLMK/Duferco JV from 2007 to 2011.

After starting his career as a production and development engineer in 1990, he held various management positions at Iscor and Saldanha Steel (now ArcelorMittal South Africa) between 1995 and 2003, ending with export sales.

SERGEY LIKHAREV

Year of birth: 1964

Vice President, Logistics.
Member of the Management Board since 2014

Mr. Likharev holds a Ph.D. in physics and mathematics and a master's of business administration from Cornell University, USA. From 1990 to 1993, he worked as a researcher at Lomonosov Moscow State University.

Mr. Likharev joined NLMK in October 2013. From 2012 to 2013, he served as Aviation Business Director at Russian Machines Group and Chairman of the Board of Directors of the Aviacor Aviation Plant.

After serving as CEO of Aviacor Aviation Plant in Samara from 2004 to 2007, he worked as CEO of the Basel Aero airport group from 2008 to 2012.

From 1993 to 2004, he held senior positions at Interros, Ostankino Meat Processing Plant, Golden Telecom, Cannon Associates, and Coopers & Lybrand.

EVGENY OVCHAROV

Year of birth: 1977

Vice President, Risk Management.
Member of the Management Board since 2018

Mr. Ovcharov is a graduate of Lipetsk State Technical University and holds a Ph.D. in economic sciences.

Mr. Ovcharov joined NLMK in 1998. He served as Director for Internal Control and Risk Management and Head of Corporate Finance, and held senior management positions at the Department of Economics and Finance. In 2016, he was appointed Vice President for Risk Management.

MIKHAIL ARKHIPOV

Year of birth: 1982

Vice President, HR and Management System.
Member of the Management Board since 2018

Mr. Arkhipov graduated with honours from the Faculty of Sociology at Lomonosov Moscow State University.

Mr. Arkhipov joined NLMK in January 2018 as Vice President for HR and Management System. From 2013 to 2018, he was a member of the Management Board and Vice President for HR at MTS Group. From 2009 to 2013, he held various positions in the HR Department at SIBUR up to HR Director. From 2004 to 2009, Mr. Arkhipov worked in senior management positions in HR at SUN InBev and KPMG.

SERGEY CHEBOTAREV

Year of birth: 1980

Vice President, Energy and Environment.
Member of the Management Board since 2018

Mr. Chebotarev graduated from Lipetsk State Technical University with a major in applied mathematics. He holds a Ph.D. in engineering sciences.

Mr. Chebotarev joined NLMK in 2000 as an economist in the Fuel and Energy Industry Department. He served as Head of Energy Policy Management and Director for Energy Efficiency and Energy Markets, before being promoted to Vice President for Energy in 2016 and Vice President for Energy and Environment in 2020.

SHAMIL KURMASHOV

Year of birth: 1978

Vice President, Finance.
Member of the Management Board since 2019

Mr. Kurmashov graduated from Moscow State Institute of International Relations (MGIMO University), and holds a Ph.D. in economics from the Central Economics and Mathematics Institute (CEMI RAS).

He is a member of the Board of Directors at NLMK International B.V.

From 2009 to 2018, he was Deputy CEO for Commerce and Finance at Aeroflot. From 2007 to 2009, he served as Deputy CEO for Finance and Investment at Sistema, where he was also in charge of the group's investment activities. He has held executive positions at Norilsk Nickel and Wimm-Bill-Dann.



ACTIVITIES OF THE MANAGEMENT BOARD IN 2020

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

In 2020, the Management Board held 41 meetings, including 13 by absentee ballot. The following issues were considered at these meetings:

- Achievement of the Group's key performance indicators in occupational health and safety
- Execution of NLMK Group's budget
- The Group's participation in and withdrawal from other companies
- Execution of NLMK Group's Strategy: updates on the development and implementation of the investment programme projects; updates on the execution of the HR and Social Strategies, Occupational and Industrial Safety programmes; operational efficiency improvements; sales portfolio management; development of maintenance and repair services
- Development programmes for functional areas and production facilities
- Non-core assets portfolio management

ACTIVITIES OF THE MANAGEMENT BOARD IN 2020

Member of the Management Board	By member of the Management Board
Grigory Fedorishin	41 (41)
Tatyana Averchenkova	41 (41)
Ilya Guschin	41 (41)
Ben de Vos	41 (41)
Sergey Likharev	41 (41)
Evgeny Ovcharov	41 (41)
Mikhail Arkhipov	41 (41)
Sergey Chebotarev	41 (41)
Shamil Kurmashov	41 (41)

NLMK Management Board members had no conflict of interest in 2020.

On 19 March 2020, Grigory Fedorishin, who was previously not an NLMK shareholder, acquired 35,678 of the Company's global depository shares (equivalent to 356,780 ordinary shares) making up 0.00595% of NLMK's charter capital.

On 15 December 2020, Grigory Fedorishin sold 17,839 of the Company's global depository shares (equivalent to 178,390 ordinary shares) making up 0.00298% of NLMK's charter capital. After that 17,839 of the Company's global depository shares (equivalent to 178,390 ordinary shares) making up 0.00298% of NLMK's charter capital remained in his ownership.

Other Management Board members are not NLMK shareholders.

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.

REMUNERATION AND COMPENSATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS

GRI 102-35 The Company's policy of remuneration to members of the Board of Directors serves to align the financial interests of directors with the long-term financial interests of shareholders.

Members of the Board of Directors are paid remuneration during the period in which they perform their duties, and they also receive reimbursement of expenses related to the performance of their duties as members of the NLMK Board of Directors. The Regulations on Remuneration for Members of the Board of Directors, which was 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 **GRI 102-37**. The Regulations are available on *the Company's official website*.

The Regulations contain transparent mechanisms for determining the amount

of remuneration paid to the Board members and govern all types of compensation and benefits offered to them.

The remuneration system for members of the Board of Directors serves to align their financial interests with the long-term financial interests of shareholders. Remuneration is paid to members of the Board of Directors for reasonably and faithfully exercising their rights and duties in the interests of the Company. Remuneration to members of the Board of Directors consists of basic remuneration and a bonus.

The amount of the basic remuneration was approved on 5 June 2015 by a resolution of the Annual General Meeting of Shareholders in the amount of \$160,000

GRI 102-36

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

Members of the Board of Directors are also paid remuneration for performing the functions of the Chairman of the Board of Directors, a member of one or more committees of the Board of Directors, or for chairmanship in one or more committees of the Board of Directors.

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 to the work of the Board of Directors and its committees and the recommendations of the Human Resources, Remuneration, and Social Policy Committee.

Remuneration is paid based on a resolution of NLMK's General Meeting of Shareholders. Regulations on the Remuneration of Members of the NLMK Board of Directors outline the rules for reimbursing Board members' work-related expenses. 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
- Hospitality expenses
- Costs associated with obtaining the professional advice of experts on issues under consideration at Board meetings

REMUNERATION FOR MEMBERS OF THE NLMK BOARD OF DIRECTORS

Remuneration category	Remuneration amount
Basic remuneration	\$160,000
Additional remuneration to the Chairman of the Board of Directors, taking into account their functions related to organizing the work of the Board of Directors	Up to 50% of the basic remuneration package
Additional remuneration to a member of any committee of the Board of Directors (who participated in over half of its meetings)	Up to 25% of the basic remuneration package, and up to 50% of the basic remuneration package for a member of two or more committees
Additional remuneration to the Chairman of any committee of the Board of Directors (who participated in over half of its meetings)	Up to 40% of the basic remuneration package, and up to 80% of the basic remuneration package for the Chairman of two or more committees

The maximum amount of a Board member's expenses reimbursed by NLMK during the reporting period is determined by a resolution of the General Meeting of Shareholders and shall not exceed 30% of the basic remuneration package. Compensation shall only be paid if the member of the Board of Directors participated in more than half of the meetings held by the Board of Directors.

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.

The Annual General Meeting of Shareholders on the results of 2019, which was held on 24 April 2020, resolved to pay remuneration to members of NLMK Board of Directors in the amount of \$2.272 m.

REMUNERATION TO BOARD MEMBERS¹, '000 RUB

Indicator	2018	2019	2020
Total payments	152,482	179,066	169,522
Remuneration, incl.:	145,564	170,693	167,846
Basic remuneration	92,259	108,186	106,381
Bonuses	53,305	62,507	61,465
Salary	-	-	-
Commission	-	-	-
Reimbursed expenses	6,918	8,373	1,676
Other types of remuneration	-	-	-

INDIVIDUAL AMOUNT OF REMUNERATION TO BOARD MEMBERS¹, '000 RUB

Member of the Board of Directors	2018	2019	2020
Vladimir Lisin	20,705	24,041	23,640
Stanislav Shekshnia	17,427	21,655	19,503
Oleg Bagrin	19,293	21,948	19,503
Nikolai Gagarin	12,982	15,026	14,775
Karen Sarkisov	15,633	18,031	17,730
Thomas Veraszto	16,309	19,248	17,730
Helmut Wieser	16,423	400	-
Marjan Oudeman	15,881	20,848	19,503
Benedict Sciortino	17,446	18,935	17,730
Franz Struzl	383	-	-
Joachim Limberg	-	18,934	17,730
Sergey Kravchenko	-	-	-

¹ Data for 2018-2019 is represented in actual amounts. Remuneration to members of the Board of Directors for 2020 is determined based on preliminary calculations in accordance with the Regulations on Remuneration for Members of NLMK's Board of Directors.

APPROACH TO REMUNERATION AND COMPENSATION FOR MANAGEMENT BOARD MEMBERS AND OTHER TOP EXECUTIVES

GRI 102-35, GRI 102-36 The material interest of members of the Management Board in achieving the Company's strategic goals is ensured by short-term and long-term incentive systems. Short-term incentives are based on the existing system of key performance indicators (KPIs). The amount paid to members of the Management Board in bonuses depends on their achievement of 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, occupational safety, and organizational development indicators. KPIs for the CEO (Chairman of the Management Board) include annual financial indicators, as well as long-term indicators of strategy implementation, such as the Company's sustainable development targets.

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

Long-term incentive programme payments are made to Management Board members depending on the Company's economic performance on the five-year horizon and the attainment of NLMK's strategic goals. If KPIs are achieved, all Management Board members, including the CEO, receive the first advance payment three years after the programme commences. The final payment net of the advance sum is made depending on performance after 5 years.

REMUNERATION TO MANAGEMENT BOARD MEMBERS¹, '000 RUB

Indicator	2018	2019	2020
Total payments, incl.:	524,553	535,032	530,830
Salary	205,195	238,764	235,295
Bonuses ²	312,510	295,455	295,455
Commission	-	-	-
Benefits	-	-	-
Reimbursed expenses	1,481	813	69
Other types of remuneration	5367	-	12

¹ Data for 2018 is represented in the actual amounts and may differ from previously published estimated liabilities by the amount of liabilities for achieving the Company's strategic objectives under the long-term incentive programme.

² The bonus amount for 2018 does not include a part of the amount paid in 2019 for the long-term incentive programme. Bonuses to members of the Management Board for 2019-2020 include obligations to pay bonuses based on a preliminary calculation reflecting their performance in the reporting year.

OPERATIONAL CONTROL AND RISK MANAGEMENT

NLMK pays special attention to the development of its risk management system in a bid to protect its assets and ensure timely response to external

and internal factors that may hinder the achievement of strategic and business goals. The goal of the Company's risk management and internal control system is to ensure that the Company successfully adapts to technological, economic, social, and any other changes.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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'. Control procedures are used in the Group's Russian and international operations and are an integral component of key corporate decision-making activities and processes. The main principles and approaches to the organization of risk management are enshrined in the Internal Control and Risk Management Policy developed in accordance with the recommendations of the Central Bank of the Russian Federation, professional standards, and best corporate practices, and approved by the Board of Directors.

RISK MANAGEMENT COMMITTEE

The Management Board's Risk Management Committee is a standing collegial body that ensures effective functioning of the internal control and risk management system, as well as the promotion of business ethics and anti-corruption principles. At least once a year the Committee reviews reports on changes in NLMK Group's risk profile, approves key risk management principles and approaches, and exercises overall control over the implementation of risk management measures and the strengthening of the internal control system [GRI 102-11](#).

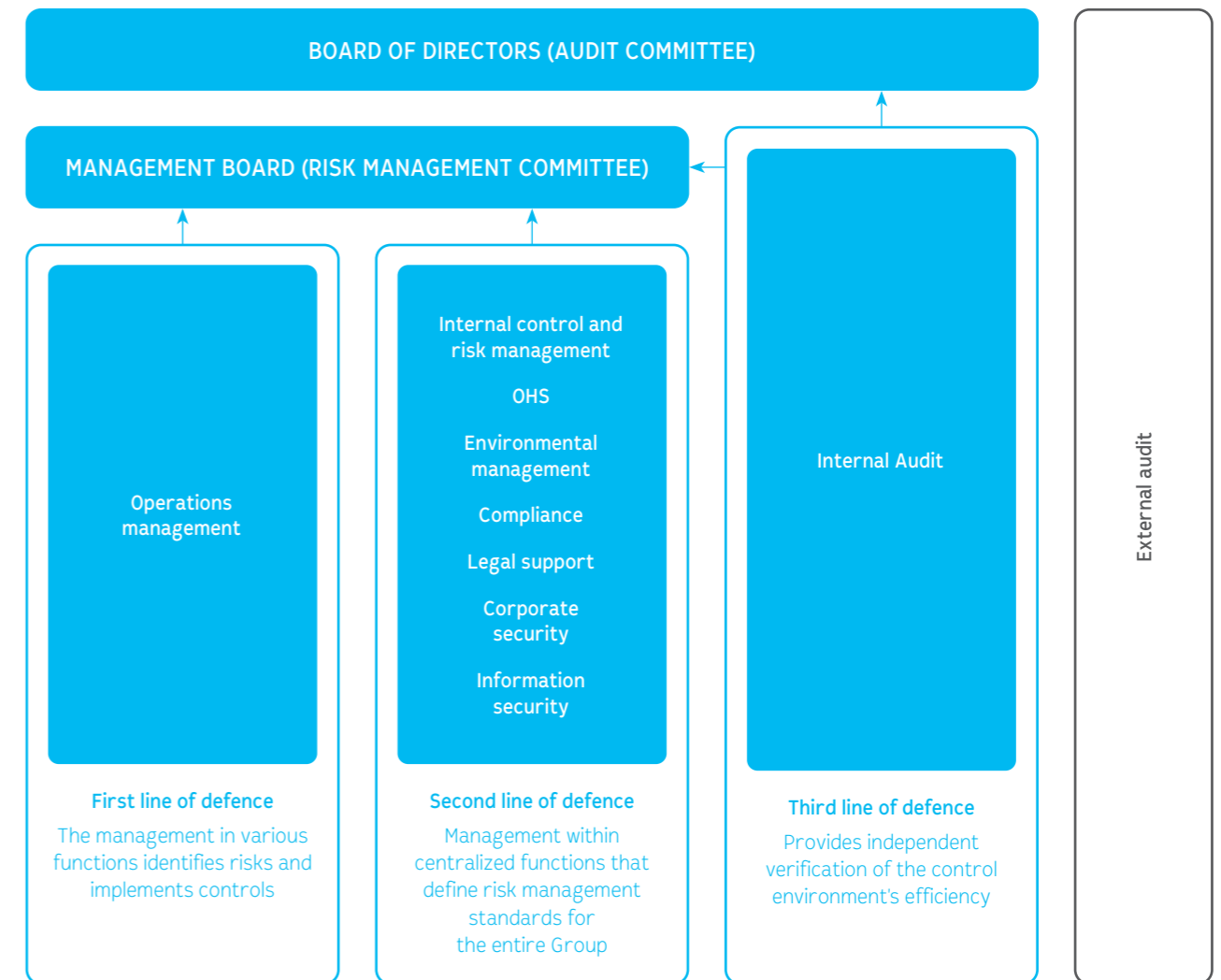
BOARD OF DIRECTORS' AUDIT COMMITTEE

The Audit Committee exercises general oversight over the risk management effectiveness and reviews the risk report, which includes an overview of the risk profile, a summary of significant changes in the profile, and the risk management efficiency analysis [GRI 102-30](#).

RISK MAP

The Company has developed a Risk Map to systematize its approach to identifying, analyzing, and monitoring risks. The Risk Map is regularly updated to reflect the strategy, changing operations, and external context. In 2020, the Risk Map was significantly expanded, pressured by external circumstances (due to the COVID-19 pandemic some risks (health, retirement of key competencies, supply continuity, IT) have increased), and in connection with the Group's heightened focus on internal measures to ensure business continuity, operational efficiency, security and comfort of employees, and protect its business reputation.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM



EXAMPLE OF THE THREE-LINE DEFENCE MODEL: MANAGING THE RISK OF EQUIPMENT FAILURE

First line: the operations staff of the first line is responsible for identifying deviations in the process parameters of the equipment, monitors the degree of wear of individual components, forms requests and sets the timing of scheduled repairs.

Second line: determines the criticality of equipment condition from the main production chain perspective, develops appropriate strategies for its maintenance, and controls the accuracy and completeness of the work performed.

Third line: the internal audit evaluates the efficiency of tools for identifying deviations in the processes of production, planning, and carrying out repairs.

RISK FACTORS

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. Our 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, as well as the risks of accidents, fires, equipment breakdown, the decay of buildings and structure, floods, and other natural disasters.

Threats	Management
	<ul style="list-style-type: none"> Regular audits of the state of production facilities (observations, inspections, surveys) Ensuring safe working conditions and preserving the life and health of employees Ensuring the reliability of hazardous production facilities Carrying out industrial and fire safety trainings for employees, including the non-operations employees Investigating the causes of accidents/ incidents, analyzing the possibility of their recurrence at similar facilities Identifying relevant natural risk factors, accounting for seasonal factors for each production company Developing an action plan for the prevention and elimination of natural and man-made emergencies, ensuring annual plan updates, organizing employee training Implementing Cardinal Safety Rules (10 fundamental principles of safe production developed by the Company) for employees and contractors Developing corporate injury prevention programmes, including: LOTO (the procedure for the safe use of energy sources during equipment maintenance, repair, or cleaning), safety at height, eye protection, protection against cuts, protection against falling/slipping Verifying the qualification certificates of employees of contracting organizations, setting knowledge test following the introductory briefing Implementing pre-work hazard analysis and dynamic risk assessment Developing a response system for emergency medical care, medical evacuation, first aid, and resuscitation, including appropriate training of employees

HEALTH SAFETY RISKS

Why is this risk important?

Due to the specifics of the Company processes, the operations at the Group's sites is associated with the impact of harmful factors. The production operations can lead to the release of substances that pollute the air, water, and soil.

Taking into account the COVID-19 pandemic, there are additional risks for the health of employees, both related to the disease itself and to its consequences for the body.

Threats	Management
	<ul style="list-style-type: none"> 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 Promoting healthy lifestyle Upgrading corporate medical institutions (purchase of medical equipment, training of medical personnel) Organizing various forms of rehabilitation treatment for workers who have suffered from COVID-19 and viral pneumonia, on the basis of corporate medical facilities Implementing a set of measures to counteract the spread of COVID-19 at the Company's production facilities, including mass laboratory tests Voluntary vaccination against seasonal flu and pneumococcal infection in all regions where the Company operates Handing over medical diagnostic and therapeutic equipment to medical facilities in the regions where the Company operates Additional payments to medical workers' payroll and organizing catering for them

IT AND INFORMATION SECURITY RISKS

Disruption of business continuity due to unavailability of IT systems, data transmission network following technical and software failures, non-fulfillment of obligations by service providers, faulty or intentional 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.

Threats	Management
If cyber threats materialize, they can disrupt business and production processes, damage the environment, and tarnish the Company's business reputation.	<ul style="list-style-type: none"> Intrusion and anomaly detection, security analysis of IT resources, collection and correlation of information security events Conducting audits for compliance with the legal requirements in the field of personal data protection Testing the skills of IT system users for bogus phishing attacks

PERSONNEL-RELATED RISKS

Risks of loss of key competencies necessary for business processes.

Why is this risk important?

Human capital is just as important a resource for achieving the Company's strategic and operational goals as its production facilities.

Threats	Management
The loss of key competencies can lead to downtime, increased costs, and shifts in project deadlines.	<ul style="list-style-type: none"> Development of the workforce planning process by employee profile Setting up a talent pool for senior positions Tracking employee motivation and satisfaction levels Establishing relations with basic educational institutions to improve the quality of personnel training, incentivizing future graduates to join the Company Developing individual employee training and development plans

FINANCIAL RISKS

Risks associated with the Group's financial activities: liquidity risks, currency and price risks, tax risks, credit risks.

Why is this risk important?

The key factor determining the size of the Group's revenue are global steel prices. Since most of the Group's revenue is denominated in foreign currencies and most of expenses are denominated in rubles, the Group faces currency risk. In addition, some of the Group's products are sold with deferred payment, which creates credit risk. For the Group to meet its obligations to employees, customers, and suppliers, it should have sufficient financial reserves and a balanced cash flow.

Threats	Management
If financial risks materialize, the Group's financial performance may deteriorate, and it may not be able to fulfil its obligations to suppliers, contractors, and customers.	<ul style="list-style-type: none"> Creating a risk reserve of unencumbered cash Securing confirmed credit lines with first-class Russian and foreign financial institutions Natural hedging of price risk by currency risk, maintaining an optimal open currency position Using formula-based pricing, concluding long-term contracts Government relations and relations with expert communities Control of supply contracts with deferred payment, contracts for the purchase of goods/ services with advance payments Determining the credit limit based on internal scoring and external ratings Using risk transfer tools: bank guarantee, insurance limit, letters of credit, factoring Applying a portfolio approach to similar requirements, monitoring the portfolio limit

The Company also identifies the following risks:

- Environmental risks (see the *Environmental Protection and Climate Change sections for details*)
- Reputation risks and stakeholder engagement (including contractors) risks (see the *Stakeholder Engagement section for details*)
- Investment project management risks
- Equipment failure risks
- Inventory risks
- Operational efficiency risks
- Supply continuity risks
- Free trade restriction risks
- Corruption and fraud risks, compliance risks, and legal and contractual risks (see the *Compliance section for details*)

EMERGING RISKS

The Group pays special attention to monitoring emerging risks. These are risks, the impact and probability of which cannot be reliably and fully assessed based on statistics or other available information. Completely new risks or previously known risks in a rapidly changing context can be emerging risks.

Emerging risks tend to be external in nature. At the moment, we identify geopolitical, social, demographic, and climate risks, as well as the risks of rapid technological change. With their development, emerging risks can be reconsidered as current risks, which are managed according to the standard approaches and practices adopted in the Group. One example of such a risk is the risk of information security.

Since there is not enough information to assess the probability of emerging risk, the Group has chosen the following strategy: for the most clearly shaped risks, it conducts a scenario analysis of their impact on the Group's goals, and also increases the stability of the Group's business to any events, regardless of their nature.

2020 PERFORMANCE

The COVID-19 pandemic has significantly increased the likelihood of most of the key risks.

In line with the current internal control and risk management system, measures have been developed and are being implemented to reduce the impact of these risks on the Company's business continuity and financial performance.

The events that took place in 2020 confirmed the need to shift the Company's focus from managing individual risks to organizing business continuity and overall resource protection, regardless of the sources of threats.

RISK STRATEGY AND PLANS FOR 2021 AND THE MEDIUM TERM

NLMK has introduced the practice of regularly updating the internal control and risk management system. Three main areas of the Company's development for the next three years were approved in 2020:

1. Business continuity management

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

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

In 2021, the Company plans to complete the resource and process criticality analysis at the Group's key sites, and update its business continuity plans.

2. Process maturity

NLMK is consistently increasing the maturity level of its internal control and risk management system to ensure the achievement of project and process targets. This includes: improving existing control procedures by analyzing them, identifying areas for development, redesigning controls; eliminating redundancy; developing key risk indicators and defining their boundaries; developing approaches to joint risk modelling, stress testing, and scenario analysis.

In 2021, the Group plans to approve its risk appetite for key risks, develop a system of key risk indicators, and synchronize them with the goal-setting system.

3. Corporate culture of risk awareness

The Company is committed to creating a risk awareness culture that meets the principles of engagement, responsibility, and risk prevention. As part of this commitment, NLMK plans to develop educational solutions, conduct trainings, raise awareness of employees about the internal control and risk management system, as well as about communication channels for sharing risk-related information.

Risk management requires specific knowledge and often involves data processing and modelling. In order to cope with specific local tasks in business units, the Risk Lab competence centre is being created, which will develop innovative methods and tools for quantifying risk and making decisions in conditions of uncertainty.

COMPLIANCE

The Company is actively developing its compliance system, which aims to ensure that NLMK's operations comply with applicable legislation and internal documents. The functioning of the compliance system is ensured by the Compliance Division, established in 2020, as well as profile divisions.

The Compliance Division:

- Implements anti-corruption programmes and activities
- Implements antitrust risk management programmes
- Coordinates the implementation of other compliance procedures

ANTITRUST COMPLIANCE

NLMK Group continues to improve its antitrust compliance system, taking into account changes in the legislation and law enforcement development trends. The Company has introduced the practice of continuous monitoring of antitrust legislation, antitrust practices and the experience of other companies in preventing antitrust risks.

With a view to ensuring antitrust compliance, the Company has established a number of control procedures and produced educational and data analytics materials for employees. In 2020, all mandatory procedures enabling effective functioning of the programme were implemented. They included risk



monitoring, which did not reveal significant changes in the Company's antitrust risk map, and regular consultations on antitrust matters for employees. The antitrust compliance manager participated in the business processes most exposed to antitrust risks (shaping the trade and sales policy, concluding contracts, interacting with counterparties).

Employee training is a key element of the compliance system. In 2020, a pilot training on antitrust requirements was carried out for employees, and a map of the Company's key positions was developed for continuous training and testing. Part of the training was held online expanding the reach to more employees across different regions. NLMK Group regularly shares information about antitrust requirements with its employees using various formats to achieve maximum effect.

The Company's Antitrust Policy declares 'zero tolerance' to violations of the antitrust law. The Company continues to improve its antitrust risk prevention system, and in 2020, it was included in the Legal Support function.

INTERNAL AUDIT

Internal audit is a source of independent and reasonable guarantees to the Board of Directors and management and it is involved in improving the Group's performance by:

- Conducting objective audits in line with the risk-based approach
- Giving recommendations following the results of audits and knowledge sharing

The Group's internal audit function is built in line with legal requirements and the recommendations of professional standards and the Bank of Russia's Corporate Governance Code, and meets the requirements of best international practices.

Internal audit is a centralized function that fully encompasses the core activities of NLMK Group companies, including international companies. The unified management of the internal audit function allows for the use of uniform standard approaches to planning, auditing and reporting, and also ensures an effective exchange of information between specialists of the Internal Audit Service and with key stakeholders.

The Internal Audit Service performs the following key functions:

- Assessment of the internal control system
- Evaluation of the risk management system's effectiveness
- Assessment of corporate governance

In addition, the Internal Audit Service performs consulting activities by providing professional opinions to internal customers on certain matters concerning financial and business operations.

The Company's internal control and risk management system is evaluated taking into account the principles set forth in international standards for risk management and internal control, including ISO 31000:2018, COSO ERM:2017, and COSO 2013.

PRINCIPLES OF THE INTERNAL AUDIT SERVICE AND THEIR ENFORCEMENT

Principle of the Internal Audit Service	Tools and mechanisms for enforcing the principles
Independence and objectivity	Audit Director functionally reports to NLMK's Board of Directors Audit Director is appointed (dismissed) by a resolution of NLMK's Board of Directors Audit Director has the right of direct and free access to the Chairman of the Board of Directors, Chairman of the Audit Committee, and CEO (Chairman of the Management Board) to provide information on significant risks that have been identified Third parties are prohibited from interfering in the process and the results of the audit
Systematic and consistent approach	The Internal Audit Service is guided by a risk-based Audit Plan Resources are distributed between targeted (limited scope) and comprehensive audits of processes and subsidiaries in devising the Audit Plan The Internal Audit Service prepares recommendations taking into account the costs/value ratio. Priority is given to systemic measures Regular monitoring of the execution of post-audit recommendations
Efficient use of resources	Lead auditors are appointed from among the most qualified auditors Engagement of internal and external experts (consultants) Timely status updates to the Company's management about the requirements (limitations) for the resources needed to conduct audits
Professionalism and a professional approach to work	Internal auditors have special knowledge, skills, and expertise needed to carry out practical professional activity in the Company; continuous professional development and improvement of the said knowledge, skills, and other expertise through assessment, training, and sharing experience; continuous development of expertise in IT systems as the key source of information during audits
Continuous audit quality improvement	Annual internal and periodic external (once every five years) assessments of the internal audit function to determine whether the activities of the Internal Audit Service and auditors comply with the definition of internal audit, the International Standards or the Professional Practice of Internal Auditors, and the Code of Ethics of the Institute of Internal Auditors (IIA), with a view to further improve it. After its 2017 independent quality assessment, Deloitte provided NLMK with a positive opinion stating that the Internal Audit Service's activities are generally in line with International Standards for the Professional Practice of Internal Auditors and the IIA Code of Ethics.



The main internal document of NLMK Group governing the Internal Audit Service functions is the Regulations on the Internal Audit Service. The Regulations have been approved by the Board of Directors and are available on the Company's official website.

The Head of the Internal Audit Service, as part of their activities, submits reports to the Audit Committee on the audit results of the actual state, reliability, and effectiveness of the internal control and risk management system.

2020 PERFORMANCE

In 2020, the Internal Audit Service continued to implement the Internal Audit Development Strategy through to 2022 and approved by the Audit Committee.

A number of planned activities were carried out with the following key results:

- Evaluation of the effectiveness of the risk management system
- Assessment of the risk management system's effectiveness
- Assessment of the internal control system's effectiveness for end-to-end processes at NLMK Group: Maintenance, Procurement: Raw materials, Operational efficiency, Qualification, tender, and contract approval, etc.
- Local audits of process control efficiency

PLANS FOR 2021 AND THE MEDIUM TERM

- Assessing the reliability and functioning of risk management and internal control for NLMK Group's key business processes according to the Internal Audit Plan, including the study of end-to-end processes in the Company's international assets
- Improving compliance with the requirements of antitrust, anti-dumping, and anti-corruption legislation
- Assessment of corporate governance effectiveness

ANTI-CORRUPTION ACTIVITIES

NLMK Group is guided by high ethical standards, principles of business transparency, and zero tolerance to any form or manifestation of corruption in its day-to-day operations. The Company engages in targeted work to prevent and counteract corruption and fraud. The Company's management constantly devotes attention to timely detecting and responding to wrongdoings [GRI 102-16](#).

The Company has adopted the Code of Corporate Ethics and Anti-Corruption Policy. Whenever a new version of the Code of Corporate Ethics or Anti-Corruption Policy comes into effect, all employees of the Company review latest version and sign an acknowledgement form [GRI 102-16](#).

The Company also expects its business partners to adhere to basic values and principles of good business conduct. The Company's business partners familiarize themselves with the provisions of the Code of Corporate Ethics during the qualification and selection of a counterparty as well as the conclusion of a contract. The Group imposes a mandatory requirement on all business partners that an anti-corruption clause must be included in the contract, or an Agreement on Anti-corruption Terms must be signed [GRI 102-16](#).

The Audit Committee of the Board of Directors, the CEO (Chairman of the Management Board), and the Risk Management Committee of the Management Board all play a key role in establishing an anti-corruption system that functions efficiently. The Vice President for Risk Management is in charge of implementing anti-corruption programmes and countering corruption within the Company. The Compliance unit implements anti-corruption programmes and activities [GRI 102-16](#).



The main mechanisms and tools employed by the Company to combat corruption and fraud are [GRI 102-17](#), [GRI 205-2](#):

- The drafting, communication to all stakeholders, and implementation of internal corporate documents
- Informing and training employees about anti-corruption issues
- Efficient feedback mechanisms for collecting and analysing information, including an anti-corruption hotline and continuous informing of employees about available feedback channels
- The identification, assessment, and management of corruption and fraud risks within business processes and mitigating these risks
- The inclusion of the requirement to comply with the provisions of the Anti-corruption Policy and the Code of Ethics in the job descriptions of employees and agreements with counterparties

The Company has introduced a number of feedback mechanisms for collecting and analysing information about any instances of corruption, fraud, unethical or unfair behaviour, or other wrongdoing that could take place or have taken place. The most well-known mechanisms are the anti-corruption hotline and the e-mail for whistleblowers (including anonymous). Contacts are available *on the Company's website* [GRI 102-17](#), [GRI 205-2](#).

All requests are promptly analysed in accordance with the procedure in place at the Group, and corrective measures are taken if necessary. Any information that is corroborated about instances of corruption is anonymized and published on the corporate portal. This procedure serves to inform employees about the result of the inspections/investigations initiated by hotline reports and to remind employees that corruption is strictly prohibited (*Article 4 of the Anti-Corruption Policy*)

[GRI 102-17](#), [GRI 205-2](#).

The anti-corruption and fraud system efficiency assessment is performed as part of audits by the Internal Audit Service.

Risks associated with corruption and fraud are identified, analysed, and assessed at all levels of management and at all the Group's companies [GRI 205-1](#).

Experts from the Compliance unit together with other departments are consistently working to identify the sources of fraud and corruption risks and prevent them from materializing [GRI 205-1](#).

The efficiency of NLMK Group's Code of Corporate Ethics is assessed as part of the Internal Audit Service's audits. In 2020, following the test of the conflict of interest declaration procedure among employees, investigations were conducted against 31 employees. As a result, one real conflict of interest situation and nine potential ones were identified. Corrective measures are taken for the identified shortcomings.

PREVENTION AND RESOLUTION OF CONFLICTS OF INTEREST

More than 3,000 employees of the Group working in the areas most exposed to the risks of fraud and corruption are required to undergo the conflict of interest declaration procedure annually. While other employees have the opportunity to declare conflict of interest via an electronic questionnaire at their own initiative. All situations with signs of a conflict of interest, declared by employees or identified by control services, are promptly analysed in accordance with the procedure adopted in the Group. If necessary, measures are taken to resolve them. As part of this procedure, employees are also required to confirm that they have reviewed the provisions of the Anti-Corruption Policy, Code of Corporate Ethics, and Regulations on the Prevention, Detection, and Settlement of a Conflict of Interest [GRI 205-2](#).

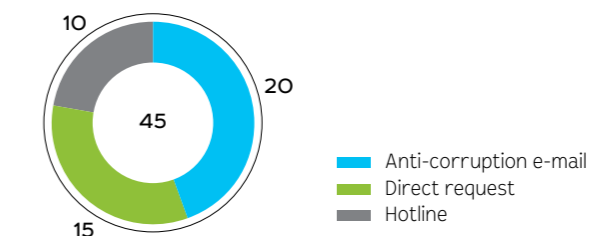
2020 PERFORMANCE

In 2020, more than 3,000 employees underwent the conflict of interest declaration procedure and confirmed that they had reviewed the provisions of the Code of Corporate Ethics, Anti-Corruption Policy, and Regulations on the Prevention, Detection, and Settlement of a Conflict of Interest. The rest employees were made aware of the provisions of these regulations when they were amended, by publishing the wording of the documents on NLMK's corporate portal. A total of 42 employees individually took a Conflict of Interest distance learning course (2,458 employees in total since the launch of the course) [GRI 205-2](#).

All the Group's business partners are informed about the principles of good conduct in the qualification process and when a contract is concluded. In 2020, 14,463 business partners were informed [GRI 205-2](#).

Each report about corrupt practices or intentions received through feedback channels is thoroughly checked in accordance with the Regulation on Conducting Official Investigations and Inspection [GRI 205-2](#), [GRI 205-3](#).

NUMBER OF OFFICIAL INSPECTIONS/INVESTIGATIONS INITIATED AFTER REPORTS VIA FEEDBACK CHANNELS IN 2020



Instances of corruption and fraud that were confirmed in 2020 included, among other things, the unfair behaviour of suppliers, the provision of false information, unethical behaviour as well as deliberate actions taken against property and resources for personal gain [GRI 205-2](#).

Based on the results of official inspections and investigations in 2020, the total share of confirmed claims was 36%, seven facts of fraudulent actions were revealed, five of which were committed with the participation of the Company's employees. Employment relationships were terminated with 140 employees [GRI 205-2](#), [GRI 205-3](#).

A total of 599 potential suppliers were rejected in the qualification of supplier counterparties in 2020 by the corporate security criteria [GRI 205-2](#).

During the year, no corruption-related legal proceedings were initiated against NLMK Group or its employees [GRI 206-1](#).

PLANS FOR 2021 AND THE MEDIUM TERM

The Company's plans for countering corruption and fraud and introducing good business practices include further developing all existing procedures and improving the efficiency of existing measures.

INDEPENDENT AUDITOR

The Company hires an independent audit organization 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. In April 2020, NLMK's Annual General Meeting of Shareholders approved PricewaterhouseCoopers Audit (PwC) as the Company's auditor.

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 audit organization, the quality of the services provided as well as 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.

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 2019 it recommended that the Board of Directors and the General Meeting of Shareholders re-appoint PwC as the Group's auditor for 2020–2022.

Compliance with the auditor's independence principle

In order to comply with the requirements for audit independence and ensure a high level of professionalism, PwC has several systems that ensure audit independence and maintain a high level of professionalism and the quality of the services provided. For example, PwC rotates key audit personnel on a regular basis (at least once every seven years) with the latest rotation in 2020.

In addition to providing audit services to confirm the reliability of financial statements, NLMK Group's companies may hire PwC and other PwC companies to provide consulting (non-audit) services. The management of NLMK Group and, in particular, the Audit Committee, performs the necessary procedures and are certain that these services do not affect the independence of the auditor and are not related to financial reporting. In 2020, the share of non-audit services in the total volume of services provided by PwC was at an acceptable level and did not exceed 29% of the total volume.

REMUNERATION OF INDEPENDENT AUDITOR

NLMK's Board of Directors has determined the value of remuneration for the provision of audit (review) services of NLMK's 2020 interim and annual IFRS consolidated financial statements as well as for the audit of the 2020 RAS statements in the amount of RUB 59,100,000 (VAT excluded).

REMUNERATION PAID TO NLMK GROUP'S INDEPENDENT AUDITOR FOR 2020, \$ '000 (VAT EXCLUDED)

Types of services	Remuneration
Audit and reviews	1,498.1
Non-audit services	624.3

INFORMATION FOR SHAREHOLDERS AND INVESTORS

ORDINARY SHARES

The Group's share capital is divided into 5,993,227,240 shares with a nominal value of RUB 1 each. NLMK shares are traded on the Moscow Stock Exchange as well as in the form of Global Depository Shares (GDS) (1 GDS = 10 ordinary shares) on the London Stock Exchange (LSE). The volume of GDS issued by NLMK and traded on the London Stock

Exchange amounted to 7.52% of share capital as of 31 December 2020. The Company's depository bank is Deutsche Bank Trust Company Americas.

London Stock Exchange (London) Ticker Code	NLMK
Moscow Stock Exchange (Moscow) Ticker Code	NLMK
Bloomberg Ticker Code	NLMK LI ¹
Reuters Ticker Code	NLMKq.L ²

INDICES THAT INCLUDE NLMK SHARES

General indices

- RTS Index
- RTS Metals and Mining Index
- MOEX Russia Index
- MOEX Metals and Mining Index
- MOEX Broad Market Index
- MSCI Russia Index
- MSCI Emerging Markets
- Bloomberg World Index
- Bloomberg World Iron/Steel Index
- Bloomberg Europe Iron/Steel Index
- Bloomberg EMEA – World Index
- FTSE Russia IOB Index
- FTSE Emerging Markets Index

ESG indices

- STOXX Global Total Market Price Index
- STOXX All Europe Total Market Price Index
- STOXX BRIC 400 Price Index
- STOXX Global 3000 Price Index
- STOXX Emerging Markets 1500 Index
- Russian Depository Index USD
- S&P Emerging BMI
- S&P Global LargeMidCap
- S&P Global BMI Materials USD
- DAXglobal Russia+ Price Index EUR
- DAXglobal Steel EUR Price
- Dow Jones Emerging Markets Select Dividend Index USD
- MOEX RSPP Sustainability Vector Index
- MOEX RSPP Responsibility and Transparency Index
- MSCI Emerging Markets Choice ESG Screened 5% Issuer Capped Index
- FTSE Emerging Markets ESG Index
- FTSE4Good Emerging Total Return Index

SHAREHOLDER NUMBERS

In 2020, the number of shareholders increased by 73%, reaching 114,000 people. The number of online voting participants increased to 677 people by the end of the year (+57% yoy).

NUMBER OF NLMK SHAREHOLDERS AND ONLINE VOTING PARTICIPANTS

Indicator	As of 25.11.2019	As of 23.11.2020	Variance, %
Total shareholders	66,045	114,181	73
Online voting participants	431	677	57

¹ NLMK LI for GDS traded on the LSE; NLMK RX for shares traded on the MICEX platform of the Moscow Exchange
² NLMK LI for GDS traded on the LSE; NLMK.MM for shares traded on the MICEX platform of the Moscow Exchange

SHARE PRICE

NLMK GLOBAL DEPOSITARY SHARE PRICE ON THE LONDON STOCK EXCHANGE, \$

Indicator	2019	2020	Change, %
Start of year	22.9	23.0	1
End of year	23.0	27.7	20
Maximum	28.3	29.3	3
Minimum	19.3	12.3	-36
Average	23.4	21.0	-10

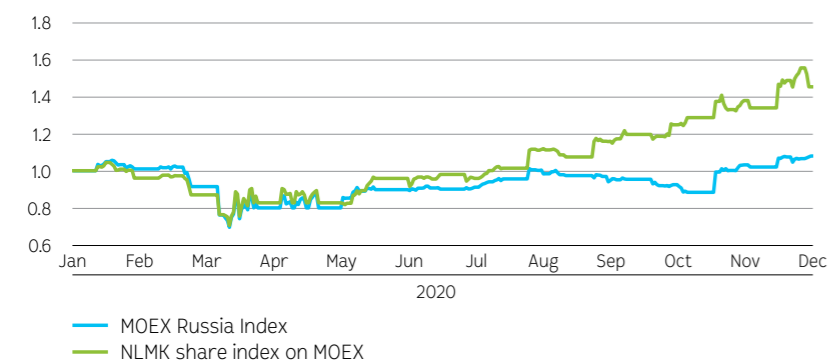
ORDINARY NLMK SHARE PRICE ON THE MOSCOW STOCK EXCHANGE, RUB

Indicator	2019	2020	Change, %
Start of year	157.4	143.7	-9
End of year	143.7	209.1	45
Maximum	183.2	223.8	22
Minimum	123.4	101.1	-18
Average	151.9	152.8	1

NLMK SHARE PRICES ON THE MOSCOW STOCK EXCHANGE AND LONDON STOCK EXCHANGE IN 2020



NLMK SHARE INDEX AND MOSCOW STOCK EXCHANGE INDEX IN 2020



MARKET CAPITALIZATION

In 2020, the Company's average market capitalization on the London Stock Exchange was \$14 bn (-7% yoy). At the end of 2020, NLMK share prices stood at \$2.8 per share (or \$27.74 per GDS), which is consistent with a capitalization of \$16.63 bn (+20% yoy).

TAXATION¹

Legal entities

Chapter 25 'Tax on Organizations' Profit' of the Russian Tax Code governs the tax treatment of organizations' revenues received as dividends on shares. Dividends paid to organizations that are Russian taxpayers are subject to a 0% or 13% income tax (clauses 3.1 and 3.2, Article 284 of the Russian Tax Code); foreign organizations are subject to a 15% income tax (clause 3.3, Article 284 of the Russian Tax Code) in line with international taxation agreements of the Russian Federation.

Individuals

The personal income tax rate for Russian residents is 13% for income under RUB 5 million and 15% for income over RUB 5 million in a calendar year (clause 1, Article 224 of the Russian Tax Code; Section 3, Article 2 of Federal Law dd. 23/10/2020 No. 372-FZ), and 15% for non-residents (clause 3.2, Article 224 of the Russian Tax Code).

DIVIDENDS

Dividend Policy

According to the current¹ dividend policy, dividends are determined as follows:

- If Net Debt/EBITDA is 1.0x or less: the payout amount shall be equivalent to or above 100% of the free cash flow, calculated based on the Company's IFRS consolidated financial statements for the reporting period

¹ Information on taxation is provided for general information purposes only. Potential and current investors should consult with their own advisors regarding the tax consequences of investing in the Company's shares, including GDS.

- If Net Debt/EBITDA exceeds 1.0x: the payout amount shall be equivalent to or above 50% of the free cash flow, calculated based on the Company's IFRS consolidated financial statements for the reporting period

Dividends are paid annually. If financially stable conditions are maintained, NLMK will strive to pay interim dividends on a quarterly basis. NLMK uses the normalized investment level of \$700 m per year to calculate the free cash flow for dividend payments if actual investments are above this level.

The amount to be paid as dividend for a specific period is approved by the Company shareholders in line with the Board of Directors' recommendations.

Dividends on GDS

Any dividends paid on shares certified by GDS will be declared and paid to the Depository in rubles or foreign currency, converted into US dollars by the depository (in the case of dividend payments in a currency other than US dollars), and distributed to the holders of GDS, net of fees and depository expenses.

CORPORATE DOCUMENTS

The Group's corporate documents, including the NLMK Charter, are available at www.nlmk.com.

FINANCIAL REPORTING AND DISCLOSURE

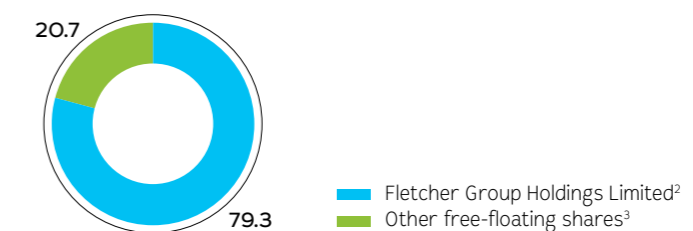
The Group posts announcements of financial results on the London Stock Exchange website via the regulatory news service (RNS) and on the Interfax Corporate Disclosure Centre website, and then publishes them on the Group's website in the form of press releases and distributes them to the media. The Company publishes its financial

results on a quarterly basis. The annual report is published in electronic form on the Group's website, www.nlmk.com, on the day of its official publication. The Company announces its publication in a special press release. A hard copy of the annual report is available upon request in the office of the Company.

EQUITY STRUCTURE

Stock share owned by governing bodies members is less than 0.01%.

EQUITY STRUCTURE AS OF 31 DECEMBER 2020, %



CONTACTS FOR SHAREHOLDERS

Registrar

The register of holders of NLMK securities is maintained by the Regional Independent Registrar Agency (RIR Agency). Registered address: 10b, 9 Maya St., Lipetsk, Russia, 398017 Telephone: +7 (4742) 44-30-95 Email: info@a-rnr.ru Website: <http://www.a-rnr.ru/>

Depository bank

Deutsche Bank Trust Company Americas

New York Headquarters

60 Wall St., New York, NY 10005 USA

London Office

Winchester House
1 Great Winchester St.
London EC2N 2DQ
UK

Contacts

London: +44 (20) 7547-6500
New York: +1 (212) 250-91-00
Moscow: +7 (495) 642-06-16
Email: adr@db.com

Corporate Secretary

Valery Loskutov
Telephone: +7 (4742) 44-49-89
Email: loskutov_va@nlmk.com

Corporate Finance and Investor Relations

Telephone: +7 (495) 504-05-04
Email: ir@nlmk.com

GRI 102-53

¹ As of 31 December 2020.

² The Company's beneficiary is Vladimir Lisin, according to the definition of 'beneficiary' in Russian legislation.

³ Including GDS traded on the London Stock Exchange (Deutsche Bank Trust Company Americas is NLMK's depository bank) and shares traded on the Moscow Exchange.

OUR TEAM

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STAKEHOLDER DIALOGUE

OUR APPROACH TO STAKEHOLDER ENGAGEMENT



NLMK Group's sustainable development is built on a foundation of transparent, trust-based stakeholder engagement over the long term [GRI 102-16](#).

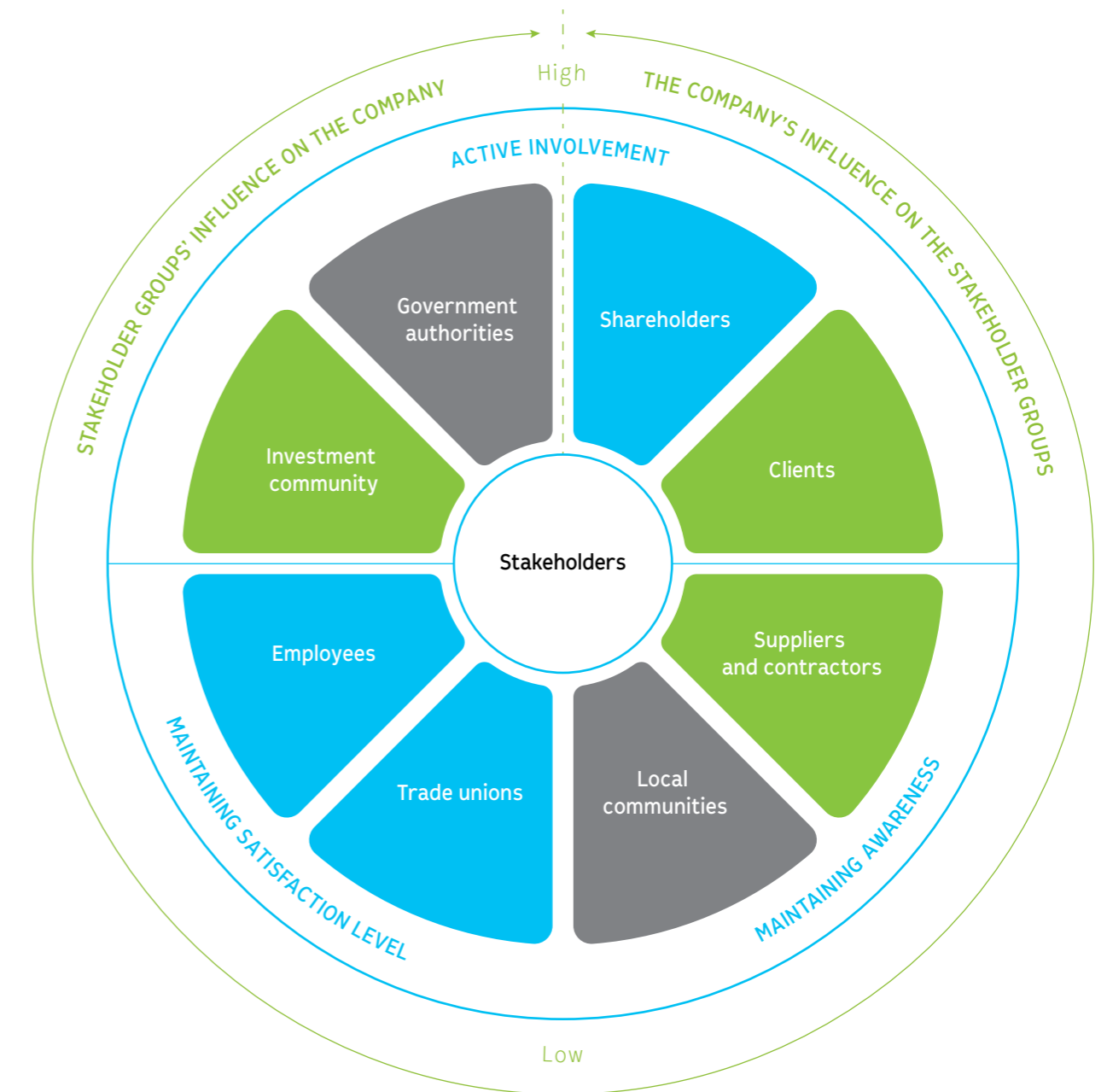
In developing our approach to managing stakeholder engagement, we are guided by international and corporate standards, and we are committed to identifying and taking into account the interests and needs of the Company's key stakeholders. The general principles for our communication and engagement with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

[GRI 102-40](#) NLMK's key stakeholder groups are:

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

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, and is regularly reviewed and updated as necessary. In 2020, the stakeholder map did not undergo any significant changes [GRI 102-42](#).

NLMK STAKEHOLDER MAP IN 2020



- Internal stakeholders
- Business partners
- Other external stakeholders
- Stakeholder target development area

NLMK uses various means to engage with stakeholders, thereby enabling the Company to promptly identify risks and new opportunities when working together with its stakeholders. In 2020, the Company continued to maintain an active dialogue with all of its stakeholders [GRI 413-1](#).

RESULTS OF STAKEHOLDER ENGAGEMENT

GRI 102-44, GRI 102-21

CONSUMERS	
Importance for NLMK	<p>The consumers of NLMK products include manufacturers from various regions of the world and industrial sectors: steelmaking, construction, automotive industry, machine and shipbuilding, and pipe manufacturing. By openly engaging with consumers, we are able to increase their satisfaction and loyalty and help grow sales of NLMK products.</p> <p>NLMK strives to create a client-centred system that allows us to track and predict changes in consumer demand and satisfy our clients' changing needs.</p> <p>In order to increase customer satisfaction, NLMK Group established a claim consideration procedure that is fully in compliance with international standards for quality management systems (ISO 9001:2015 and IATF 16949:2016). All consumer claims are registered in an electronic filing system with set consideration deadlines. Customers receive constant feedback on the status of claim consideration and settlement. NLMK staff undergoes specialized training to enhance the technical service level. All deficiencies detected by consumers are registered and analysed in order to elaborate corrective measures and to develop actions for continuous quality and service improvement.</p> <p>Another principle guiding the Company's activities is preventing any potential risk of harm related to the use of our products or packaging. This principle concerns chemical, radiation, fire, and phytosanitary safety. The framework we use to determine the safety characteristics of our products includes European Union directives and regulations (RoHS2, ELV, WEEE, and REACH).</p> <p>The Company employs a variety of sales channels, including rapidly growing online sales. Sales managers in all units work with the Company's clients on a daily basis.</p>
Stakeholder interests	<ul style="list-style-type: none"> • Compliance with contractual obligations • High-quality products • Development of a product line policy • Competitive pricing • Timely and reliable deliveries
Forms of engagement	<ul style="list-style-type: none"> • Developing a sales channel network • Monitoring customer satisfaction • Holding coordinating councils • Addressing customer claims • Holding and participating in public events, business meetings, and negotiations • Raising public awareness through materials in the media and on our website • Customer service. In the current strategic cycle, NLMK has set and is monitoring the following key customer service indicators: <ul style="list-style-type: none"> – Delivery terms, including OTIF – Product support (new product and service development, technical support, consideration of claims/complaints) – Customer interaction (electronic document flow, order status information, etc.) – Net Promoter Score (NPS) and Customer Satisfaction Score (CSAT)

EMPLOYEES	
Importance for NLMK	<p>Our employees are essential to the Company's stability, ensuring that the business can operate and grow successfully.</p> <p>Creating a highly qualified and motivated team is a key goal of our engagement with staff and an integral factor behind NLMK's leading position in the industry. The Human Resources Department works with employees across all NLMK units.</p> <p>NLMK provides decent working conditions for its employees and continues to develop financial and non-financial incentive systems. The Company runs various employee training programmes, including those organized as part of the NLMK Corporate University.</p> <p>The Company seeks to increase employee engagement by improving feedback channels, conducting team-building activities, and offering social support.</p> <p>Effective employee dialogue is supported by the internal corporate communications system. This system successfully:</p> <ul style="list-style-type: none"> • Explains the Group's strategic goals and values to employees • Facilitates the inclusion of every team member in the process of continuous improvements • Strengthens the Group's employer brand • Delivers information in a timely manner and provides a feedback mechanism • Ensures convenient access to corporate services • Develops horizontal links between colleagues
Stakeholder interests	<ul style="list-style-type: none"> • Decent salaries and an incentive system in place • Opportunities for professional development and career growth • Comfortable, safe workspaces • Compliance with employment laws and other regulations
Forms of engagement	<ul style="list-style-type: none"> • Offering continuing education, training, and staff development programmes. <i>For more information on employee training, see the Training and Development section.</i> • Organizing regular safety training sessions and implementing programmes to improve workplace conditions. <i>For more information on the results of these activities, see the Occupational Health and Safety section.</i> • Implementing measures to provide social support for employees, their families, and retirees (former employees). • Holding regular meetings with management at various levels. • Monitoring and sustaining employee engagement. • In 2020, our corporate NLMK Pulse Survey had a coverage of over 20,000 employees, which constituted around 74% of the full-time headcount at the Group's Russian sites. The survey highlighted our strong suits as well as areas for development. <i>See the Social Policy section for more.</i> • Informing employees about the Company's activities and opportunities for professional growth through corporate newspapers, magazines, NLMK TV, and social media. • Informing employees about the COVID-19 pandemic situation. <p>Amid the pandemic, NLMK seeks to maintain a high level of transparency and provide timely information to employees about the current situation and the measures taken within the company. When lockdown measures were at their peak, NLMK's CEO addressed employees on the corporate portal every day.</p>

SHAREHOLDERS AND THE INVESTMENT COMMUNITY

Importance for NLMK

Shareholders own our business and influence the course of NLMK's development. The Company is committed to safeguarding their interests.

To ensure that NLMK remains an attractive investment, the Company provides the investment community with information about our performance that is as complete and up-to-date as possible.

The key goals of our engagement with investors and shareholders are to establish and maintain long-term connections and to provide timely information on the Company's financial and non-financial performance, as well as its development plans.

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

Stakeholder interests

- Consistent improvement in the Company's financial and non-financial performance
- Growth in the Company's shareholder value
- Transparency and disclosure
- Investment appeal and stability

Forms of engagement

- Disclosing information in various public sources: in 2020 the Company continued to publish its operating and financial performance reports on a quarterly basis
- Official visits for current and potential investors to the Group's sites: due to the COVID-19 pandemic, investor visits to sites were suspended in the reporting year to ensure the safety of employees and investors
- Participating in Russian and international investment conferences
- Holding business meetings, both one-on-one and in groups: we held about 450 meetings with investors in various formats

For more information about shareholder and investor engagement, see the Information for Shareholders and Investors section.

GOVERNMENT AUTHORITIES

Importance for NLMK

As a major global manufacturing company that has a presence in seven countries and five regions of the Russian Federation, NLMK encounters government regulations in various areas of its operations every day. Given the intense competition and market volatility, it is essential to have a stable regulatory environment that provides opportunities for long-term planning and stable business management.

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 before society. As represented by its Government Relations Department, the Company 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. For the purposes of regulatory agenda setting, NLMK participates in the formulation and consolidation of the business community's position, presenting it at state authority platforms and participating in industry-specific meetings. The Company also represents and defends its interests on the internal and external markets through government and public forums, such as the World Trade Organization, the Russian Union of Industrialists and Entrepreneurs, the Russian Steel Association, public councils and advisory bodies of federal and regional authorities, and with the government authorities.

A key component of the Company's approach is providing assistance to its functional units on issues concerning the formulation of the Company's position when engaging with government authorities. This helps functional experts work more efficiently, respond to various state authority demands in a more effective and informed manner, and put forward the necessary regulatory initiatives.

Stakeholder interests

- Compliance with legislative requirements
- Meeting tax obligations
- Monitoring and assessing normative legal risks
- Developing initiatives to improve the Company's regulatory activities
- Developing local communities
- Enhancing social engagement in areas where the Company operates
- Reducing the environmental footprint

Forms of engagement

- Meetings with representatives of foreign, national, regional, and municipal state authorities
- Participation in advisory bodies, expert working groups, and public hearings
- Engagement through industry-specific and public associations
- Annual disclosure of information about payments to governments
- Involvement in policy-making processes in accordance with the procedures stipulated by law

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's production processes.

Strong and mutually beneficial relationships with reliable suppliers and contractors are essential if the Group is to sustain its operations and fulfil its obligations.

The 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.

Most of the Company's tender procedures are conducted electronically using the SAP SRM and SAP Ariba Network systems, ensuring the transparency of procurement activities.

The Company seeks to develop mutually beneficial long-term relationships with its business partners, based on the principles of transparency, ethics, and fairness. The fundamental collaboration principles are contained in the Supplier Code of Conduct, which indicates what we expect from our suppliers and highlights our aspiration to attain a high level of fairness, ethical behaviour, and responsibility in all of our business areas. The Code also stipulates compliance with the requirements of occupational safety, anti-corruption, and conflict-of-interest management.

Stakeholder interests

- Transparent competitive procurement procedures for goods and services
- Fulfilment of contractual obligations
- An effective system for processing feedback and complaints
- A risk management and anti-corruption system

Forms of engagement

- Conducting prequalification of suppliers
- Developing competitive procurement procedures for goods and services
- Developing electronic data interchange with EDI suppliers
- Negotiating with potential partners
- Organizing the work of category managers
- Offering a *feedback form* and a digital assistant based on the QUBO dialogue platform on the corporate portal for contractors
- Conducting business meetings with suppliers and participating in conferences and industry associations
- Organizing online conferences for suppliers to present NLMK Group's 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 occupational health and safety, industrial safety, and environmental requirements

For more information on the results of supplier and contractor engagement, see the Supply Chain Management section.

LOCAL COMMUNITIES

Importance for NLMK

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

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

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

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

Stakeholder interests

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

Forms of engagement

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

For more information on the results of local community engagement, see the Developing Local Communities section.

TRADE UNIONS

Importance for NLMK

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

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

Stakeholder interests

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

Forms of engagement

- Conducting collective bargaining: in 2020, we continued a series of collective negotiations with the trade union organisations of NLMK Group companies. Steps were taken to harmonize the basic benefits provided under collective bargaining agreements
- Concluding collective bargaining and other agreements and signing joint resolutions: in 2020, the terms of collective agreements were renegotiated for the Stoilensky Mining and Beneficiation Plant and VIZ-Steel. Previously, in 2019, collective bargaining agreement terms were renegotiated for nine NLMK Group sites
- Working jointly on various commissions and committees
- Holding employee conferences

SUPPLY CHAIN MANAGEMENT¹

MAJOR THEME

SUPPLIER ENVIRONMENTAL ASSESSMENT

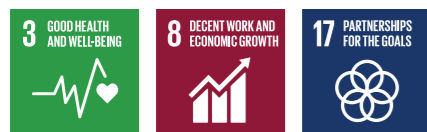
KEY EVENTS IN 2020

- Expanded use of electronic document management with suppliers
- Part of investment procurement process automated via SAP Ariba Sourcing
- Interactive category reporting implemented
- Claim management automation project introduced
- Vice President of Procurement recognized as the best Professional in Competitive Procurement at the main professional competition among procurement experts in Russia

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

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

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



RUB **153**
billion

total volume of goods and materials procured from third parties by NLMK's Russian companies

33
audits

of suppliers of goods and services conducted over the year

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

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

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

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

OUR APPROACH TO SUPPLY CHAIN MANAGEMENT

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

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

The main documents governing procurement activities at the Group are:

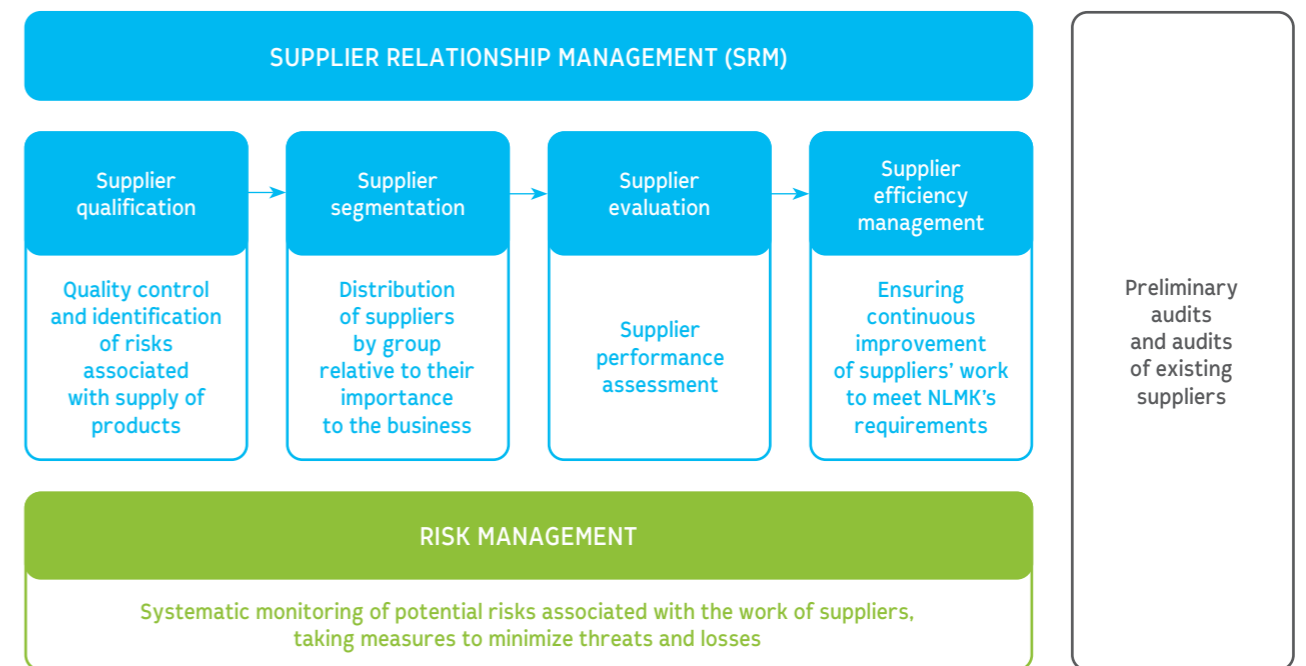
- Supplier Code of Conduct
- Contractor Audit Regulations
- Corporate-level regulations describing liaising with contractors:
 - Contractor Qualification Regulations
 - Contractors Selection Regulations
 - Contractor Assessment Regulations
 - Regulations on Contractors Selection in Cooperation with the Tender Commission, etc.
- Category strategies



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

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

SUPPLIER MANAGEMENT PROCESS WITHIN NLMK GROUP



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

Managing risks associated with the late, incomplete, or incorrect supply of goods and services is key to ensuring a reliable supply chain and the continuity of the Group's operations. In 2020, a project to automate claim management was launched.

Each year, suppliers of goods are evaluated and then divided into A, B, C, and D groups. Group D includes those suppliers that have proven to be unreliable based on the evaluation

result. These contractors are excluded from the list of suppliers and are not allowed to participate in tender procedures in the future. As a result of the evaluation, 28 suppliers were assigned the D status in 2020.

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

The Group is particularly focused on digitalizing and automating procurement activities. Most key procurement processes have been automated, and the majority of the Group's tender procedures are carried out electronically using the SAP SRM (Supplier Relationship Management) system. NLMK's achievements in automating procurement activities were recognized within the broader professional community. In 2020, NLMK Group Vice President of Procurement was recognized as the best Professional in Competitive Procurement at the main professional competition among procurement experts in Russia.

Procurement service managers actively participate in corporate training programmes, which aim to develop competencies in a period of change, that would enable employees to prepare for challenges in a situation of uncertainty and turbulence, to form skills and ambition to be a role model, to learn the tools that support the Company in its strategic development in new economic conditions, and to develop expertise in the field of innovation, strategy, and inspiring leadership.

ASSESSING PERFORMANCE

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

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

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

SUPPLY CHAIN RESPONSIBILITY

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

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

As part of efforts to increase responsibility across the supply chain, NLMK focuses on:

- Cooperating with suppliers and contractors with a strong commitment to sustainable development strategy
- 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, as well as through the utilization of recycled and recovered products and materials

SELECTION AND QUALIFICATION OF SUPPLIERS AND CONTRACTORS

An efficient and reliable supply chain is essential to the stable operation of all divisions within the Group. The Group carefully selects and screens suppliers and contractors, and sets high requirements for its counterparties in terms of complying with deadlines, OTIF (on-time in-full) requirements, and quality standards for the goods and materials it supplies. All suppliers and contractors that work at hazardous production facilities at NLMK companies have to be qualified.

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

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

EVALUATING AND AUDITING SUPPLIERS AND CONTRACTORS

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

Conciliation Committee

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

CONCILIATION COMMITTEE

Indicator	2019	2020
Number of suppliers on which partnership restrictions were imposed	18	15
Number of suppliers with which NLMK Group decided to temporarily suspend relations	6	7
Number of suppliers with which NLMK Group decided to terminate relations	11	13

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

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

When auditing suppliers of goods, the Group pays special attention to the counterparty's compliance with obligatory standards in matters concerning occupational safety and reducing its environmental footprint. Audits of contractors include a more detailed review of issues related to safe working conditions and compliance with environmental regulations.

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

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

Audits of contractors involve checking that the necessary documents are in place and authentic. They also include directly monitoring the work of contractor employees and ensuring that they meet the requirements stipulated on the screening check-list. The contractor's status is determined and a report is prepared on the basis of the audit results. The report should specify the measures needed to eliminate and prevent the reoccurrence of any of the issues that have been identified. In 2020, the number of audits declined, due to the pandemic.

NUMBER OF SUPPLIER AND CONTRACTOR AUDITS CONDUCTED

Subject of audit	2016	2017	2018	2019	2020
Goods and materials	22	35	39	34	13
Services	1	21	17	24	20

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

2020 PERFORMANCE

The Company continued to actively improve its procurement processes and centralize the procurement of basic materials, raw materials, and services. NLMK Regulations on Category Strategy Development were updated.

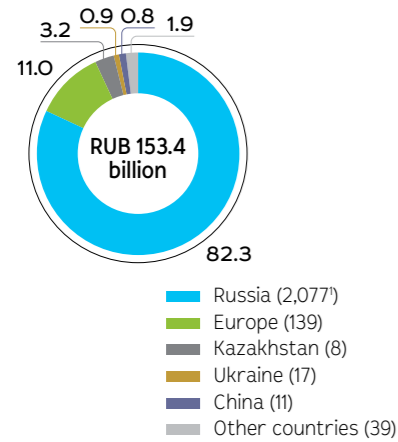
Due to the COVID-19 pandemic, suppliers of basic raw materials

and equipment were diversified. The procurement team and internal customers' efforts helped to avoid the negative impact of the pandemic on production performance.

There were no significant changes in the Group's supply chain structure during 2020 [GRI 102-10](#).

In the reporting year, procurement from local suppliers for the Russian companies accounted for 82%, or RUB 126 billion [GRI 204-1](#).

PROCUREMENT FROM SUPPLIERS OF GOODS AND MATERIALS BY SUPPLIER COUNTRY, % OF TOTAL [GRI 102-9](#)



DATA ON PROCUREMENT VOLUME BY KEY PROCUREMENT CATEGORY IN 2020, RUB M (VAT EXCLUDED) [GRI 102-9](#)

Goods and materials category	Procurement volume
Coal and coal concentrates	45,523
Provision of repairs and maintenance	34,413
Raw materials (without the main raw material categories)	24,742
Refractory products	15,145
Process equipment	8,352
Provision of technology	5,980
Coatings	5,677
Iron ore (concentrate, pellets, and ore)	4,016
Fuel and lubricants	2,016
Rolls	2,002
Coke and chemical raw materials, fluxes	1,448
Information technologies	1,406
Electrode coke	1,349
Other	1,356
Total	153,425

PLANS FOR 2021 AND THE MEDIUM TERM

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

- Expanding the practice of signing purchase orders in electronic form
- Automating purchase order drafting
- Expanding the practice of using supplier catalogues and managing them, which will enable internal customers to choose the necessary items themselves
- Enhancing the efficiency of interaction with suppliers through the digital assistant functionality
- Expanding SAP Ariba Sourcing functions to other categories of investment procurement
- Robotization of standard procurement procedures



¹ Number of suppliers.
Note: data on purchases of goods and materials from third parties for Russian companies. The amount does not include transportation and handling expenses and customs duties.

HUMAN RIGHTS

MAJOR THEMES

- NON-DISCRIMINATION
- FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING
- PROHIBITION OF CHILD LABOUR
- PROHIBITION OF FORCED OR COMPULSORY LABOUR

KEY EVENTS IN 2020

NLMK Group presented its human rights management practices at the Respect for Human Rights as a Corporate Responsibility Indicator conference organized by the Russian Union of Industrialists and Entrepreneurs and attended by representatives of the Office of the United Nations High Commissioner for Human Rights (OHCHR), the International Labour Organization, relevant ministries, and Russian and international companies.

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

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

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



0 violations of human rights recorded during the reporting year

MANAGING HUMAN RIGHTS ISSUES

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

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

- The International Bill of Human Rights
- The main conventions of the International Labour Organization (ILO Conventions)
- The UN Guiding Principles on Business and Human Rights

- The UN Global Compact
- Transforming our World: the 2030 Agenda for Sustainable Development (UN)
- The ISO 26000 Guidance on Social Responsibility
- The laws of the Russian Federation and other countries in which NLMK Group companies operate

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

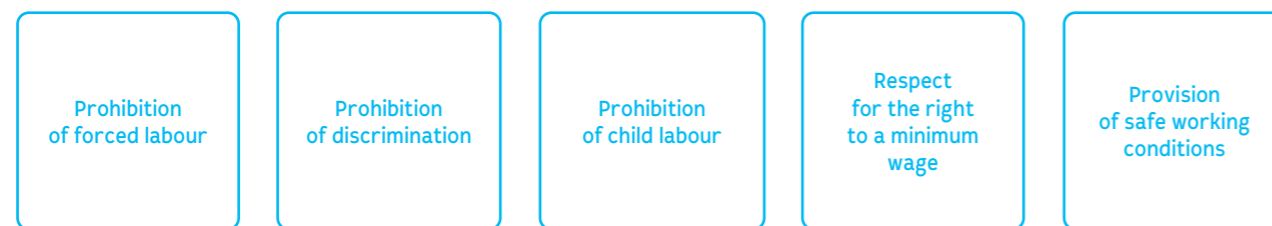
NLMK's efforts to protect human rights in all the regions where it operates are coordinated by the HR Department, covering 100% of the Company's assets. If necessary, experts from other functional areas of the Company are invited to participate (in particular, the Occupational Health and Safety team) in order to safeguard its corporate interests and to manage risks. The Company's senior management team is always involved in making important decisions [GRI 412-1](#).

The Company shares its Human Rights Policy with stakeholders, including employees, subcontractors, and business partners [GRI 412-2](#).

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

In 2020, NLMK received no communications regarding human rights violations [GRI 102-17](#).

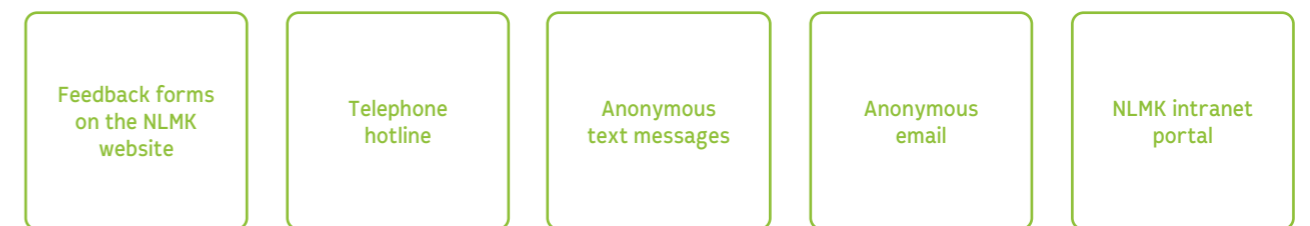
NLMK'S HUMAN RIGHTS PRINCIPLES



INTEGRATING FUNDAMENTAL HUMAN RIGHTS PRINCIPLES INTO NLMK GROUP'S ACTIVITIES

Fundamental principles	Areas of activity
Prohibition of forced labour and child labour	NLMK Group only signs employment contracts with individuals that meet the minimum age requirements stipulated by prevailing legislation. The Company does not make use of child labour. The Company also forbids the use of forced labour, penal and military labour, slavery, and human trafficking. All employment at the Company is exclusively voluntary in nature.
Prohibition of discrimination	Prohibition of discrimination NLMK Group does not tolerate discrimination based on gender, religion, or any other grounds in its staff management activities, including hiring, and adheres to the same principles when determining wages. <i>For additional information, see the Our Employees section.</i>
Respect for the right to a minimum wage	Ensuring decent working conditions, including competitive salaries, and providing both employees and retirees with a social benefits package are key priorities for NLMK Group. <i>For additional information, see the Our Employees section.</i>
Support for freedom of association and collective bargaining	NLMK Group fulfils all of the requirements set forth in collective agreements, and regularly engages with trade unions. The Company also ensures that conditions are in place to facilitate the creation of associations to represent the interests of NLMK employees by making corporate communications tools available and by supporting employee volunteering initiatives. <i>For additional information, see the Our Employees, Stakeholder Dialogue, and Corporate Communications sections.</i>
Provision of safe working conditions	In organizing production, the Company prioritizes the health and safety of its employees above all. The Company's management team monitors and reduces risks associated with hazardous working conditions, increasing safety levels at the production sites of every NLMK company from year to year. The Company is continuously improving its approaches to environmental policy and energy management, with a view to reducing the negative impacts of production on the environment and on the health of stakeholders. <i>For additional information, see the Occupational Health and Safety and Environmental Protection sections.</i>
Respect for the rights of indigenous peoples	NLMK Group estimates that there are no indigenous populations in the regions where its companies operate GRI 411-1 .

HUMAN RIGHTS REPORTING CHANNELS



All messages and complaints are recorded in an aggregated database accessible via the NLMK corporate portal. Each specific instance is examined separately to ensure that decisions are made on a case-by-case basis. The individual that sends a complaint always receives a written response with an explanation, except in the case of anonymous messages.

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

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

In 2020, the Company continued its efforts to integrate human rights provisions into the standard terms

of business with contractors. This implies that suppliers and counterparties must confirm that they adhere to and respect the human rights principles envisaged by the Russian law and international legal instruments at the time of signing a contract. Obligatory compliance is required for the following human rights:

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

In 2020, NLMK Group shared its human rights management experience at the Russian Union of Industrialists and Entrepreneurs conference dedicated to the 70th anniversary of the Universal Declaration of Human Rights and the 75th Anniversary of the United Nations. Conference participants included representatives from the Office of the United Nations High Commissioner for Human Rights (OHCHR), the International Labour Organization, relevant ministries, and Russian and international companies. The companies invited to present their practices at the conference all have extensive experience in managing human rights issues and initiatives.

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

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

PLANS FOR 2021 AND THE MEDIUM TERM

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

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



OUR EMPLOYEES

MAJOR THEMES

- SAFE WORKING CONDITIONS
- DEVELOPMENT OF MANAGERIAL SKILLS
- ENGAGEMENT OF EMPLOYEES IN CONTINUOUS IMPROVEMENT
- DEVELOPMENT OF PROFESSIONAL SKILLS
- LABOUR PRODUCTIVITY IMPROVEMENT

KEY EVENTS IN 2020

- Developing online trainings, introducing new professional training formats
- Working on an international project to create competency maps and assessment tools for key steelmaking professions
- Internships for students of basic educational institutions
- The annual HeadHunter¹ rating of employers in Russia placed NLMK among the Top 5 Russian employers in the Production category

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.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



¹ The largest Russian online recruitment company operating in Russia, Belarus, Kazakhstan, and Ukraine.



RUB **1,383**
million

invested in staff training and development

3.2
million man-hours
of training

6%
voluntary staff turnover rate at NLMK Group

Women account for

48%
of management and administrative staff

Women account for

25%
of the total number of employees

OUR APPROACH TO STAFF MANAGEMENT

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

In order to achieve these goals, the Group continued to work actively in the following key areas of the HR policy:

- Labour productivity improvement
- Development of managerial skills
- Development of employee initiative and engagement in the process of continuous improvement
- Development of the vocational training system
- Creating a system for independent employee qualification assessment
- Developing practices of mentorship and knowledge sharing on production sites
- Working with young specialists and high-potential employees
- Further integration of international companies into the Group's HR processes
- Digitalization and implementation of best practices in HR processes
- Increasing the share of employees transferred to open positions within the Group
- Developing internship programmes and increasing intern hiring rates
- Increasing employer brand attractiveness

One of the main focus areas of the HR strategy is increasing labour productivity. We achieve this goal by optimizing business processes, ensuring the automation and mechanization of labour, and developing processes that utilize the expertise of contractors and suppliers.

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

NLMK has built up a mechanism that allows employees and their representatives to address top management directly. For instance, during the live call-in with the NLMK Group CEO any employee can ask a question to the head of the Company. We also foster a culture of 'open doors' and availability of management to address operational issues during strategy sessions or live call-in events for functional areas. In addition, NLMK has an internal corporate portal, where employees can communicate with management of any level. The discussions on the portal are grouped by theme.

In order to maintain the high qualification level of employees we are constantly enhancing training at NLMK and ensuring its continuity. For many professions, employees are required to take a range of courses within a certain timeframe, including courses on the rules of access to equipment and operation of networks, communications, or complex units. If an employee does not complete the course in time, they may be not allowed to proceed with their work in line with regulatory requirements and for safety reasons. That is why we have transferred professional course training and training aimed at receiving and prolonging OHS permits into a remote format as a matter of priority.

NLMK opens a multidisciplinary qualification assessment centre in Lipetsk

NLMK Lipetsk, the flagship site of NLMK Group, has opened the first multidisciplinary qualification assessment centre for the manufacturing industry in Russia. The centre will independently assess whether the skills and abilities of NLMK Group employees conform to the requirements of uniform professional standards.

Irina Efimchuk, NLMK Group Training and Development Director, said: "In line with the changes in federal legislation, all Russian sites are obliged to gradually shift to an independent assessment of their employees' qualifications. NLMK Group actively participates in the activities of industry councils on professional qualifications, updating professional standards, and developing the methodological foundations of independent qualification assessments. By opening this centre we are facilitating the formation of a base for the state policy of qualification development in the regions where the Company operates."

Another notable area of activity is NLMK's collaboration with basic educational institutions, with internship programmes organized for students. Internships are an integral part of their studies. They enable students to develop practical skills in an actual production environment, gain experience with operating equipment and production processes, and learn to work in a team. Approximately 2,000 students from various educational institutions intern at NLMK Lipetsk every year. 2020 was an exceptional year due to the pandemic: in-person internships were suspended in March, and students were no longer allowed on site. Certain elements of the internships were taken online. In addition, we help our basic educational institutions in the development of the educational and material base, improve the qualifications of the teaching staff. We also support the process of involving experts from NLMK departments in training students.

We are committed to applying a unified approach to managing human resources issues, including at our international companies. NLMK Group's Human Resources Department is responsible for all staff-related issues, including hiring and retaining

qualified employees, building systems to reward and motivate them, and developing their professional skills.

In its HR activities, NLMK Group is guided by the following internal and external documents:

- The Constitution and Labour Code of the Russian Federation
- International declarations, including the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work
- NLMK Group's Corporate Ethics Code
- Collective bargaining agreements
- General corporate regulations on staff management

OUR EMPLOYEES

NLMK Group's average 2020 headcount was 51,900 people, of whom 48,500 (93.4%) were employed at the Company's Russian companies, 2,100 (4.0%) at European divisions, 0,200 (0.4%) at international auxiliary companies, and 1,100 (2.2%) in the United States **GRI 102-7**.

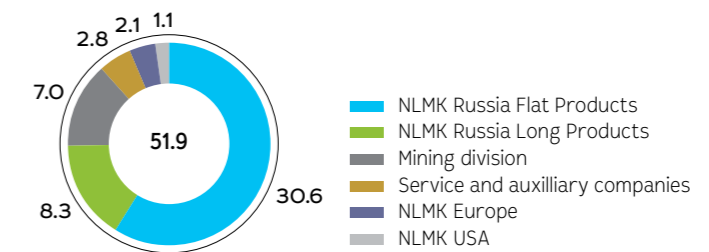
Approximately 97% of NLMK Group employees work under permanent contracts, and around 3% under fixed-term contracts.

The nature of the steel industry is such that the proportion of men in NLMK Group (75%) outweighs the proportion of women (25%) – this has always been the case historically. As for administration and management staff, women account for 48% of all specialists, including 50% of specialists and office employees, 22% of office managers and 4% of shop-floor (revenue-generative) managers (the total share of female managers is 15%).

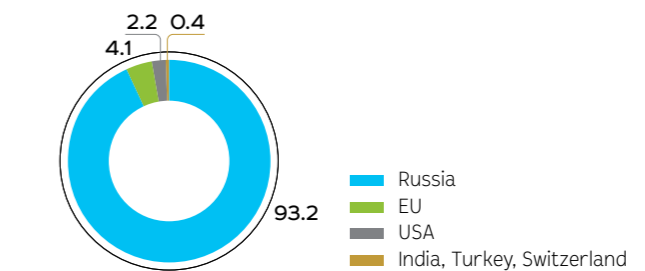
The average work experience of men and women at NLMK companies is at a comparable level.

NLMK employees represent various age groups, which attests to the lack of age discrimination in NLMK Group's HR policy. In 2020, 23% of all employees were aged over 50, 61% were aged between 30 and 50, and 16% were under 30. Of those in management positions (shop-floor managers and

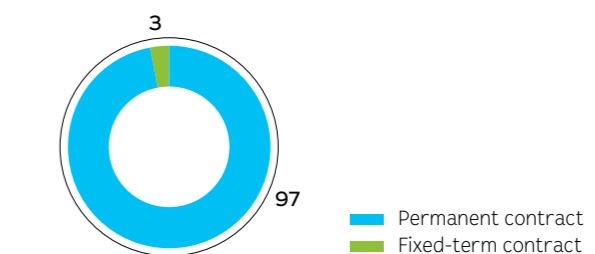
NLMK GROUP STAFF¹ BREAKDOWN BY SEGMENT IN 2020, THOUSANDS OF PEOPLE **GRI 102-8**



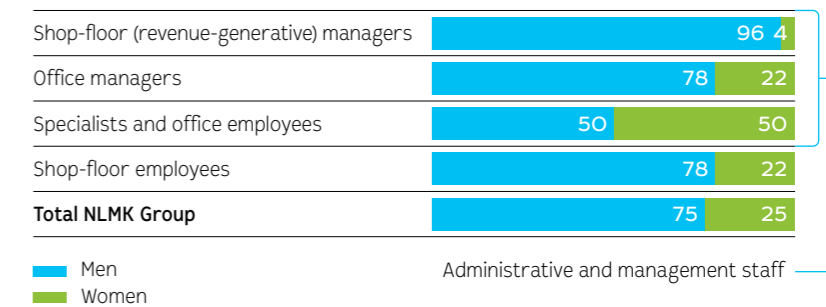
NLMK GROUP STAFF¹ BREAKDOWN BY REGION IN 2020, % **GRI 102-8**



NLMK GROUP STAFF² BREAKDOWN BY CONTRACT TYPE IN 2020, % **GRI 102-8**



NLMK GROUP² STAFF BREAKDOWN BY GENDER AND CATEGORY IN 2020, % **GRI 102-8, GRI 405-1**



¹ Average headcount.
² Headcount as of 31.12.2020.

office managers), 75% were aged between 30 and 50, and 21% were aged over 50.

NLMK is committed to supporting gender diversity within its governance bodies in a way that takes into account the specific nature of the Company's activities. In 2020, NLMK Group's Board of Directors and Management Board were made up of both men and women.

LABOUR PRODUCTIVITY

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

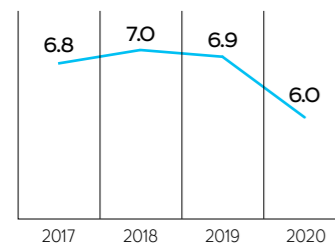
In 2020 labour productivity across NLMK Group stood at 305 tonnes of steel per person, growing year-on-year as major investment projects were implemented to upgrade the sites' main equipment. The changes vs. previous years are due to preliminary hiring and personnel training in anticipation of higher output in 2021 (+2 million tonnes at the Lipetsk site vs. 2020).

TURNOVER

In 2020, voluntary staff turnover decreased year-on-year to 6.0%.

EMPLOYEE VOLUNTARY TURNOVER³ AT NLMK GROUP

GRI 401-1

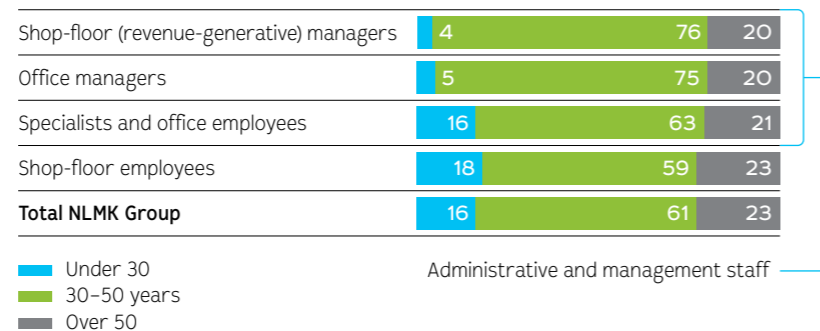


AVERAGE WORK EXPERIENCE OF NLMK GROUP EMPLOYEES¹ IN 2020: BREAKDOWN BY GENDER, YEARS



NLMK GROUP¹ STAFF BREAKDOWN BY GENDER AND CATEGORY IN 2020, %

GRI 102-8, GRI 405-1

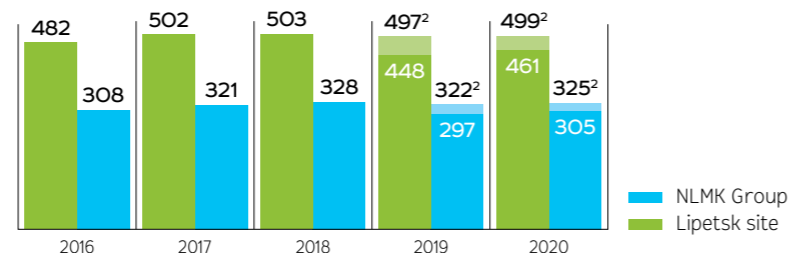


GENDER COMPOSITION OF NLMK GROUP GOVERNANCE BODIES AS OF 31.12.2020, PEOPLE

GRI 405-1



LABOUR PRODUCTIVITY, TONNES OF STEEL/PERSON



STRATEGIC PLANNING FOR LABOUR RESOURCES

In strategic planning for labour resources, our key objectives are to determine the qualitative and quantitative employee composition to ensure site productivity and to formulate a request for in-demand specialists on the 3-5 year horizon for student admissions to specialized educational institutions.

Resource planning work in 2020 was carried out jointly with the Lipetsk region community of employers – the RUE¹ HR Club. The project 'HR Club of Lipetsk Region employers as a tool for managing the regional qualifications market' received special recognition for its contribution to the region's development in the HR project of the year category of the Crystal Pyramid 2020 prize. Every year this competition identifies the leaders in human capital management.

STAFF RECRUITMENT

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

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

In its efforts to provide social support to the communities of the regions where it operates, NLMK pays attention to employing representatives of low-income and socially vulnerable groups.

Training programmes developed specifically for this purpose facilitate the successful adaptation of employees with low social status and no formal education or qualification.

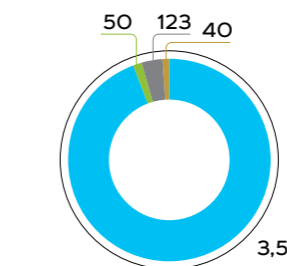
Amid the COVID-19 pandemic, NLMK Group focused on digitalizing recruitment processes:

- Video interview technologies based on the Sever.AI platform were introduced to assess candidates and interns.
- A SAP SF solution for worker selection was further rolled out.
- The Group's careers page, NLMK.team, runs on the SAP RMK module, enabling prompt publication of 100% of vacancies for external users.

A project to provide the service of filling in a questionnaire to become a candidate for employment at NLMK Lipetsk was implemented jointly with the Authorized Multifunctional Centre for the Provision of State and Municipal Services. The questionnaires are directly uploaded into the recruitment database so that relevant candidates can be considered.

In 2020, 3,755 people (7% of the average headcount) joined the NLMK team, 25% of them women. 94% were hired by the Group's Russian companies [GRI 401-1](#).

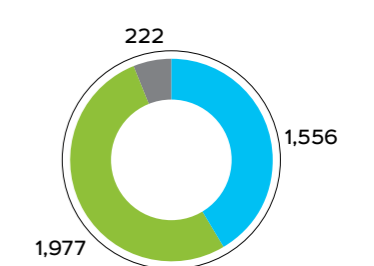
NLMK GROUP NEW HIRES BY REGION IN 2020, PEOPLE



Legend for Region:

- Russia
- USA
- EU
- India, Turkey, Switzerland

NLMK GROUP NEW HIRES BY AGE GROUP IN 2020, PEOPLE



Legend for Age Group:

- Under 30
- 30-50 years
- Over 50

The Company created more than 600 jobs in 2020, the majority of which were linked to the launch of investment projects.

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

NLMK implements targeted employment projects for people with disabilities. In 2020 the share of people with disabilities employed by the Company was 0.1% (29 people) of the total headcount. Due to the specific nature of roles in the steel industry, which involve working in hazardous conditions, recruitment specialists pay particular care and attention to the employment of people with disabilities. The Company complies with all respective legal requirements in this area.

¹ Headcount as of 31.12.2020.

² Labour productivity without reduction of output at the Lipetsk site associated with large-scale BF and BOF repairs.

³ Voluntary staff turnover occurs when employees leave their positions voluntarily, including retirement. Involuntary staff turnover occurs when employees leave their positions due to termination or death. In 2020, involuntary turnover stood at 4.4%, with overall turnover at 10.3%.

¹ Russian Union of Industrialists and Entrepreneurs.

² Labour Code of the Russian Federation dd. 30 December 2001 No. 197-FZ (11 October 2018 edition), Art. 253: Labour restrictions for female employees.

CAREER GUIDANCE

NLMK is launching and implementing new projects aimed at actively engaging young people into the Company's operations. We introduce schoolchildren and their parents to world of professions (Kids Inc.), offer a mobile application where users can build up their future carer track in the Company (NLMK Navigator), and inform schoolchildren and students about the influence of the Lipetsk plant on the city's environmental situation (Green City).

PERSONNEL TRAINING IN SPECIALIZED EDUCATIONAL INSTITUTIONS

In order to increase the share of highly qualified specialists on the labour market, NLMK collaborates with over 30 specialized educational institutions (vocational schools and universities) in the regions where it operates. Our future employees receive in-depth training in competencies that are relevant for NLMK, do internships and traineeships at NLMK Group sites, implement actual work tasks, and participate in the Company's projects. In addition to their degrees and specializations, graduates are trained for up to three professions, enabling their swift professional and career growth at NLMK.

ACKNOWLEDGEMENT AND RECOGNITION PROGRAMMES

In 2020, three NLMK Group sites – NLMK Lipetsk, Altai-Koks, and the Mining Division – simultaneously held the Foreman of the Year corporate competition. Over 160 employees competed in the event. The objective was to form a progressive team of middle managers and boost motivation to develop managerial and professional competencies.



PLANS FOR 2021 AND THE MEDIUM TERM

NLMK's personnel training and development programmes represent a full cycle of continuous professional and personal improvement: from vocational social projects to niche educational solutions for specific production purposes.

The Company plans to further roll out its best practices of career guidance using modern digital technologies, with production experts personally participating in teaching schoolchildren and students of specialized educational institutions.

In order to address the need for engineering talent and specialists with higher education, in 2021 we will launch a new internship programme for university students and graduates, the Steel Opportunities Academy. Candidates from over 600 leading specialized universities in Russia will be considered for internship positions, and the selected applicants will be gradually immersed in NLMK's corporate culture and production system.

In 2021 the Company will continue to implement a number of projects aimed at personnel development and increasing labour productivity. We will prioritize supporting talents, developing a mentorship system, and building individual career routes under NLMK's updated unified employer brand.

The Company intends to further develop acknowledgement and recognition programmes for young specialists, foremen, and mentors. We will also expand the system of financial and non-financial incentives for production personnel involved in occupational safety programmes and production system improvements.

ASSESSMENT AND REMUNERATION

NLMK Group employees receive competitive remuneration. We annually collect and analyse 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 the competitiveness of our remuneration.

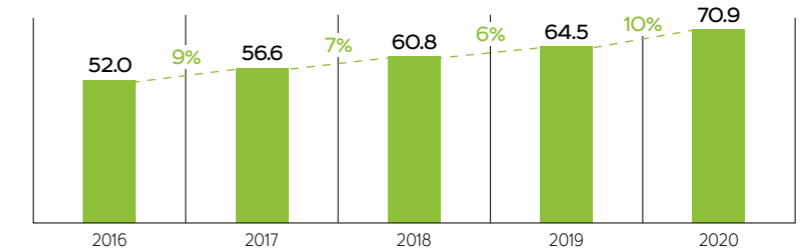
Financial remuneration for employees consists of a basic salary and a bonus. The NLMK remuneration system has been developed in accordance with best Russian and international practices. The Company also takes the views of trade union organizations into account when drafting local remuneration regulations.

Remuneration management in the Group is based on employee performance evaluation. For many years, NLMK Group was using a 'flat' approach to annual indexation: all employees' salaries were increased by the same percentage. The current approach introduced in 2019 enables the Company to further encourage the best of the best, while maintaining a competitive level of salary indexation for all employees. This way a more dynamic increase in the salaries of high-performing employees will help strengthen the principles of external competitiveness and the internal equity of remuneration across the Group's companies, while unlocking the potential and stimulating the professional activity of each employee. In 2020 this system covered 96% of NLMK Group's Russian company employees.

The average salary of NLMK Group employees at Russian companies in 2020 was RUB 70,900, a 10% increase versus 2019. The increase was significantly ahead of the inflation rate due to additional measures to support employees during the COVID-19 pandemic. At our international

companies, remuneration is determined based on collective bargaining agreements and employment legislation, and also includes annual income indexation.

AVERAGE EMPLOYEE SALARY AT NLMK GROUP'S RUSSIAN COMPANIES, RUB '000 GRI 202-1



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

In the reporting year, in order to further expand the disclosure of the remuneration structure, NLMK Group provides data on the average monthly salary of entry-level employees by gender and category. The methodology for calculating this indicator implies taking into account the actual payroll by initial grades in each of the categories of workers.

AVERAGE MONTHLY SALARY OF ENTRY-LEVEL EMPLOYEES BY GENDER AND CATEGORY AT RUSSIAN NLMK GROUP COMPANIES IN 2020, RUB '000 GRI 202-1

Category	Management	Engineers and technicians	Blue collars
Women	73,402	46,901	42,617
Men	73,266	50,648	48,884

■ Management
■ Engineers and technicians
■ Blue collars

The Company also continues to develop an end-to-end management system that aims to achieve the Group's goals (Management by Objectives (MBO)). More than 9,500 employees receive their annual bonus based on their achievement of key performance indicators (KPIs). All employee KPIs are linked in a single cascade of the Group's strategic goals down to functional area goals.

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

In 2020, 47,497 employees of NLMK Group, or 91% of all staff, underwent an official performance assessment GRI 404-3.

FEATURES OF THE MBO SYSTEM

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

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

By 2022, NLMK Group plans to extend the MBO system to cover 100% of employees at all levels, including blue collars.

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

NLMK has a policy of personnel relocation. 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.

PROPORTION OF NLMK GROUP EMPLOYEES WHO RECEIVED A REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW, BY CATEGORY AND GENDER AS OF 31.12.2020, PERSONS GRI 404-3

By category

Of total white collars ¹	86%	14,026
Of total blue collars	93%	38,342

By gender

Of total men	90%	39,028
Of total women	91%	13,340

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

360/180 APPRAISAL

Since 2018, the Company has been using the 360/180 personnel appraisal system. It involves surveying employees using the 360-degree method on SAP Success Factors. The responses are strictly anonymous and are presented as average data. The appraisal results are strictly confidential.

The criteria used in the 360-degree surveys mainly stem from NLMK's model of corporate and managerial competencies, as well as the Leader Standard Work practice. Subject to approval by their direct superior, any employee may request this competency model survey and include respondents at their own discretion: their manager, colleagues, subordinates, clients, and partners. Before the survey, employees undergo specialized training. The appraisal results are used to determine development goals and may not serve as grounds for HR decisions (termination, bonus reduction, etc.).

In 2020, 360-degree surveys were carried out for over 800 employees.

Starting with 2021, we plan to regularly implement 360/180 appraisals based on the competency model for all managers, specialists, and office employees. In addition, employees with an individual development plan will have access to an annual survey on the competencies they are developing.

TRAINING AND DEVELOPMENT

Employee proficiency and qualifications are an important factor in ensuring sustainable development at NLMK. A key objective for the Company vis-à-vis staff development and training is to ensure that employees receive the necessary level of training in vocational knowledge and skills so that they can perform at a high level. The Company also makes active use of the Leaders Train Leaders approach (see the NLMK Corporate University section for more information).

NLMK invests considerable resources in the training and development of its employees. Investment allocated to staff training and development measures in 2020 amounted to RUB 1,383 million, including 1,112 million allocated to construction of Corporate University campus in Lipetsk, RUB 249 million to training measures and RUB 22 million to in-house coaches payroll.

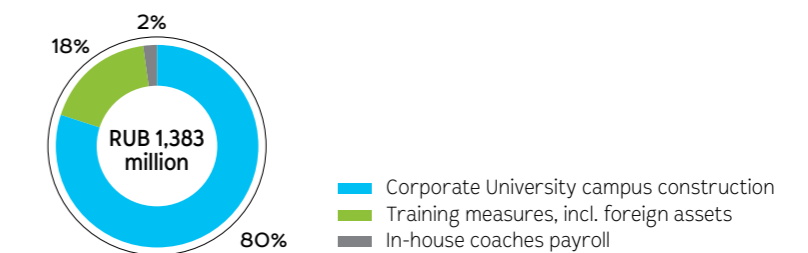
In 2020, the NLMK employees received a total of 3,173,228 man-hours of training (including OHS training), with 169,542 of them delivered to NLMK Group's Russian companies via the Corporate University. Divided by NLMK Group's average headcount, this implies 61.1 hours of training per person (65.1 hours divided by the average headcount of the Russian companies). NLMK Lipetsk employees also provide trainings on the Company's professional competencies to students of basic educational institutions. These trainings promote the development of the mentors themselves as well as potential employees for NLMK Group. Therefore, in the reporting year, an additional 706,658 man-hours were included in the total amount.



The overall time of OHS training in 2020 was 661,379 hours (594,877 hours of centralized training and 66,502 hours in the Corporate University) GRI 404-1.

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

INVESTMENT IN NLMK GROUP'S COMPANIES, INCLUDING FOREIGN ASSETS, BY TYPE OF TRAINING PROGRAMME IN 2020 GRI 404-2



¹ White collars are managers, specialists, and office employees

COOPERATION WITH EDUCATIONAL INSTITUTIONS

As part of its cooperation with schools and supplementary education centres, the Company implements a broad spectrum of informational and educational initiatives. These include organizing tours of production sites and encouraging students to study technical disciplines via corporate career guidance projects (steelmaking camps, School of Professional Skills, NLMK Class, the Steelmaking for the Curious community, the NLMK Career Guidance group on the VKontakte social network, thematic meetings dedicated to the Company, training school students for blue-collar jobs).

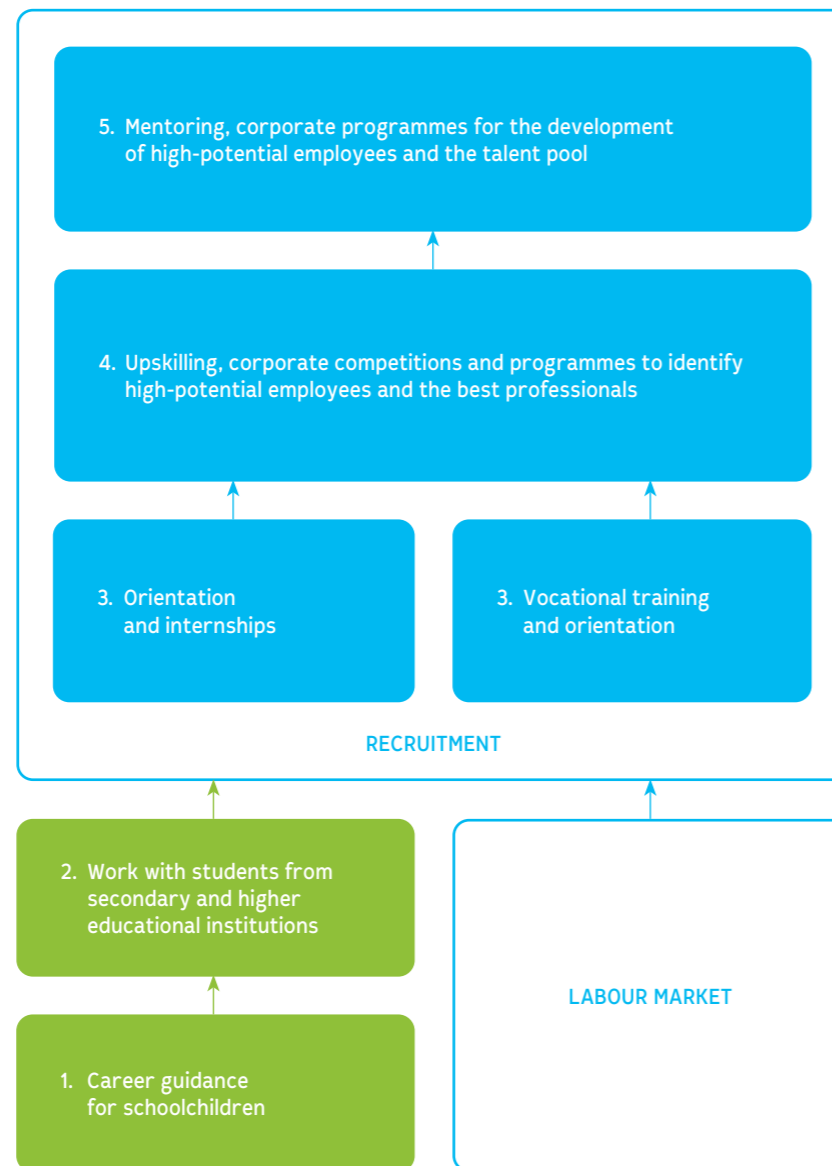
NLMK works closely with vocational training and higher education institutions, proposing changes to course content to reflect NLMK practices, organizing various types of work experience at the Group's sites, operating scholarship programmes for students, and conducting additional and dual education programmes.

The Company also organizes NLMK ReSolve, a corporate case championship for students of higher educational institutions and vocational schools aged 16 to 30. In 2019/2020:

- Over 100 student participated in the championship
- 23 technological development projects were proposed when resolving the cases
- 35 NLMK experts acted as team mentors and experts evaluating the case solutions
- 20 best students were invited to do an internship/receive a promotion
- 3 finalists joined the Russian national team at Metal Cup, the international steelmaking case championship

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

STAFF TRAINING AND DEVELOPMENT AT NLMK



VOCATIONAL TRAINING

GRI 404-2

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

NLMK devotes considerable attention to other areas of training that are valuable for business. During the reporting period the Company proceeded with its corporate programme of English language training. In-house mentors participate in creating specialized glossaries for the programmes so that the participants can learn industry-specific vocabulary and terms.

NLMK CORPORATE UNIVERSITY

GRI 404-2

NLMK Corporate University (CU) was established in 2016 in order to introduce a unified management training system throughout the Group.

The mission of the Corporate University is to make the Company more competitive by helping to develop the leadership skills of managers and talent pool candidates, and to develop the Company's ecosystem (representatives of client, partner, and contractor companies).

Objectives:

- Development of NLMK managers at all levels, enhancing the management system by instilling unified working standards, uncovering managers' leadership potential, developing managerial competencies
- Identifying and rolling out NLMK's best practices, including via leaders' participation in training course development
- Supporting organizational changes and strategic projects by creating an integrated information environment and focusing on cooperation and teamwork
- Developing NLMK Group's leadership capital, creating an environment of engaging leadership

The target audience for the NLMK Corporate University

consists of more than 6,300 Company executives and talent pool candidates for senior positions.

NLMK Corporate University allows managers of any level to take at least four training courses every year. The recommended percentage of managerial training for one employee is approximately 5% of their working hours annually.

On average, employees receive 20.7 hours of training.

Corporate University training solutions are also used at the Group's international companies.

The Leaders Train Leaders approach

Senior and middle managers and key experts at the Group assist in the development of the Corporate University programmes, and they also deliver training as in-house coaches for at least four days every year. Company vice presidents act as trainers at programmes for foremen and line managers in various functional areas. The Leaders Train Leaders approach is the foundation of training in the Corporate University, enabling:

- An engaging environment and unity of meanings via sharing personal experiences
- An exchange of views, which ensures an effective two-way feedback channel during training
- Managers' development with the help of in-house coaches via repeated internalization of programme contents

All in-house coaches undergo special training and receive support from professional trainers in order to ensure that educational programmes are taught according to high quality standards. Over 300 employees act as the Company's in-house coaches.

The Leaders Train Leaders approach is developed by scaling up a single methodology of in-house coach training and development both within the Company and in its ecosystem (partner companies).

Educational solutions (programmes)

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

At present the Corporate University portfolio includes 150 educational solutions that are differentiated into the following streams:

- Value strategy and management
- Production system
- People and teams
- Innovation and change
- Level-specific programmes
- Onboarding (as the Company CEO)
- Development of in-house coaches
- Training solutions for the NLMK ecosystem

Level-specific programmes are a new stream that was added to the Corporate University portfolio of educational solutions in 2020. A level-specific programme is a product that develops knowledge and skills and forms certain attitudes of the target audience at one management level (usually the talent pool) in order to achieve business goals in the most efficient way. In 2020, the Corporate University ran three level-specific programmes.



One of them is DREAM 100 executive development leadership (for the top management's talent pool), a joint development with INSEAD Business School. The first stream of DREAM 100, which gathered 49 participants, took place in February–November 2020.

The programme is aimed at training top managers with developed management competencies who are able to implement the Company's ambitious strategy in a changing environment.

During the training, DREAM 100 participants work in project teams and solve specific business tasks in various areas: sales and customer service, cyber capital, sustainability, ecosystem approach, etc.

The development programme for the talent pool of mid-level managers has been in place at NLMK since 2018, while in the framework of the Corporate University it is being implemented since 2020. The third stream took place in September–December 2020.

The programme is aimed at preparing managers for their transition to the next management level with the expansion of their area of responsibility and the scale of tasks.

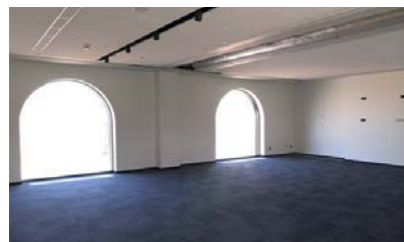
School of Foremen

(for newly appointed foremen and the blue-collar talent pool for foreman positions) was developed in 2020. The pilot project was tested in July–November 2020. Cascade training started in September 2020 and will be carried out until 2022.

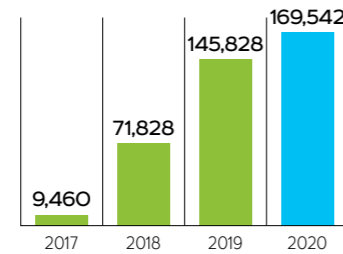
The programme is aimed at developing managerial competencies among foremen/talent pool members to improve their efficiency in solving work tasks, develop their people and process management skills, and teach them to interact within their team and related departments.

NLMK Corporate University campus

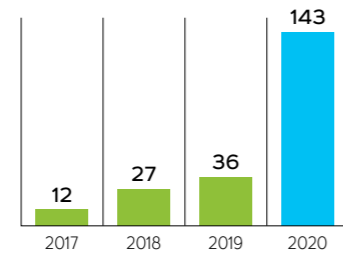
In 2017, construction of the NLMK Corporate University building began at the site of the former Metallurgists' Palace of Culture in Lipetsk.



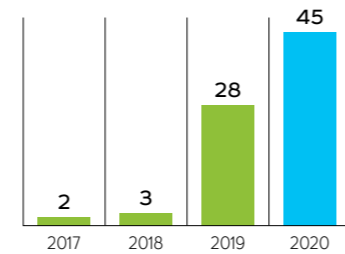
NUMBER OF TRAINING HOURS BY YEAR FOR ALL CORPORATE UNIVERSITY EDUCATIONAL SOLUTIONS (NLMK GROUP RUSSIAN COMPANIES)¹



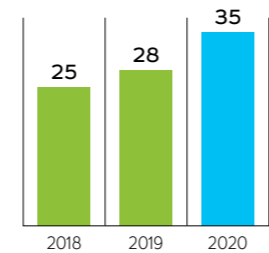
NUMBER OF CORPORATE UNIVERSITY DISTANCE LEARNING COURSES, UNITS



NUMBER OF EDUCATIONAL SOLUTIONS, UNITS



NUMBER OF SESSIONS AND CONFERENCES HELD, UNITS



In Q3 2021, the NLMK Corporate University campus, a modern multifunctional cultural and business centre, unique for the region, is scheduled to open. It is worth noting that the building preserved its original appearance.

The campus will house a conference hall that can seat 492 attendees, with gradually rising seating to ensure audience sightlines. The transformed hall system is used: within 10–15 minutes, the telescopic folding grandstand allows you to completely



¹ The stats do not include sessions and conferences

free up the space of the stalls. Multi-level sector seats for the audience, in the form of an amphitheater, can be organized on the stage. Classroom, a physical space in the form of a classroom with a video wall, on which the audience screens are broadcast, will be installed on the stage.

The exhibition space will be organized on the first floor of the atrium. On the third and fourth floors, there will be two zones for design thinking sessions. On the fourth floor, under the glass dome, special rooms where people can unleash their creativity will be set up.

The area around the campus will also be landscaped, and NLMK will build a children's playground, as the Mayor's office requested. A beautiful fountain with a century-old history, well-known in Lipetsk, is already functioning.

Investments in the project will total close to RUB 4 billion.

Participation in the work of international communities

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

PREPARING A TALENT POOL

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

management vacancies. It also aims to further the career aspirations of NLMK employees and ensure the continuity of knowledge and technology.

In 2020, the Talent Pool process was automated. The Company continues to hold regular career committees for the positions of foremen and heads of sections. The talent pool management indicators are automated and available for analysis to the Company's managers.

The stewardship over the talent pool is assigned to the heads of structural subdivisions. Managers are being trained in managerial skills evaluation for this purpose. In 2020, 83% of positions covered by the programme were filled from the talent pool.

CAREER PLANNING

In 2020, the Company continued to develop its standard career routes system.

The initiative aims to encourage employees to proactively develop the necessary competencies as they advance in their career within the Company, to provide guidance on possible growth directions, to support them in gaining interdisciplinary experience, and to increase the attractiveness of geographical mobility between the Group companies.

Career planning offers access to career opportunities not only to the talent pool members, but also to a wider range of employees interested in developing competencies, gaining new experience and knowledge. This process enabled planning career routes to adjacent fields and functions, to the positions of specialists and experts: an expert career gets a new impetus, which is important for preserving the Company's production culture.

In 2020, a pilot project in the Logistics function was successfully implemented. Close to 220 managers, specialists, and blue-collar workers selected and discussed with their immediate superiors possible options for developing their careers, including changing their specialization, functionality, and geography.

EMPLOYEE SUPPORT

GRI 404-2

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

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

SOCIAL POLICY

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

In 2020, NLMK Group continued to implement its Social Strategy through 2022, 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 a high and well-balanced level of staff satisfaction and involvement
- Reducing losses (time, health, personal efficiency)
- Higher competitiveness/attractiveness of jobs/employer

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

SOCIAL SUPPORT

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



NLMK Group's total social investments in 2020, including NLMK Group's international assets, stood at RUB 8.4 billion, of which RUB 7.4 billion was allocated to social support programmes for NLMK Group employees. In 2019, the Company switched to disclosing social investments for the entire Group, including its international companies.

NLMK GROUP'S SOCIAL SPENDING, RUB BN GRI 201-1

Year	Social support expenses for the Group's Russian employees	Investment in local community development in Russia ¹	Social support expenses for the Group's international employees	Investment in foreign local community development ¹	Total
2020	4.79	1.03	2.61	0.00	8.43
2019	2.26	0.56	2.87	0.01	5.70
2018	2.44	0.29			2.73
2017	2.29	0.39			2.68
2016	2.15	0.85			3.00
2015	2.11	1.19			3.30

- Social support expenses for the Group's Russian employees
- Investment in local community development in Russia¹
- Social support expenses for the Group's international employees
- Investment in foreign local community development¹

Collective bargaining agreements govern the following social support measures:

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

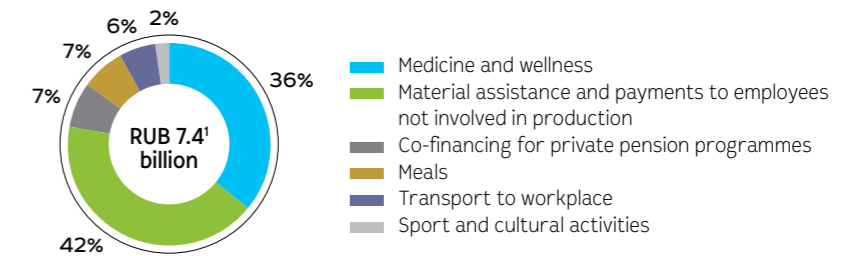
Along with this, NLMK provides additional benefits for employees that aim to support their health, improve working conditions, and care for their family members, and also organizes various corporate events.

The Company also has PRIMEZONE. NLMK, a corporate loyalty programme developed for employees at major Russian companies. As part of the programme, employees have access to discounts and special offers from retailers in the cities where the Group has companies: Lipetsk, Stary Oskol, and Moscow.

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

NLMK Group's Employee Health Programme was also further enhanced in 2020 with a special focus on activities that would ensure employee safety

SOCIAL SPENDING FOR NLMK GROUP EMPLOYEES (INCLUDING INTERNATIONAL COMPANIES) IN 2020 BY AREA GRI 201-1



amid the spread of the coronavirus pandemic GRI 403-6. The voluntary health insurance programme was extended to provide free medicines for the treatment of COVID-19 and pneumonia, telemedicine, psychological support services, and additional examinations after COVID-19. Vaccination against flu and pneumococcal infection was also organized with a target coverage of 75% of the staff (see the COVID-19 response section for more details).

NLMK GROUP'S EMPLOYEE HEALTH PROGRAMME

WORKING CONDITIONS

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

LIFESTYLE

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

MEDICINE

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

¹ For more information about investment in the development of local communities, please see the Development of Local Communities section.

¹ Including RUB 4.8 bn expenses at Russian assets.

NLMK Group's Employee Health Programme was highlighted by a number of key projects in 2020.

1. Accident and critical illness insurance

GRI 403-6, GRI 403-10

In 2019, the Company introduced an accident and critical illness insurance. The new privilege was introduced as part of its Social Strategy of NLMK Group and aims to provide financial support to employees and their families in difficult health-related situations. This insurance covers all accidents, including ones that occurred outside of production facilities or office premises, for example at home or on vacation, as well as critical illnesses that are initially identified during the insurance coverage period (including oncological diseases). Moreover, the programme envisages additional payments for accidents at work and occupational illnesses that are diagnosed for the first time, and long-term disability. In 2020, in the context of the pandemic, the largest number of appeals were received from employees with temporary disability (more than 21 days), the amount of payments exceeded RUB 53 million with a total of 1,649 payments made.

2. Healthy Choice project

GRI 403-6, GRI 403-10

The goal of the Healthy Choice project is to involve NLMK Group employees in championing a healthy lifestyle, developing a healthy lifestyle culture within the Company, and promoting global best practices to this end. During the first stage of the project, the Company implemented a set of activities that aim to increase awareness among the members of the Healthy Choice project as regards their health status and build a conscious attitude towards health management. The project focuses on the principles of cascading and the gradual involvement of new members. In 2020, 600 participants of different age groups took part in the project, with more than 90% of them being blue-collars. In 2020, the results of the first cycle of the project were summed up:

- More than 70% of the participants managed to stick to a healthy diet: for example, 81% of the participants

consumed less than the normal amount of fruit before completing the programme, while after the programme their share reduced to less than 5%.

- A total of 40% of the smoking participants quit smoking: 13% of the participants smoked before the programme, and only 7% after the programme.
- The average number of steps per day taken by participants increased by 25% during the project.
- As much as 6% of participants improved their body mass index scores.

At the end of the year, the project participants received awards in the form of healthy lifestyle paraphernalia.

Due to the spread of the coronavirus infection, the second cycle of the Healthy Choice project was postponed to 2021. Nevertheless, the participants continued to actively promote healthy lifestyle among their colleagues, participated in online competitions and training sessions, and continued yoga and volleyball classes initiated before the outbreak of the pandemic in compliance with anti-epidemic norms.

The Healthy Choice project received the highest award of the People Investor 2020 corporate projects competition in the Healthy Lifestyle category among the best practices in the field of corporate social responsibility and sustainable development.

RESULTS OF THE HEALTHY CHOICE PROJECT



3. Transferring corporate medical assets to professional management

GRI 403-6, GRI 403-10

The Company continued working on reorganizing its medical assets and transferring them to responsible management in 2020. This measure aims to achieve planned employee health indicators, enhance the quality of medical service, and also establish a single cost and analytics center.

Medical services for NLMK Group employees are provided by three infirmaries and 29 medical centers. Employees are also able to undergo treatment at health resorts and take wellness holiday time, either at NLMK's resorts and spas or in other regions of the country [GRI 403-3](#).

In 2019, a multi-disciplinary medical holding company that specializes in emergency medicine evaluation and optimization conducted a medical risk assessment for the Group and optimized the response sequences for the medical personnel. In 2020, based on the results of the assessment, the Company approved its Regulations on Emergency Medical Care and Medical Evacuation, trained paramedics in line with modern standards of emergency medical care at the hospital stage, prepared a manual on first aid, developed medical procedures, and organized training sessions. The company health centres are equipped with modern medical resuscitation equipment [GRI 403-3](#).

Healthy eating

The Company develops and promotes a culture of healthy eating at NLMK sites. In 2020, as part of its strategic partnership with the best federal catering companies, NLMK implemented the following projects:

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

The implementation of the NLMK Employee Health Programme in 2018–2020 achieved the following:

- Modifying the voluntary medical insurance programme to focus more on early diagnosis and prevention
- Introducing a new type of insurance for accidents and critical illnesses
- Handing over management of corporate medical assets to an external provider
- Conceptualization and launch of the Health School awareness-raising project
- Conceptualization and launch of the first cycle of the Healthy Choice project, which aims to promote a conscious attitude to health

NLMK Eats!



As part of its Social Strategy NLMK Group has launched a new corporate nutrition programme titled "NLMK Eats! Delicious, healthy, accessible." The programme will gradually cover all the Group companies during 2020–2021.

What changed for employees?

- **Food became cheaper:** the employer reimburses part of the cost of lunch when an employee pays at the canteen.
- **Food became more accessible:** an employee can order food to be delivered to their workplace.
- **Paying for food became more convenient:** an employee can one-touch pay with their pass.

PULSE OF NLMK CORPORATE SURVEY

In 2019–2020, our corporate Pulse of NLMK survey covered over 20,000 employees, or close to 74% of the full-time headcount at the Group's Russian sites. The survey identified the strengths of the Group's companies as well as areas for growth. In addition to the survey itself the cultural diagnostics cycle includes the analysis of survey results and permanent cultural councils developing and implementing activities in areas for growth as well as improving employee communication. The Pulse of NLMK survey will be conducted annually as part of a continuous cultural diagnostics cycle.

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

TRADE UNIONS AND COLLECTIVE BARGAINING AGREEMENTS

As part of its HR policy, the Company fully complies with the requirements set forth in collective bargaining agreements and holds regular meetings with representatives from trade unions. Collective bargaining agreements are in force at all the Group's companies, including at our international companies. As of 2020, collective bargaining agreements covered 100% of employees at NLMK Group's Russian companies.

In 2020, a series of collective negotiations was held with the shop-floor trade union organizations of NLMK Group's companies and steps were taken to harmonize basic benefits provided under collective bargaining agreements.

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

NUMBER OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS, % GRI 102-41

NLMK Group region	2016	2017	2018	2019	2020
Russia	100	100	100	100	100
EU ¹	90	89	88	88	87
USA ¹	n/a	n/a	72	71	72

VOLUNTEERING

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

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

At the end of 2020, about 1,500 NLMK employees took part in the volunteer movement. The spread of the coronavirus infection made it impossible to hold mass volunteer events, but the Company's volunteers played an active role in the We are Here for You corporate campaign to support veterans and retired employees (see the *Developing local communities* section for more details), and were able to put their own ideas into practice in the first corporate competition of volunteer projects.

In December 2020, the Bonfire at the Volunteer Lighthouse meeting was held in an online format for the top 40 corporate volunteers at all the Group companies.

Volunteer project competition

The first competition of NLMK Group's volunteer projects was held in 2020, with social assistance as its primary focus. The volunteers offered a wide variety of projects for the competition: social English lessons, improvement of recreation areas for the elderly, assistance to special needs children, veterans, people with disabilities, organization of charity fairs, and much more. Since the competition was held at a difficult time of the COVID-19 pandemic, the authors of the projects reflected the risks associated with changes in the epidemiological situation. Following the competition, 19 winners received cash prizes of up to RUB 100,000 for the implementation of their volunteer project.

VOLNA educational volunteer accelerator



In 2020, at the VOLNA educational accelerator, NLMK Group's corporate volunteers improved their knowledge and skills in the field of volunteerism and shaped ideas for new social initiatives with the support of YouSocial project partner. Depending on their own competence and awareness of their role, employees could choose the sessions of interest to attend. During the accelerator, there were meetings and dialogues with representatives of local administration, as well as team design workshops on social initiatives ideation. When the epidemiological situation changed, VOLNA went online. NLMK employees participated in a two-week online campus and received expert advice on their initiatives, which they subsequently submitted to the volunteer project competition.

NLMK's corporate volunteering programme was recognized at the federal level

A team of Lipetsk volunteers led by NLMK employee Maria Trukhacheva won the Best Eco Volunteer Team national competition in the Eco Youth category. For two years the activists participated in the Ecopatrol project to clean up the banks of the Voronezh River from garbage.

CORPORATE SPORT

NLMK Group provides its employees with all the conditions they need to engage in sports. The Group supports onsite sports halls and centres at its companies, maintains corporate sports facilities, hires external halls and facilities for team sports, provides employees with subscriptions to swimming pools and gyms, and arranges employee discounts at fitness centres. Corporate contests and tournaments are held on a regular basis. Around 400 employees pass Russia's Ready for Labour and Defence physical fitness test every year.

Amid the spread of the new coronavirus infection, the First Open Multidiscipline Competition was held online in 2020.

It was held in four disciplines among men, and four disciplines among women, in three age categories. A total of 60 athletes from main NLMK Group companies participated in the competition.

NLMK teams also took part in BlitzBusinessChess-2020, the first online chess tournament among companies.

Nordic walking – a new way of living

NLMK Group companies took part in the *Nordic Walking* – a new way of living national project from July to October 2020. Close to 100 employees of the Group, including about 50 at the Lipetsk site, actively trained and prepared for competition. As part of the project, NLMK Group fielded seven teams in four home regions: the Lipetsk, Kaluga, and Sverdlovsk Regions and the Altai Territory. NLMK Group teams came in first in these regions. According to the results of the national individual competition among men, NLMK Group employees won 1st, 4th, and 10th places (of 157 total). Thanks to the project, NLMK Group companies have formed teams of caring and active employees who are ready to promote Nordic walking and engage their colleagues in this sport.

PLANS FOR 2021 AND THE MEDIUM TERM

Human resources management is a key component that impacts NLMK Group's development. NLMK Group is developing an action plan to increase awareness of the NLMK brand in the external and internal labour market and increase the share of employees filling internal vacancies. An important area of NLMK's HR policy is the development of corporate programmes to attract students for internships and the creation of standard career routes and educational programmes for HiPos, high potential employees.

As far as personnel assessment and remuneration is concerned, the Company plans to further develop the MBO system to ensure

100% coverage of employees at all management levels by 2022. Incentive systems will also continue to evolve: incentives will be provided for participation in projects, for submitting initiatives, and more.

NLMK Corporate University plans to create more than 20 new educational solutions with a focus on personalization and global trends in training and development, as well as to expand the range of programmes for managers of various levels and the talent pool. Work will be carried out to improve the online learning environment: a virtual campus will be opened, personal account functionality will be added for internal coaches, etc. In 2021, NLMK Corporate University is expected to get internationally recognized CLIP accreditation, which is testament to the quality of corporate training. In addition, the opening of the Corporate University campus, the most modern and innovative space in the region, will take place.

In terms of its social policy, in 2021 the Company plans to develop and carry out a programme for updating medical equipment and introducing a unified medical information system, carry out the second cycle of the Healthy Choice project, continue the VOLNA educational volunteer accelerator, and hold the second competition of volunteer projects.

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

OCCUPATIONAL HEALTH AND SAFETY

MAJOR THEME
OCCUPATIONAL HEALTH AND SAFETY

KEY EVENTS IN 2020

- Severe injury rate decreased by 30%
- NLMK Group approved its fire safety, industrial healthcare, and road safety strategies
- Injury prevention programmes for the top risks were developed
- A training programme on the 8 OHS tools was completed, with the courses adapted to remote format

\$ 47.8 million

invested in the development of safe production

16 large-scale OHS projects

curated by the Company's Top 100 executives

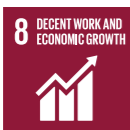
5 comprehensive top risk programmes

currently underway to prevent injuries

3 new IT services launched:

Hazard Reporting, Safety Behavioural Dialogues, and Safety Contact

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



OUR APPROACH TO MANAGING OCCUPATIONAL HEALTH AND SAFETY

GRI 403-1

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

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

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

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

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

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

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

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

The CEO (Chairman of the Management Board) plays a key role in regulating the Group's approach to operational



safety. He determines the Company's OHS development strategy and approves the fundamental document, the Integrated Management System Policy (see Sustainability management section for more).

One of the Policy's objectives is to ensure efficient operations without accidents, emergencies, and injuries. The Company strives to attain this objective by introducing best OHS practices and by continuously developing and promoting a production culture among NLMK Group employees and contractors. NLMK Group management recognizes its responsibility for ensure safe and favourable working conditions and protect the life and health of its employees and contractors. NLMK Group plans its economic activities based on the results of regular and objective risk analysis of environmental risks. The Company's management regularly discusses OHS matters with employee representatives and labour unions. Structural unit employees can submit proposals related to safety, safe working methods, and the measures required to improve labour conditions through their OHS representatives.

The Company's Management Board is updated on a monthly basis on the status of the OHS Strategy, OHS projects, and the results of occupational accident investigations. These reports make it possible to analyse the performance of the OHS management system and develop next steps to improve it. In addition, the Management Board reviews the achievement of OHS KPIs.

These KPIs are included in the annual assessment system for managers at all levels and are taken into consideration when promoting candidates to management positions.

The Occupational Health and Safety Department manages OHS issues at all the Group's companies, including international ones. Each of the Group's companies has an OHS team. Dedicated occupational safety teams operate in the shops of the largest companies. A dedicated project office operates within the Department to develop and maintain the NLMK Group contractor safety management system. A separate unit works on contractor engagement at major reconstruction and development investment projects. All participants in the OHS management structure, including international companies, collaborate to ensure that a unified approach is adopted to improving safety at all NLMK companies. Requirements for compliance with NLMK Group's OHS principles are identical for Company employees and contractors.

The list of corporate documents also includes:

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

EFFECTIVENESS OF OHS EFFORTS

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

The Company has established the following strategic objectives in matters concerning OHS:

- Zero fatalities involving employees and contractors
- Achieving a total Lost Time Injury Frequency Rate (LTIFR) among employees and contractors of not over 0.5 by the end of 2022
- Raising awareness among staff vis-à-vis personal safety

A factor analysis of incidents at NLMK Group's Russian companies over 2018–2020 was completed in the reporting period. It encompassed the following areas:

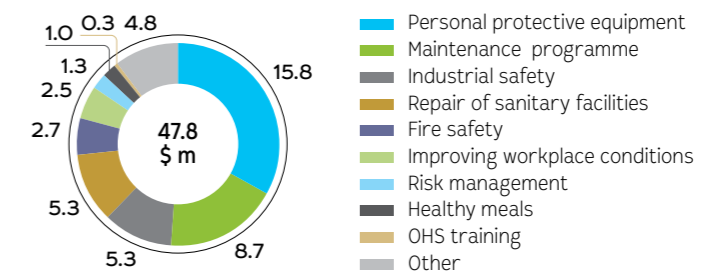
- Work-related injuries across NLMK Group, functional areas, and production sites
- Fires and fire safety incidents
- Industrial safety incidents
- Road traffic incidents
- Industrial healthcare

The main objectives of the exercise were to identify problem areas with the highest injury rate and to conduct an analysis of the root causes of the incidents. The results of the analysis also formed the basis of the corrective measures for 2021 aimed at reducing OHS risks.

OHS INVESTMENTS

In order to achieve the objectives that have been set in a timely and high-quality manner within the framework of the OHS Strategy, the Company invests in this sphere annually. In 2020, OHS expenses amounted to \$47.8 m.

BREAKDOWN OF OCCUPATIONAL HEALTH AND SAFETY INVESTMENTS IN 2020, %



Each NLMK Group company submits its planned measures and projects for OHS risk management to the Investment Committee for review. As part of the Maintenance and Major Repairs Programme, the Investment Committee decides on the allocation of funds for OHS projects. A detailed implementation schedule is prepared for each project, and a risk assessment is conducted. Maintenance and Major Repairs Programme projects are prioritized by assessing the risks of personnel injury and critical equipment malfunctioning.

In 2020, over \$15 million was invested into projects to improve production safety (Russian and international companies) in the following areas:

- Occupational health and safety
- Risk management
- Fire safety
- Improving working conditions for employees

Renovation of sanitary and amenity facilities

In 2020, NLMK Group continued a renovation programme for sanitary facilities to increase the level of employee satisfaction with their working conditions.

More than 110 facilities with a total area of more than 6,000 m² were renovated at two production sites of the Group. Investment totalled RUB 380 million.

MANAGEMENT SYSTEM AND CERTIFICATION

GRI 403-8

NLMK is committed to establishing an OHS management system that operates effectively and covers 100% of employees and contractors. As of late 2020, the number of employees covered by the OHS management system was 50,000, or almost 100% of the headcount. Furthermore, in 2020 the Company achieved 100% coverage of contractor employees under the OHS management system.

The Company carries out certification of the OHS management system at individual enterprises. Initially, the sites were certified for compliance with OHSAS 18001:2007 requirements, with certificates still valid for NLMK Strasbourg (until 2021) and NLMK DanSteel (until 2021).

In 2018, a working group was set up to transform OHS management systems at sites and ensure ISO 45001:2018 certification. NLMK Lipetsk and VIZ-Steel were certified in 2019, and NLMK Verona in 2020. More than 30,000 employees were covered by the OHS management system, which was certified by a third party.

OHS RISK ASSESSMENT

GRI 403-2, GRI 403-7

NLMK Group applies a risk-based approach to OHS management. A full risk assessment of operations falling into the top-5 category (at the sites of the Production System's deployment) was conducted: the Company assessed the risks for Top 5 operations and initiated an operation-by-operation risk assessment for all production operations. Currently, risks have been assessed for 80% of production operations.

The highest injury rate was observed in materialized risks of same-level falls (slips, trips, false steps). To reduce these risks, a programme was developed to systematically prevent such injuries, a steering committee was formed, and a working group was set up to introduce and implement measures to reduce injuries.

The most severe injuries occur as a result of falling from heights. In order to prevent them, a programme was developed to systematically reduce the risks related to working at heights, a steering committee was formed, and a working group was set up to introduce and implement measures to reduce injuries.

Industrial Medicine

GRI 403-9

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

In 2020, Regulations on ensuring readiness for medical emergency response and medical evacuation were adopted, along with a first aid guide and medical algorithms.

As part of the programme for initial response actions to prevent cardiovascular disease aggravations, all sites have been equipped with training mannequins and machines. A dedicated remote training course on CPR was organized and taken by over 5,000 people, and over 500 employees were trained in person. 59 automatic external defibrillators were installed at 8 NLMK Group sites.

In order to continuously monitor the condition of employees with heart diseases in real time, NLMK Lipetsk Railway Transport Unit launched an ECG T-shirt pilot project.

In 2020, 24 electronic check-up system terminals were installed at 5 Group sites. The electronic check-up system reduces the length of pre-shift and pre-trip medical check-ups and allows for the analysis of employees' health condition. In addition, a pilot project for issuing electronic trip tickets was launched at Stoilensky. Both projects are being implemented as part of the industrial healthcare development strategy.

Paramedics were trained in providing aid in case of various diseases and injuries at production sites. New equipment and workwear was purchased for the medical units, and training sessions were held.

In the area of managing occupational hazards and diseases, constant use of personal protective equipment for the eyes became a requirement, and eye washing stations were installed. The results have been positive: significantly less patients have come to the medical units with cases of eye microdamage.

A pilot project was launched at Altai-Koks to prevent occupational deafness. The launch included determining the risk group, developing individual treatment programmes, creating videos to raise awareness, organizing training, and defining the requirements for purchasing noise protection equipment.

STAFF TRAINING AND ENGAGEMENT

GRI 403-4, GRI 403-5

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

In order to ensure a systematic approach to organizing employee training, NLMK develops training plans for employees aimed at developing particular skills and boosting professional competencies. When organizing and conducting training sessions, NLMK particularly emphasizes the practical application of the obtained knowledge at dedicated practice grounds and visits to operating production sites.

In 2020, 98% of OHS functional area employees took professional development courses. Employees were trained in two areas: managerial skills and command of OHS tools. Overall, employees took 19 different trainings and seminars in 2020.

In early 2020 NLMK's OHS Director officially joined the Safety and Health Committee of the World Steel international association. He now participates in the committee's meetings regularly.

In addition, the Group's representatives regularly take part in OHS conferences and seminars organized by various international and Russian organizations. NLMK representatives participated in the 24th Occupational Health and Safety 2020 international specialized exhibition, presenting best practices in safety culture development during the pandemic, OHS management leadership, and incident investigation.

As part of its activities, the Group seeks to integrate innovative technologies, not only into production processes, but also into other areas of its activities, including occupational health and safety. Theoretical OHS training is conducted using advanced training technologies, such as computer-equipped classrooms, simulators, virtual reality, and effective media materials.

NLMK's OHS Director initiated the cooperation of Russian and international companies in the sphere of OHS. EVRAZ, Severstal, Metalloinvest, MMK, Rusal, Alrosa, Nornickel, Nordgold, and OMK have already joined the collaboration initiative. The first meeting of leading company OHS directors was held on 21st December 2020. Moving forward, such meetings will be held on a quarterly basis. In addition, continuous interaction is envisaged between specialists in certain OHS spheres: for instance, fire safety and working at heights. The main goal of this collaboration is sharing best practices in reducing injury rates and finding the most effective solutions.

Safety culture development: Leadership in OHS

The Company continued to deliver its 'Safety Culture Development' training programme in an online format. Additionally, in 2020 the second part of the programme was developed, entitled 'Safety Culture Development 2.0: Leadership in OHS'. Five e-courses on safety tools were developed for the programme. The programme's objective is to introduce OHS leadership tools to management and develop the skills of applying these tools in practice. The programme was launched in September 2020 for Top 100 executives. In 2021 it will be cascaded down to the next management levels.

NLMK Group elaborated development programmes for the personal protective equipment (PPE) management system:

- Vision protection: developing the culture of safety goggle use. As a result, there were 45% less lost time injuries compared to the previous period.
- Comfortable safety footwear: individual shoe selection considering the working conditions, including shoes with anatomic insoles to reduce pressure on the spine.
- Hand protection: effective hand PPE selection considering work risks and the life cycle and cost of PPE

Electronic work permit project launched

In 2020 NLMK Lipetsk began implementing an electronic work permit project. The pilot project included handing out over 3,000 electronic work permits and training over 300 NLMK employees and over 100 contractor employees.

Modules on highly hazardous works are currently being developed. In 2021 the electronic work permit system will be rolled out further across NLMK Group.

LOTO safety system

In 2020, the LOTO (Lock Out Tag Out) system integration methodology for NLMK Group sites was developed and approved. LOTO is a hazardous energy management system to protect personnel and processes from unplanned start-up or energy supply during maintenance and repair of equipment and power grids. LOTO projects were implemented at 7 NLMK Group sites in 18 units. Investment in the projects exceeded RUB 42 million.

The system blocks all possible energy sources mechanically and minimizes risks during equipment maintenance. LOTO will be integrated at all potentially hazardous production areas.

Within five years, the project will be deployed in all production divisions of NLMK Group companies.



EMERGENCY PREPAREDNESS AND INCIDENT REPORTING

NLMK prioritizes efforts to prevent and respond to emergencies. Each company has developed regulations on preventing and managing the consequences of both man-made and natural disasters. The schedule of planned emergency training sessions for 2020 included sessions on fires, gas leaks, acid/alkali spills, molten zinc leaks or spillages, as well as power outages.

In order to ensure prompt incident reporting, every site has a reporting algorithm, indicating key process participants and persons responsible for the timely identification of first- and second-level incidents, as well as reputational incidents, and for informing the management about such incidents. The incident reporting algorithm is presented at the introductory briefing at all sites and prominently displayed. In an effort to enable employees to contact the OHS team promptly, NLMK companies publish information sheets that provide the contact details of the persons responsible for overseeing such issues.

According to the Regulations on identifying, recording, and investigating OHS incidents, all first-level and high-

potential second-level incidents, as well as potential reputational incidents should be immediately reported to the CEO. Incident alerts are sent out in order to promptly inform employees and contractors about first-level and high-potential second-level incidents and in order to prevent such incidents in similar production environments of other units or when working with similar equipment or processes. If a serious production-related incident is reported in other similar steelmaking companies, the OHS function drafts an information sheet and sends it out to production sites in order to raise awareness of the incident and take prompt action where applicable. The information sheet procedure is identical to the incident alert procedure.

Incidents of all levels are subject to investigation, and corrective measures are taken to prevent such incidents and mitigate their consequences. The tools ensuring this process are Lessons Learned and the Action Plan. The head of the site is responsible for their implementation.

Corrective measure implementation is checked during line walks, step-wise control, and targeted checks.

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

OHS HOTLINE

The OHS hotline launched in December 2019 continued its operation in 2020. Employees have had a positive response to the new OHS communication tool. During the reporting period, employees of different sites called the +7 (800) 600-04-74 toll-free number and wrote emails to HSE@nlmk.com over 190 times to ask questions about OHS standards and requirements, labour conditions, working during the COVID-19 pandemic, and PPE provision, as well as to report concealed incidents and any detected breaches or hazards. The OHS team immediately conducted thorough investigations and staff members were given feedback.

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

Transparent feedback, instant responses to messages, and the resolution of issues enable the Company to improve working conditions and prevent injuries.

PARTNERSHIPS WITH CONTRACTORS

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

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

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

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

In 2020, over 450 contractor and subcontractor organizations employing over 25,000 people worked at NLMK Group sites. NLMK Group management understands its responsibility for providing safe working conditions and protecting the life and health of contractor employees. Special emphasis is placed on arranging and overseeing OHS matters when working with contractors.

In order to minimize the risk of incidents, the contractor safety management system was fully revised in 2020. This included reconsidering the Company's approach to counterparty qualification. The new system has an expanded list of qualification processes and requires that counterparties for low-value operations and subcontractors go through these processes. It also introduces expanded qualification requirements for the participants of high-risk projects.

In the Company's efforts to organize safe contractor operation, special attention is paid to managing the risks emerging during the performance of works. Analysis of violations and injuries has highlighted the following high-risk areas that currently require more thorough consideration and additional measures: work at height, hot works, handling, and works with electrical equipment. A set of priority programmes was developed for each of these risks.

In order to verify contractors' compliance with the legislative and corporate OHS requirements and to develop measures for strategic contractor development, a comprehensive check procedure was introduced in 2020. In the course of this process an audit organization assesses contractor organizations in over 12 OHS areas using an assessment sheet with more than 270 questions. The assessment was implemented for five contractors. As a result, corrective action plans were formed to address any gaps and develop the contractors' OHS systems.

A dedicated system of financial and non-financial incentives has been developed to engage the leadership of contractor organizations in OHS management matters and to attain a high level of contractor safety in NLMK Group. In 2020, two non-financial incentive programmes were implemented.

A Safety Week was held at all NLMK Group sites. The purpose of the event was to find places of possible slips, trips, and falls. Over 4,000 contractor employees were engaged in the process, and they detected over 3,700 hazards in five days.

ASSESSING THE MATURITY OF THE OHS SYSTEM

NLMK has implemented a unified approach to the internal evaluation of the OHS system. Each year, OHS team employees complete maturity assessment reports. This report is a tool that is used to assess the extent to which the OHS approaches that are in place at each company comply with corporate regulations. A quantitative assessment of the Group's compliance with each of the existing corporate regulations is compiled based on these reports. In the event of there being any inconsistencies, remedial measures are developed and changes are made to the current approach to OHS management. To improve the quality of OHS system assessments, the Group is working to establish an internal institution of OHS auditors.

2020 PERFORMANCE

In 2020 the Company continued to support a policy of openness for incident registration at all levels that was introduced in late 2019. NLMK strives to determine the systemic causes, develop corrective measures, and prevent incidents from happening again.

In 2020 the Company proceeded with the maintenance programme aimed at reducing fatal and high risks. The programme is based on the Vision Zero concept: all incidents are preventable.

WORK-RELATED INCIDENTS

NLMK's efforts to improve the NLMK safety system, including developing methods to respond to emergencies and incidents at work, enable the Company to minimize the consequences of incidents.

The system for recording work-related injuries at NLMK Group is based on industry-wide methods adopted by the World Steel Association. The main injury rate indicator used in the Group is Lost Time Injury Frequency Rate (LTIFR).

The year-on-year increase in the number of injuries in 2020 is due to improved light injury registration. In late 2019, the Company launched a programme to prevent incident concealment, which includes the following actions:

- A large-scale communication campaign (top management talking about the inadmissibility of concealing production incidents, videos, instruction pamphlets)
- Launching the OHS Hotline
- A moratorium on sanctions for reporting incidents that were initially concealed
- Harsher sanctions for concealing incidents, including contractor disqualification, dismissal, etc.

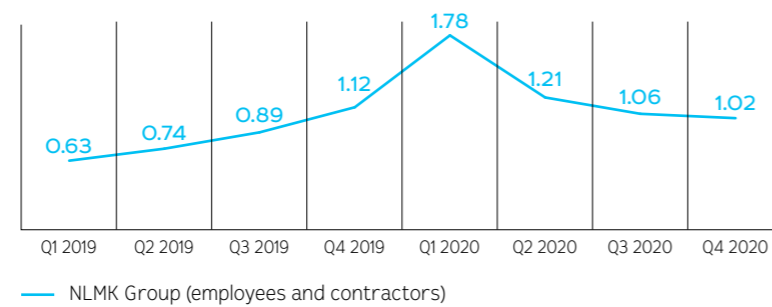
LTIFR stood at 1.25 in 2020:

- Most of the year-on-year growth was due to light injuries, with slips and same-level falls accounting for the absolute majority. The ratio of serious and light injuries was 1:7 vs. 1:3 in 2019.
- The number of light injuries increased by 80%, while the serious injury rate (severe and group injuries, fatalities) went down by 20% year-on-year.

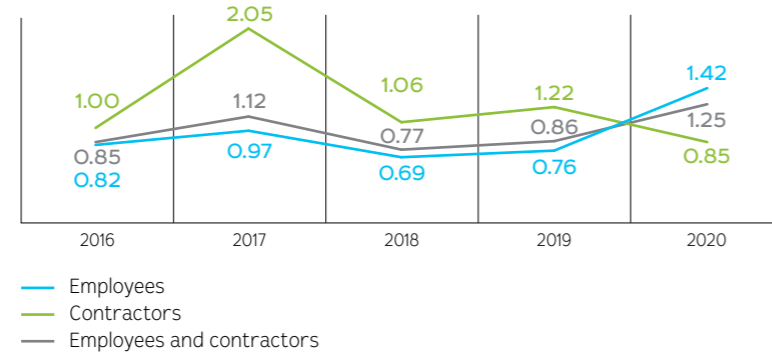
Having formed a complete base for injury analysis, the Company went on to implement new targeted programmes to reduce risks and introduce new OHS tools (Q1 2020). As a result, LTIFR went down consistently throughout the year (see the breakdown by quarters below).

Among contractors, LTIFR decreased by 30% due to a number of measures addressing the top risks as part of investment project implementation: training and knowledge assessments, targeted and comprehensive checks, technical solutions, and work planning.

NLMK GROUP'S LTIFR IN 2019-2020: BREAKDOWN BY QUARTERS



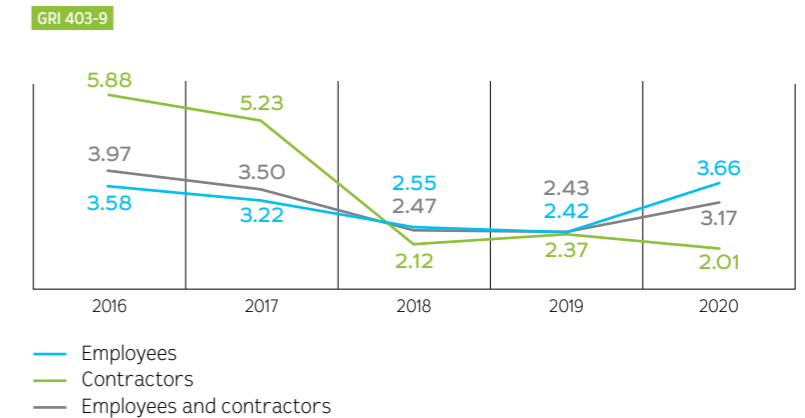
NLMK GROUP'S LTIFR GRI 403-9



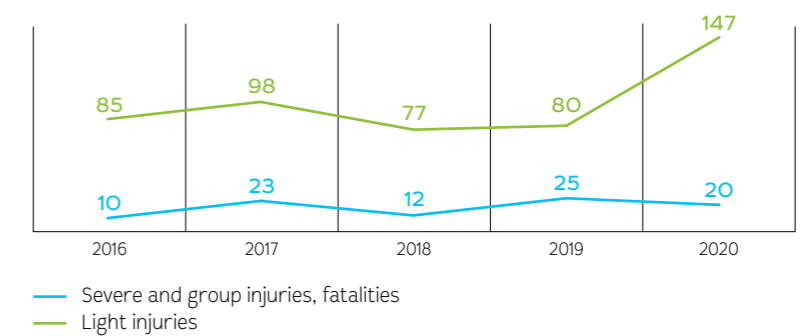
The Group also keeps records of all work-related injuries and measures the Total Recordable Injury Frequency Rate (TRIFR), which is calculated every month for each subsidiary and includes data on contractors. In 2020, TRIFR increased to 3.17 year-on-year due to an increase in the total number of registered injuries.

The number of fatalities decreased year-on-year, from 6 to 3. The Company deeply regrets these incidents that occurred to employees and contractors at its sites in Lipetsk, Zarinsk and Revda. The accidents were investigated to identify the root causes and re-evaluate the relevant risks. In order to avoid a recurrence of such cases in the future, the Company is focusing on the top risks and has also launched a project to improve the efficiency of work permit procedures, including an electronic work permit project. In addition, the Company is building a process for improving work with contractors.

TRIFR (RI) FOR NLMK GROUP EMPLOYEES AND CONTRACTORS¹



INJURY SEVERITY, NUMBER OF ACCIDENTS

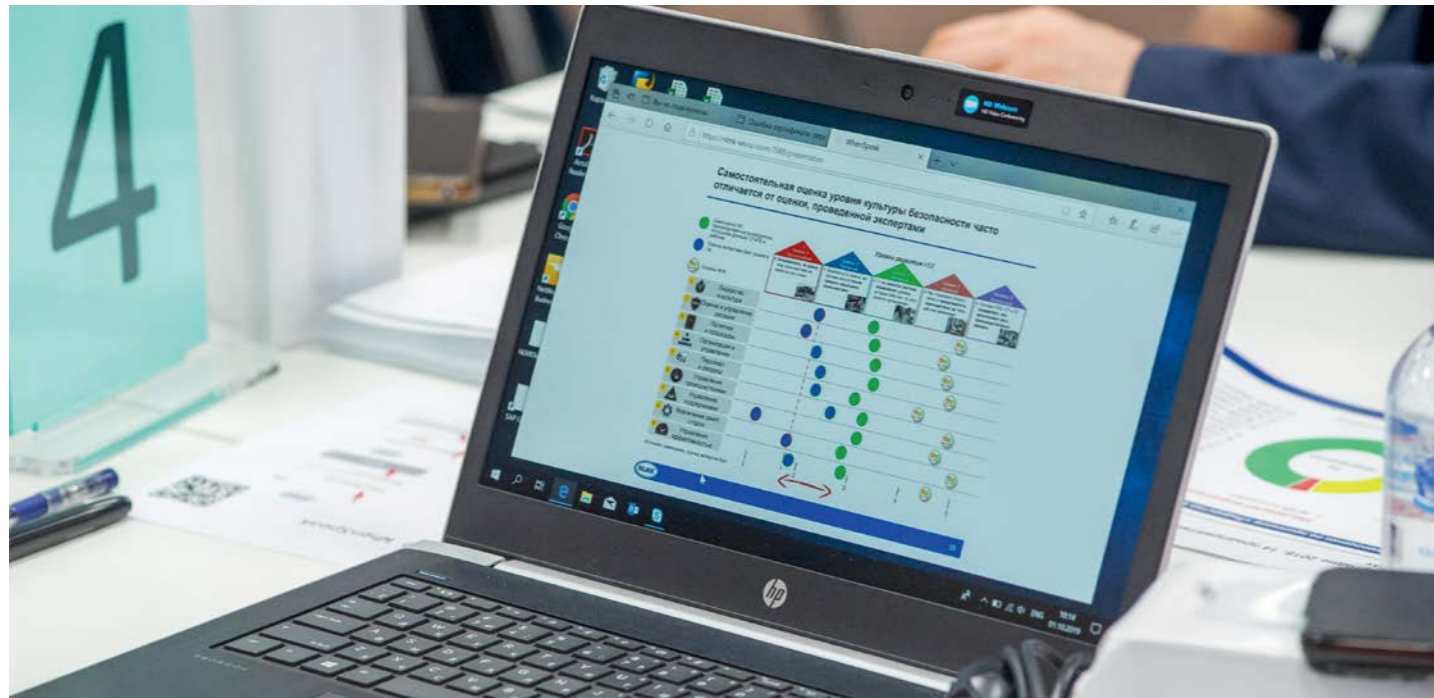


INJURY RATES IN 2016-2020

Indicator	2016	2017	2018	2019	2020
Total number of occupational accidents	95	121	89	105	167
Employees	75	90	65	72	133
Contractors	20	31	24	33	34
Number of occupational fatalities	5	11	3	6	3
Employees	2	5	3	2	1
Contractors	3	6	0	4	2
Number of lost time injuries	90	110	86	99	164
Employees	73	85	62	70	132
Contractors	17	25	24	29	32
Total man-hours worked for employees	91,943,948	92,677,015	93,637,091	95,179,559	93,693,124
Total man-hours worked for contractors	19,901,080	15,108,161	22,612,132	26,995,931	39,797,555

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

PLANS FOR 2021 AND THE MEDIUM TERM



OHS TOOLS AND INJURY REDUCTION PROGRAMMES

- Continue implementing programmes to manage top injury risks.
- Implement projects to roll out OHS tools at the Group companies. Roll out corporate training programmes on dealing with hazardous events, near misses, and behavioural dialogues on safety, among others.
- Set up OHS Committees at the Group companies to increase the level of employee engagement in OHS matters and the management's interest in implementing industrial safety measures.
- Extend the OHS Leadership programme to cover line managers of the Group companies as part of an integrated approach to the development of a culture of safety.
- Implement a dynamic risk assessment tool for employees to analyse hazards at the site of work and assess existing measures and necessary additions

to control risks and determine coordination arrangements between the employee and the manager when identifying conditions that prevent the safe performance of work tasks.

- Develop an electronic work permit system to improve the efficiency and quality of the access control process.
- Implement benchmarking and ensure exchange of experience with the largest peers.

FIRE SAFETY

- Develop and carry out trainings on fire safety during performance of hot works to improve the personnel's expertise.
- Apply advanced approaches to the development of fire protection systems, including fire risk assessment mechanisms aimed at improving the safety of people and property and reducing operations downtime.

ROAD SAFETY

- Introduce international practices for the development of personnel driving automotive, industrial (in-shop), and mining transport and special equipment.
- Introduce and develop a pool of corporate coaches in Defensive driving as taught in international driving schools.
- Introduce new technologies and digital solutions in railway transport, update and finetune security/control systems (video analytics, impact sensors, driver identification, video infrastructure monitoring (signalling, centralization and blocking devices, track sections, etc.)).

CONTRACTOR MANAGEMENT SYSTEM

- Undertake OHS activities on priority investment projects in line with the requirements of the new contractor management system and the top risk management programme.
- Develop the top risk management system: a system for safety awareness training and assessment for contractors' employees, a system of ad hoc inspections and audits, marking of equipment, training videos and memos.
- Adopt a new approach to the assessment of the contractors' OHS management system maturity.

- Develop IT services for contractor management: the contractor's personal account, pilot projects for e-training of contractor employees, electronic access system for contractors, electronic work permit system pilot.
- Develop and implement an incentive system to motivate contractors to develop their OHS management systems and increase the level of safety culture of their employees.

INDUSTRIAL HEALTHCARE

- Implement a set of measures on emergency medical response: the Company will continue to supply advanced and affordable means of emergency medical care to production facilities, introduce emergency medical response plans, and promote the accessible defibrillation programme.
- Extend mass training for workers in international standard of cardiopulmonary resuscitation, set up a network of training centres for practicing first aid skills, retrofit production sites with fully automatic external defibrillators.
- Supply automated complexes for medical examinations before work to health centres, identify and monitor risk groups for cardiovascular diseases.



DEVELOPING LOCAL COMMUNITIES

MAJOR THEMES
INDIRECT ECONOMIC IMPACTS
LOCAL COMMUNITIES

KEY EVENTS IN 2020

- Over RUB 577 million allocated to support local communities amid the COVID-19 pandemic
- The Steel Tree grant competition of the Miloserdnye Charity Fund won the Best Social Projects of Russia award



RUB **8.4**
billion

NLMK's total social investment

RUB **1.0**
billion

investment in external social programmes

61
projects

supported through the Steel Tree grant competition

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

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

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

Two business unit coordinate local community engagement and the implementation of projects that fall under NLMK's external social policy – the Social Policy Unit within the Human Resources function, together with Government Relations, which are subordinated to Vice President, HR & Management System and Vice President, Risk Management accordingly.

The work of these units in terms of developing local communities is aimed at determining common interests shared by NLMK Group, employees, local communities as well as governmental and local administrative bodies related to the sustainable development of the Company and the regions in which it operates and creating a positive environment for both employees and local communities.

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

NLMK's social and charitable activities to support and develop the regions in which it operates are pursued chiefly in collaboration with the Company's social partner, the *Miloserdniye* (Mercy) Charity Fund for Social Assistance. The Fund supports the development of sport and healthcare, the preservation of cultural

heritage, and provides assistance to pensioners, veterans, and other vulnerable social groups. The *Miloserdniye* Fund is a longstanding trusted partner of NLMK in the Lipetsk and Belgorod Regions and in Altai Territory.

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

- **Assistance for veterans:** supporting veterans' organizations and former NLMK employees in their retirement, providing assistance in obtaining medicines and reimbursing treatment costs, and organizing cultural events.
- **Health:** providing assistance by paying for expensive operations, targeted funding for medical organizations, and health resort packages for children with disabilities and wheelchair users.
- **Sport:** support for sports federations, funding for children's and young people's sports schools, and purchasing equipment.
- **Children:** supporting children's homes and residential schools and conducting charity campaigns for children.
- **Science and culture:** supporting gifted children (winners of science Olympiads and music and art competitions), creative groups, libraries, museums, and art galleries.
- **Environment:** purchasing specialized equipment, feed, and medicines for use in nature reserves and parks, forests, and veterinary practices.
- **Cultural development:** funding charity concerts, drama festivals, and holiday events for residents of Lipetsk and the Lipetsk Region.
- **One-off assistance:** providing one-off assistance to public organizations, municipal institutions, and citizens affected by terrorist attacks or natural or man-made disasters.

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

In 2020, the Steel Tree grant competition of the *Miloserdniye* Charity Fund won the Best Social Projects of Russia award. The award has been in place since 2012 and aims to support social projects and promote the development of partnerships in the social sphere.

The *Miloserdniye* Charity Fund was included in the top 20 funds in the first rating of private and corporate charitable funds in Russia, compiled by the RAEX agency together with the Association of Rating Compilers (ARC) in 2020.

NLMK Group was awarded the B+ rating (Best Practice) in the Leaders of Corporate Charity 2020 rating, compiled by Donors Forum, the Association of Grantmaking Organizations, which confirms the high maturity level of systemic charity in the Company.

NLMK is committed to enhancing the tools it uses to collaborate and engage with communities. Since 2017, the Fund, together with NLMK Group, has been implementing the Steel Tree programme – a grant competition to support social and environmental public initiatives.

Train of Good Deeds

The year 2020 saw a continued inflow of charitable contributions by NLMK staff on the *Miloserdniye* online crowdfunding platform. In December 2020, a dedicated campaign webpage ran Train of Good Deeds, a New Year donation marathon. The donations went to the fund's beneficiaries – veterans living alone, multi-child families, severely ill kids. All proceeds were earmarked for beneficiaries in the Lipetsk, Belgorod, Sverdlovsk, Kaluga, and Moscow Regions, as well as in Altai Territory.

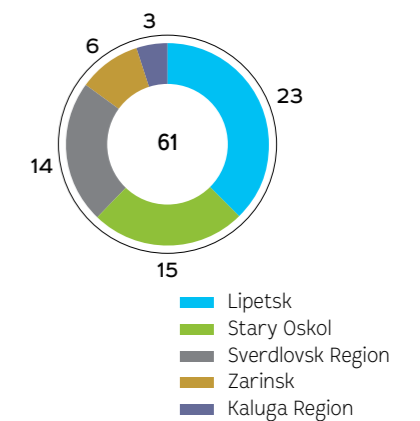
Total personal contributions since the launch of the programme have exceeded RUB 8.5 million.



Steel Tree grant competition

In 2017, the *Miloserdniye* Charity Fund launched the Steel Tree grant competition in Lipetsk. The competition offered local employees the opportunity to develop their own programmes to support the environment and to obtain grants to fund them. In 2020, grants were awarded to projects in the following categories: ecology and urban improvements, family values, science and culture, sports and health, supporting children and young adults, mercy and care, and longevity. A jury board was set up to select the best initiatives, with members to represent NLMK, the *Miloserdniye* Fund, regional and local authorities. The number of applications in 2020 set a new record at 189. A total of 61 grants were awarded to projects, of which NLMK contributed RUB 17.9 million. The context of the pandemic informed the decision to change the arrangements for selection and implementation of the projects: pitch presentations were made online, no mass gatherings were organized, all participants received personal protective gear.

STEEL TREE PROJECT GEOGRAPHY, NUMBER OF PROJECTS



Theatre for All (City of Yelets)

The project helps children with disabilities to participate in theatre arts. It was developed by Lidiya Polosina, teacher at Yelets School No. 1, who received a Steel Tree grant in 2020. The project actively involves children with disabilities into staging theatre performances. The grant funds went to procure new audio and visual equipment for the theatre (microphones, a mixing console, and a video camera), make stage clothes, and build stage designs. A number of new performances were delivered by young artists from local schools and colleges, celebrating the days of Russia's military glory. All performances were organized in full compliance with the epidemiological precautionary requirements.

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

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



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

No.	Tool	Description
1	Assessment of existing social programmes	NLMK regularly analyses ongoing social programmes in order to determine their impact and audience reach and to obtain feedback from the intended beneficiaries.
2	Direct engagement via internal communication channels	Given that many of NLMK Group's companies are the main employers in their respective areas and that a significant proportion of the regional population work for them, the social needs of local people can be determined with the help of internal communication channels, including telephone hotlines, text messages, and the intranet portal. The portal can be used to leave messages, which a specialist then responds to; these messages can be read and commented on by all portal users. <i>For more details about the internal communication channels used, see the Stakeholder Dialogue section.</i>
3	Working with local authorities	The Company works with regional and local authorities that are fully aware of the current needs and requirements of local communities in the regions where the Company operates. Using this information, NLMK collaborates with representatives from these authorities to develop social initiatives that meet the needs of local communities. <i>For additional information, see the Stakeholder Dialogue: Government Authorities section.</i>
4	Public hearings	Public hearings are held to review the environmental impacts of NLMK investment projects that are subject to State Environmental Expert Review. The hearings help identify the expectations of the locals and integrate them into project development and operations. In 2020, six NLMK projects were heard publicly and approved by Lipetsk residents. <i>A public hearing on rezoning was held at Stagdok, also approved by local residents.</i>

STRATEGY DOCUMENTS IN CHARITY

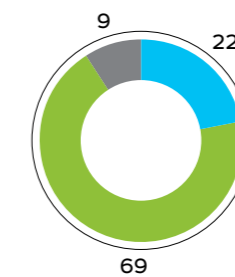
A major effort was undertaken in 2020 to draft a Strategy on External Social Programmes and Charity for 2021–2023 and a Policy on External Social Programmes and Charity. Contributing to the strategic goals of the Company, the new high-level documents are to become an integral part of the Group's package of strategies: Strategy 2022, Human Resources Strategy, and Social Strategy. Drafting was done in line with best Russian and international practices. It was based also on the outcomes of evaluating the potential of the Group key home regions that was conducted in 2020. The project included consultations with NLMK stakeholders in the relevant regions. In light of the pandemic, the framework documents of NLMK Group for charitable activities were discussed at an online strategy session. A joint discussion tapping about 40 participants addressed systemic aspects of charitable activities. Among the contributors were managing directors of main NLMK Group companies, heads of functions, and invited experts. The documents are to be adopted in Q1 2021.

LOCAL COMMUNITY IMPACT ASSESSMENT

Within the reporting period, NLMK Group ran programmes on engaging and developing local communities in all regions of operation. This included a local community impact assessment.

As part of developing the Strategy on External Social Programmes and Charity in 2020, an assessment was done of the key Group geographies potential. The assessment aimed to identify the most significant social and environmental issues. The assessment results were discussed with internal stakeholders. External stakeholders were reached out to with a questionnaire on charity and human rights. The survey was conducted on the Anketolog platform and received responses from 23 companies – existing and potential business partners of the Group. The data obtained informed the priorities for social investment by the Group and for development of the relevant strategy documents GRI 413-1.

RESULTS OF THE EXTERNAL STAKEHOLDER SURVEY ON NLMK CHARITABLE PROJECTS, %



Do you know of the charitable projects implemented by NLMK?

- I know that NLMK pursues charitable activities, but can not provide any examples
- I am aware of NLMK's charitable initiatives and projects
- I am not aware of NLMK's charitable initiatives and projects

2020 PERFORMANCE

Each year, NLMK allocates significant resources to social programmes in a variety of areas. In 2019, NLMK Group allocated RUB 1.028 billion to external social programmes, including support for veterans and retired employees. In light of the COVID-19 pandemic, significant funds went to support healthcare institutions and most vulnerable groups.

SUPPORT FOR HEALTHCARE

Projects in this area aim to promote development of healthcare institutions, including through procurement of medical equipment and targeted aid to people with severe illnesses (reimbursement of costly surgery, medicines, and rehabilitation).

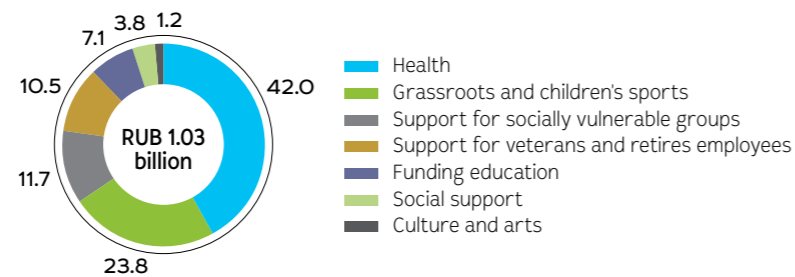
A total of RUB 430.6 million was allocated to support healthcare in 2020, which amounted to 42% of the Company's total investment in external social programmes.

SUPPORT FOR SOCIALLY VULNERABLE GROUPS IN REGIONS WHERE NLMK GROUP OPERATES

Social support by the Group is delivered in the form of targeted aid to people in need, support to initiatives with positive social impacts, facilitation for Group employees and proactive local residents to participate in social causes, including through the grant competition.

In light of the pandemic the Group provided targeted aid to the most vulnerable groups. It allocated funds to provide food parcels to groups that are in need of support today in the cities where the Group operates, namely families with three or more children under the age of 18, families raising children with disabilities, and single parents. Around 15,000 parcels was delivered to families in Lipetsk, Stary Oskol, and Zarinsk.

INVESTMENT IN EXTERNAL SOCIAL PROGRAMMES IN 2020, % GRI 201-1



Support to the home regions in the fight against COVID-19

The Group provided funds to counter the spread of the new coronavirus infection in its home regions in the amount of RUB 577 million. The contributions were proportionate to the scope of operation in the Lipetsk, Belgorod, Kaluga, and Sverdlovsk Regions, and in Altai Territory. As agreed with regional and city administrations, the funds were used to procure highly needed medical equipment and PPEs (masks, respirators, sanitizers, etc.).

NLMK Lipetsk and its social partner, the Miloserdiye Charity Fund, made in-kind donations to 13 regional and municipal healthcare institutions in the Lipetsk Region. The donated medicine, equipment, and PPEs, including 57 ventilators, X-ray machines and oxygen concentrators, totalled over RUB 392 million.

Families with multiple children under the age of 23 provided for by the parents, living in seven cities where the Group operates, received targeted financial aid.

A total of RUB 120 million was allocated to support socially vulnerable groups in regions where NLMK Group operates in 2020, which amounted to 12% of the Company's total investment in external social programmes.

SUPPORT FOR VETERANS AND RETIRED EMPLOYEES

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

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

Due to the spread of COVID-19 in 2020, the scale of support for this group was significantly increased.

A total of RUB 108 million was allocated to support veterans and retired employees in 2020, which amounted to 10.5% of the Company's total investment in external social programmes.

GRASSROOTS AND CHILDREN'S SPORTS

The development of grassroots and children's sport is one of the priorities within the Company's social activities. NLMK creates conditions for engaging in sports not only for the Company's employees and their family members, but also for local communities, regularly allocating resources for the maintenance of sports facilities and to provide assistance to children's and young people's sporting academies and groups as well as sports clubs and promising athletes. For example, NLMK covers all costs for the Lipetsk Metallurg sports club in Lipetsk and for Olympic Reserve School No. 13 for Children and Young People, which was set up on the core of the club. The school trains world-class athletes in skeet shooting: around half of the current Russian skeet shooting team are its former students.

In 2020, the Company allocated RUB 244 million to support grassroots and children's sports in the regions where it operates, or 24% of total investment in the Company's external social programmes.

Racing yacht for a Lipetsk athlete

NLMK and its social partner, the Miloserdiye Charity Fund, donated a world-sailing Laser-class dinghy to Ekaterina Zyuzina, a professional sailor from Lipetsk. Evgeniya Donskikh, Director of the Miloserdiye Fund, officially presented the memorial certificate to the prize winner of the Russian Yachting Championship.

At the Sailing World Cup in Japan, Ekaterina Zyuzina won Russia the qualification for the 2020 Tokyo Olympics, which was pushed to 2021 because of COVID-19. As the sailor used to have no personal boat, Russian Yachting Federation approached the Miloserdiye Fund for help. Ekaterina serves as a role model for young people of Lipetsk and promotes grassroots sailing in the Lipetsk Region.

Helping our veterans



From April to June 2020, the Group ran the We are Here for You corporate campaign in support of NLMK veterans. It was pursued with the help of the Group's social partner, the Miloserdiye Charity Fund, and corporate caterers Roteks and OMS. The campaign involved 277 corporate NLMK volunteers who were a tremendous support in the implementation. A total of 15,814 food and essentials parcels were put together and handed out.

"Thank you for the real support and help to us, the veterans, in this challenging time. Your help inspires hope and will to live... Kindness and care cure all ills if we are here for each other. With kind regards, appreciation and best wishes, G. Sychev, veteran of labour."

SUPPORT FOR EDUCATION

The main focuses of scientific and educational development pursued in NLMK Group's social policy consist of multifaceted support for certain educational institutions in the regions where the Company operates, and support for high-quality technical education for young people. The Company provides targeted funding for scientific and educational activities at educational institutions, and also arranges and sponsors conferences dedicated to scientific research as well as scientific and technical competitions for students. In order to introduce the next generation of employees to the Company, NLMK organizes open days and trips to production facilities for schoolchildren as well as industrial internships at the Company's enterprises for students from certain educational institutions. NLMK also finances a range of grants.

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

In 2020, a total of RUB 73 million was allocated to support science and education in regions where the Company operates; this amount represented 7% of the Company's total investment in external social projects.

Webinars for MISiS students

The Group hosted a series of webinars as part of the Career Fair organized by the National University of Science and Technology MISiS. Events like this one help students learn about the Group's products and technologies, and about the jobs different specialists do at NLMK.



DEVELOPING SOCIAL INFRASTRUCTURE OF REGIONS WHERE NLMK GROUP OPERATES

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

In 2020, a total of RUB 39.4 million was allocated to develop the social infrastructure of the regions where NLMK Group operates, or 4% of the Company's total investment in external social programmes.

Support for improvements at Lipetsk public parks

NLMK and the Miloserdiye Fund launched a public realm improvement programme for garden squares and recreational areas in Lipetsk.

The Fund paid to manufacture over 180 benches and about 110 sandboxes. The amenities were installed in the common areas and garden squares of new and existing residential developments in the Levoberezhny, Pravoberezhny, Sovetsky, and Yugo-Zapadny districts of Lipetsk. Neighbourhood residents provided inputs on where to best place the amenities.

Benches and sandboxes are made of modern wear-resistant materials. All sandboxes came with fresh sand. About 70 volunteers from NLMK helped with the installation.

SUPPORT FOR CULTURE AND ARTS

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

The Group also supports the activities of corporate museums, including NLMK's Novolipetsk Museum in Lipetsk, the Demidov Centre in the Sverdlovsk Region town of Revda, and museum sites at Stoilensky Mining and Beneficiation Plant and Altai-Koks.

A total of RUB 12.2 million was allocated to support culture and the arts in 2020, which amounted to 1% of the Company's total investment in external social programmes.

A total of RUB 12.2 million was allocated to support culture and the arts in 2020, which amounted to 1% of the Company's total investment in external social programmes.

Support for the construction of the Intercession Church in Lipetsk

NLMK provided more than 7,000 tonnes of building materials and contributed money for the construction project. NLMK repair workers manufactured four metal domes and four crosses for the church. Each dome fit with a cross weighs 1.1 tonnes, its height is approximately 9 metres, and base diameter is 5 metres. The domes have been coated with titanium nitride and mounted on the church.

Online paintings

NLMK Museum opened its first online exhibition with paintings about metal.

The online exposition features artwork by Lipetsk painter Ivan Kolesnikov. The exhibition is available on the NLMK Virtual City website under "Exhibition Room". The collection of NLMK corporate museum holds works by many well-known artists from Lipetsk, Moscow, and St. Petersburg. It includes paintings by Ivan Kolesnikov, member of the USSR Artists' Union, participant of regional exhibitions. His works are also held by the Lipetsk Art Museum, private collections in the UK, US, and other countries.

PLANS FOR 2021 AND THE MEDIUM TERM

The following strategy documents are to be adopted in 2021: the Policy on External Social Programmes and Charity and Strategy 2021–2023, including the implementation of Stage 1 of the Strategy.

It is planned to further develop the Steel Tree grant contest, including a revision of the programme based on stakeholder feedback and digitalization of the contest procedure.



ENVIRONMENTAL

PROTECTION

162 Environmental protection

186 Climate change

202 Energy efficiency

ENVIRONMENTAL PROTECTION

MAJOR THEMES

- WATER
- BIODIVERSITY
- ATMOSPHERIC EMISSIONS
- WASTE
- SUPPLIER ENVIRONMENTAL ASSESSMENT
- ENVIRONMENTAL COMPLIANCE

KEY EVENTS IN 2020

- Major overhauls of Blast Furnaces No. 4 and No. 6 and BOFs No. 2 and No. 3 completed at NLMK Lipetsk BOF Shop No. 2 with a total emission reduction of 9,000 tonnes
- Upgrade of the NLMK Lipetsk local treatment facilities and a set of projects to reduce wastewater discharge completed; at 2020 year-end, the volume of domestic wastewater discharge into the Voronezh River was reduced by 73% (industrial wastewater discharge seized in 2009) compared to the design target values before the upgrade
- A new section for waterless blast furnace slag cooling built at NLMK Lipetsk with a 3.5x hydrogen sulfide emissions reduction at the site

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.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



\$ 430 million

allocated to investment projects with an environmental impact as part of Strategy 2022

\$ 183 million

allocated to operational and investment projects with an environmental impact in 2020

97%

of water in production is recycled and reused

99%

of waste recycled

Awards

The NLMK Lipetsk slag dump processing project was shortlisted for the *Excellence in Sustainability* category of the Steelie Awards held annually by the World Steel Association. Thanks to this project 25 hectares of land were reclaimed and 6 million tonnes of recyclables was processed thus avoiding the emission of 85,000 tonnes of greenhouse gases.

NLMK Lipetsk won the *Environmental Culture. Peace and Harmony* international competition, held under the auspices of the Vernadsky Non-Governmental Environmental Foundation, in the Environmental Culture in Industry and Energy category.

NLMK Group was awarded the gold medal of the 26th international industrial exhibition Metal-Expo 2020 for the construction of a dry slag cooling complex at NLMK Lipetsk.

For the fourth consecutive year NLMK Kaluga was a prize-winner in the regional *Eco Organization* competition. In 2020 the company took second place among major corporations in the *Environmentally Responsible Organization of Production* category.

Altai-Koks won the *Metals and Mining Company with High Social Efficiency* industry competition in the *Environmental Protection and Resource Conservation* category.

NLMK Lipetsk won the *Ecology – a Reliable Partner* national competition in the *Best Project for Reducing Harmful Emissions into the Air, Ensuring Environmental Safety of the Air* category.

NLMK Lipetsk was awarded with a Certificate of Merit of the Vernadsky Non-Governmental Environmental Foundation for active participation in the Green Spring national community clean-up and for supporting environmental initiatives.

NLMK Lipetsk topped the *Best Separate Waste Collection System* category of the *Green Healthy Office* competition.

OUR APPROACH TO MANAGING ENVIRONMENTAL PROTECTION

A responsible attitude towards the environment and the efficient use of natural resources are the key principles of NLMK Group's Sustainable Development Policy. 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. Environmental protection is a top priority of NLMK Group's activities.

NLMK takes a comprehensive approach to environmental management by focusing on improving energy efficiency, reducing air emissions by upgrading equipment, reusing and processing waste, conserving water resources, and rehabilitating contaminated land.

STRUCTURE

NLMK's management team is actively involved in the environmental management process:

- The Group's CEO and Board of Directors review 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 environment, atmospheric air, water resources, soil, biodiversity, and climate change (including greenhouse gas emissions), and approves the Environmental Programme and investments in environmental protection projects.
- The Management Board reviews key components of the Environmental Programme, approves its key performance indicators, and signs off on its execution at all the Group divisions.

- The Management Board's Investment Committee is directly involved in reviewing NLMK's Environmental Programme. The Investment Committee includes vice presidents and directors of NLMK companies. The Investment Committee devotes special attention to the results of the annual environmental assessment, approves the investment budget for projects aimed at reducing environmental impacts, and oversees the investment budget for the Environmental Programme and its execution.
- NLMK Vice President for Energy and Environment is responsible for ensuring the efficiency of environmental and energy management, overseeing the execution of the approved portfolio of projects, achieving environmental targets, and resolving key issues in the field of environmental protection.
- The Environmental Department coordinates environmental management, including managing environmental risks and implementing advanced eco-friendly technologies, and organizes activities which aim to reduce the Company's impact on climate. Each of the Group's companies has an environmental protection service, which is responsible for, among other things, daily monitoring of compliance with environmental requirements, supporting production units, assessing environmental risks, supporting the implementation of environmental projects, and implementing systems that assess the maturity of environmental indicators and improve environmental management.
- Laboratories of production and environmental control, which are part of NLMK Group's Environment function, monitor and measure the amount and/or composition of the emission, state of the air at the border of sanitary protection zones, the water quality in surface water, groundwater, industrial and household wastewater, drinking water quality, and soil condition at the NLMK Group production sites and sanitary protection zones, providing reliable data for the environment analysis, performed by the environmental protection services.

TARGETS AND KEY PERFORMANCE INDICATORS

NLMK recognizes the importance of efficient environmental management. As part of its Environmental Programme under Strategy 2022, which is reviewed and supplemented annually following a risk assessment, the following targets have been established:

- Minimizing the impact that the Group's Russian and international companies have on the environment, and complying with all applicable environmental standards and environmental risk management commitments
- Increasing the waste recycling rate
- Reducing specific air emissions
- Reducing the impact on water resources

An important highlight in 2020 was the update of the Group's 2023 target to reduce greenhouse gas emissions. NLMK Group intends to continue reducing greenhouse gas emissions while increasing its steel output by 2023. The specific emissions target is 1.91 tonnes of CO₂ per tonne of steel vs. 2.00 tonnes in 2018.

In 2020, NLMK Group set additional targets for reducing air emissions of selected substances and the impact it has on water, and for increasing the use of overburden, tailings, and iron-containing waste. The target indicators are given in the table.

NLMK Group Environmental Programme envisages the implementation of a portfolio of projects, which aim to achieve the targets mentioned above.

NLMK GROUP STRATEGIC ENVIRONMENTAL GOALS UNTIL 2023

Target	KPI	Units	2018 (baseline year)	2020	2023 target
Approved earlier					
Compliance of environmental indicators of NLMK Group with best practices	Specific emissions	kg/t of steel	18.9	19.8 (18.6 ¹)	18.0
	Waste recycling share	%	89	95	92
CO ₂ emissions reduction program	Specific CO ₂ emissions, stationary sources (Scope 1+2)	t/t of steel	2.00	2.10 (1.98 ¹)	1.91
Approved in 2020					
Air impact reduction by individual substance (specific emissions)	CO (NLMK Lipetsk)	kg/t of steel	16.3	16.8 (16.0 ¹)	14.8
	NO _x (NLMK Lipetsk)	kg/t of steel	1.2	1.3 (1.2 ¹)	1.1
	SO _x (NLMK Lipetsk)	kg/t of steel	1.7	1.7 (1.7 ¹)	1.6
	Dust	kg/t of steel	1.4	1.4 (1.2 ¹)	1.2
Reduction of impact on water resources	1st Class substances RF Group	g/t of steel	0.08	0.08 (0.07 ¹)	0.07
	Specific water discharge (NLMK Lipetsk) ²	m ³ /t of steel	0.8	0.7 (0.7 ¹)	0.6
Increased usage of overburden, tailings, and iron-containing wastes	Pollutants discharge into water bodies	'000 t	17.6	12.5 (13.9 ¹)	13.2
	Overburden usage share (Mining Division)	%	26	29	30
	Share of iron-containing waste utilization ³	%	93	99	101

CERTIFICATION

NLMK works continuously to systematize its environmental management operations in accordance with modern international standards. NLMK Group employs an Environmental Management System, which enables it to identify and monitor environmental issues and the risks of its activities.

The ISO 14001:2015 standard has been implemented at 14 of the Group's facilities.

In order to ensure a systematic approach to environmental management at the Group's facilities, supervision and recertification audits for compliance with ISO 14001:2015 are carried out on a regular basis.

In 2020, NLMK Group was awarded Environmental Product Declaration (EPD) certificates for rebar

EPD certification will boost the competitiveness of NLMK products in the Northern Europe market (in Sweden, Norway, Denmark, and Finland), where special attention is paid to energy efficiency and environmental safety when selecting a product.

The Declaration includes a detailed description of the rebar product and how it impacts the environment throughout its life cycle: from feedstock and other materials used in production to the mode of transport used to deliver the product to consumers. It also discloses the main types of waste generated in rebar production, its amount and how it is disposed of. The volumes of emissions into the atmosphere and water bodies and the methods of handling them are also indicated as well as the recycling possibilities and methods after rebar loses its consumer properties.

The declaration assessment, carried out by an independent expert from the declaration developers, confirmed that the environmental performance in the production of NLMK Long rebar meets international requirements.

¹ Without the impact of temporary factors, which have to do with lower production.

² Industrial and household wastewater, total.

³ Without overburden and tailings taking into account accumulated sludge.

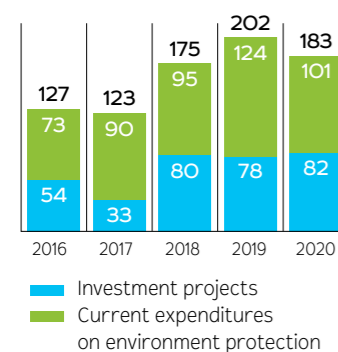
¹ For more details on greenhouse gas emissions see the climate section of the Report.

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. Spending on environmental management over the reporting period totalled more than \$183 million, an increase of 44% over the past five years.

NLMK GROUP SPENDING ON ENVIRONMENTAL PROTECTION, \$ M

GRI 103-2



In 2020, despite the pandemic, the financing of the Group's environmental investment projects increased by 5% compared to 2019. Due to these capital investments, major overhaul of Blast Furnaces No. 4 and No. 6 and BOFs No. 2 and No. 3 in the NLMK Lipetsk BOF Shop No. 2 was completed with a total impact on emissions reduction of 9,000 tonnes. In addition, local treatment facilities were upgraded, and a new section for waterless BF slag cooling was built, enabling a 3.5x reduction in hydrogen sulfide emissions.

MONITORING, CONTROL, AND COMPLIANCE

NLMK conducts internal audits to assess its environmental impact. It also has a production control system in place. Internal environmental audits involve the comprehensive monitoring of operations at the Group's companies, including treatment facility performance tests, measures to reduce the environmental impact of generated waste, and an environmental production plan to reduce specific air emissions.

The Group employs environmental production monitoring procedures with support from accredited laboratories in order to monitor the implementation of resolutions, prevent non-compliance with effluent discharge standards, and monitor sources of emissions and atmospheric quality at NLMK Group companies. These procedures have been agreed with state supervisory bodies and are regulated by legal documents [GRI 303-2](#).

Supervisory bodies conduct regular annual checks, both scheduled and unscheduled, of the Group's companies to ensure they comply with Russian legislation as well as stakeholder expectations. A total of 39 checks were carried out by local environmental supervisory bodies in 2020. No significant fines or non-monetary sanctions were imposed on NLMK Group, and no legal proceedings were brought against the Group seeking compensation for damage to the environment or to third parties. There were no environmental accidents since the beginning of NLMK Group's operations [GRI 307-1](#).

PAYMENTS FOR NEGATIVE ENVIRONMENTAL IMPACT, \$ M

Indicator	2016	2017	2018	2019	2020
Entire Group ¹	2.4	2.6	2.3	1.7	1.8
Russian assets	1.6	1.9	1.3	1.0	0.9

The payments have been decreasing over the last five reporting years, which is evidence of the reduction in the negative impact of the Group's businesses on the environment. In 2020, the share of over-limit payments in the structure of payments for the negative impact on the environment of the Group's Russian assets amounted to 19% (compared to 21% in 2018).

In 2020, NLMK Lipetsk implemented a project on video surveillance of the main sources of the company's emissions. A system of 63 video surveillance cameras enables identification of any visible emissions and allows reacting quickly to reduce the possible negative impact on the atmospheric air. Together with the video surveillance system, a system for analyzing NLMK's visible emissions is being developed using machine vision algorithms and deep learning methods. This will enable identification of any atypical emissions into the atmosphere recorded by video surveillance cameras; determine their location, and the estimated volume. Upon receiving the results, the production department experts and the plant's Industrial Environment Department will conduct detailed analysis and determine the causes of emissions. The video cameras cover the main facilities of the plant with significant gross emissions, and companies with a significant visible impact on the atmosphere at the plant border. The cameras also capture the view of the site as seen by Lipetsk residents. This new system will prevent and eliminate the causes of atypical emissions into the atmosphere.

The Company also engages its employees in the environmental control process. In 2020, NLMK Group's Lipetsk site launched a rapid response system for environmental incidents. By calling the hotline or leaving a WhatsApp message, the company employees and local residents can report an incident or discrepancy. The hotline for environmental issues helps to quickly record appeals and inform the residents directly about the real state of affairs. In addition, the solution complements the internal environmental improvement system (IEIS), designed to ensure the environmental safety of the plant. As part of this system, shop employees themselves regularly find and eliminate environmental inconsistencies or their root causes.

In 2020, NLMK Group launched a project to equip air emissions and wastewater disposal sources with automated monitoring and data transmission devices. The Company plans to allocate close to RUB 800 million for the implementation of this legislative requirement in the next five years. The programme for creating an automatic control system for emissions and water runoff for NLMK Group's Russian companies was approved by the Group's Investment Committee in November 2020.

TRAINING

NLMK devotes special attention to fostering a culture of environmental awareness among employees at its companies and in communities in the regions where it operates. A series of educational courses, including the Key Rules for Protecting the Environment document and Protecting the Environment distance training course, have been developed for the benefit of all the Group's staff. Special environmental protection training consists of modules covering the use of dust and gas cleaning facilities and treatment equipment, how to eliminate situations which could lead to environmental issues, and waste handling. At least 10% or 5,000 of employees go through environmental training sessions and development courses every year.

NLMK Lipetsk introduced continuous environmental monitoring

The NLMK Lipetsk environmental laboratory successfully confirmed its accreditation following an audit by the Federal Accreditation Service. In addition, the laboratory was able to perform 17 new measurements of substances and compounds, as well as measure the level of industrial noise in line with best international practices.

The plant's environmental laboratory daily monitors the impact of production on the environment and assesses the air quality not only at the plant, but also in the city. Every year, more than 26,000 tests are carried out, or close to 100 every day.

In 2020, the laboratory started testing the systems for online monitoring of air pollution. These are software and hardware complexes for live monitoring of substance concentrations. They include compact automatic measurement modules and information systems with a reporting function. Following the pilot tests, it is planned to install ten monitoring complexes in Lipetsk for continuous monitoring of the state of atmospheric air by meteorological parameters and 21 pollutants. The installation of online monitoring systems will enable NLMK environmental experts to obtain the most objective and complete information about the state of the city's atmosphere, respond to changes, and take necessary measures in case of deviations.

Also in 2020, the industrial and environmental control laboratories began implementing the Ecology Laboratory Information System (ELIS), which is expected to automate processing, storing, and creating reports based on the measurement results. In the ELIS, measurement data are received directly from laboratory equipment, measurement protocols are automatically generated, and data on previous measurements are stored. The implementation of ELIS will reduce the probability of errors in calculations, confirm the transparency and reliability of laboratory tests for the regulator, and increase labour productivity by 10%. In 2020, the project was implemented in three of the six laboratories of the Group's Russian companies.

NLMK Lipetsk arranged Green City environmental seminars

The project aimed to raise awareness among residents of Lipetsk about the current environmental situation in the city and the Company's projects to reduce its impact on the environment. Several important topics were covered at these seminars: health of the residents, areas affected by the industry, programmes for improving the environment at the plant and in the city, as well as sustainability tools. In 2020, 15 training sessions were arranged to reach a wide audience, including representatives of government authorities, the press, entrepreneurs, students, and schoolchildren. Open communication between NLMK Lipetsk and the city is key to building an effective partnership in the field of environmental safety. The Company also plans to hold interactive meetings on ecology for students of all schools and universities of the city.

Online training is also available on the corporate portal. Two videos are currently available: 'Environmental Initiatives' and 'Handling Class I and Class II Hazardous Waste'.

¹ For the Group's international companies, costs of procuring permits are taken as payments for negative environmental impact.

NLMK Group has been running the Green Office Programme for several years already. It aims to enhance the environmental commitment of the Group's employees and teaches people about how they can contribute to reducing emissions into the air, water, and soil, and also reduce fuel costs in the process. In 2020, the programme was extended to all the Group's Russian companies and standard Green Office activities became available for over 30,000 employees of the Group.

SUPPLIER ENVIRONMENTAL ASSESSMENT

Starting from 2007, all suppliers of NLMK Group have been subjected to audits, which cover compliance with environmental standards. All providers of raw materials, supplies, and equipment to NLMK Group as well as suppliers of services (contractors), undergo a qualification procedure, which also includes assessments for compliance with environmental requirements. The environmental criteria for assessing suppliers include compliance with legal requirements, availability of necessary permits and Environmental Management Systems.

The qualification, assessment, and audit procedures are set out in NLMK Group's regulatory documents. In 2020, the Company updated its Regulations on the Qualification of Contractors for Compliance with the Management Systems Requirements and the Regulations on the Contractor Management in the field of Occupational Health, Industrial and Fire Safety, Environmental Protection and Road Safety.

Contractors who have been found not to meet the established criteria following the qualification and audit procedures are not permitted to supply raw materials, supplies, or equipment or to provide services to NLMK Group companies. In 2018–2020, 100% of new service providers were screened using the environmental criteria. In addition, all products supplied to NLMK companies come with safety data sheets that regulate potential hazards associated with the handling of products and prescribe the respective necessary precautions.

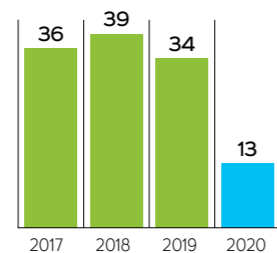


For contractors, the assessment is carried out on the basis of internal corporate documents through a specially developed qualification questionnaire **GRI 308-1**. They are obliged to sign the Agreement on occupational health, industrial and fire safety, work performance, environmental protection as well as onsite and access control for relations with its counterparties, which will also enable the Group's enterprises to deal efficiently with suppliers and contractors on matters concerning environmental protection and to effectively prevent environmental violations from their side.

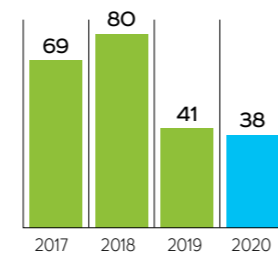
The decline in supplier audits in 2020 is due to the COVID-19 pandemic.

The Group works with its suppliers during the audits to eliminate environmental deficiencies. In particular, in 2020, based on the audit results for two suppliers, measures were initiated to finalize the permitting environmental documentation of the audited facilities in order to ensure compliance with environmental requirements.

SUPPLIERS OF FEEDSTOCK, MATERIALS, AND EQUIPMENT TO NLMK GROUP SCREENED USING ENVIRONMENTAL CRITERIA DURING AUDITS **GRI 308-2**



SUPPLIERS WITH MEASURES TO IMPROVE ENVIRONMENTAL COMPLIANCE FOLLOWING AUDITS, % OF TOTAL AUDITS CONDUCTED **GRI 308-2**



MEMBERSHIP AND PARTICIPATION IN ORGANIZATIONS

NLMK works with Russian and international associations to establish an effective dialogue on issues surrounding the sustainable use of natural resources. In particular, NLMK Group is a member of the World Steel Association (WSA), which represents over 170 steel producers across the globe. NLMK is a member of WSA expert groups on the environment, sustainable development and climate, and participates in the Association's events and expert meetings. As part of its collaboration with the WSA, the Group collects and submits data on sustainable development indicators on an annual basis and participates in steel products life cycle assessment. In 2018, NLMK Group signed the Sustainable Development Charter, which spells out the commitment of WSA members to treating steel as a key element in a sustainable world and their willingness to be guided by environmental, social, and economic sustainability principles. In 2020, the Company participated in the Worldsteel Steelie Awards and was shortlisted in the Excellence in Sustainability category.

NLMK Group is also a member of the Russian Steel industry association and takes active part in the work of its environmental committee, which reviews various environmental aspects of steelmaking operations and environmental regulation issues.

NLMK is a member of the Committee on Ecology and Environment Management of the Russian Union of Industrialists and Entrepreneurs, the main platform for consolidating the Russian business community's position on various environmental aspects. In addition, NLMK Group became a member of the newly created RUIE Committee on Climate Policy and Carbon Regulation, where NLMK's Director of Environmental and Climate Affairs heads the international carbon regulation area.

NLMK Europe is a member of the European Steel Association (EUROFER), which discusses

environmental developments in Europe and is particularly active in the EU carbon regulation activities. NLMK Group is committed to the sustainable steelmaking principles promoted by the EUROFER.

In 2020, NLMK Group improved its standing in the World Wildlife Fund (WWF) Russia and National Rating Agency's Environmental Transparency Rating of Mining & Metals Companies. NLMK ranked sixth, improving its standing by three positions compared to 2019. The main purpose of the report published by WWF Russia was to rank Russian companies according to their transparency in matters of environmental responsibility. The research examines the activities of 40 major companies and has been published since 2015, with the support of the UN Development Programme, the Global Environment Facility, and the Russian Ministry of Natural Resources and the Environment.

In 2020 NLMK Group took on the role of a strategic partner for the accelerator, GreenTech Startup Booster, organized by the Skolkovo Foundation, with the support of the Russian Ministry of Natural Resources and the Environment. More than 150 companies participated in the project, organized by the Skolkovo Foundation, with the support of the Russian Ministry of Natural Resources and the Environment, Ministry of Construction, Ministry of Energy, and industrial partners. Experts from NLMK, the official industrial partner of the programme, evaluated their projects. NLMK experts were primarily interested in solutions to respond to the current environmental and climate protection challenges of the Company. These include efficient dust suppression systems, emission control systems, air and water monitoring systems, resource conservation, and waste recycling projects. Among the finalists of the accelerator, NLMK singled out a technology for producing marketable products from liquid metal slags for the construction of roads and housing, production of compact gas treatment plants, and digital solutions for optimizing waste management processes. These solutions will be further analysed and the companies may be offered the opportunity to develop their pilot projects at NLMK Group sites.

NLMK Group also cooperates with other steelmaking companies in exchanging best practices and promoting sustainability principles. In 2020, NLMK Group established regular contacts with voestalpine, Tata Steel Group, and SSAB. At regular meetings, the companies discuss their main environmental indicators, approaches to environmental protection, implemented and planned projects to reduce the impact on the environment. NLMK Group is open about environmental issues, recognizing that environmental protection is a common cause, free from competition.

NLMK joined the international Competence Centre for the development of advanced metallurgical and environmental processes

NLMK Group became an industrial partner of K1-MET, a leading European Competence Centre for the development of advanced metallurgical and environmental processes.

The first joint project of NLMK, voestalpine, and K1-MET was launched in January 2021. The project aims to develop a technology for processing zinc-containing waste from electric arc furnaces and BOF steelmaking. The new technology will enable the production of materials with higher contribution margins from recyclables with the involvement of thousands of tonnes of iron in the production cycle of the Group companies. An important environmental impact of using this technology is the replacement of primary raw materials with secondary resources, which reduces the volume of storage of associated products and helps to reduce greenhouse gas emissions.

WATER RESOURCES

GRI 303-1, GRI 303-2

NLMK Group is committed to reducing the volume of water that it consumes, and devotes considerable efforts to lowering its water intake volumes in favour of reusing water. The Group's companies are likewise focused on reducing the volume and improving the quality of wastewater produced, which is in line with the IMS Policy of NLMK Group.

As part of the climate risk assessment initiated in 2020 by Carbon Trust Advisory Limited, an independent, competent third-party organization, which has relevant experience with commercial companies and government organizations since 2001, a risk assessment of water availability in the areas where NLMK Group operates was carried out. Based on the results of the assessment, it was found that in the short and medium term, this risk has a low probability of affecting the Group's activities.

In March 2020, NLMK Lipetsk joined the initiative to discuss the state of urban sewage treatment plants and their potential upgrade with the Lipetsk city administration and the Lipetsk municipal WWTP. As part of this initiative, an upgrade programme was developed together with NLMK experts, which aims to improve the quality of wastewater at

the outlet and reduce the emission of substances with an unpleasant smell, a source of discomfort for residents of nearby areas. In December 2020, the main design solutions for the upgrade of the structures at two sections of the Lipetsk WWTP were developed. NLMK experts' participation in this work allowed finding the most efficient solutions for the city and significantly optimizing the amount of investment while maintaining the cleaning targets.

WATER WITHDRAWAL

GRI 303-1, GRI 303-2

NLMK companies withdraw a small proportion of their water from external sources for production and drinking purposes (less than 4% of the Group's total water consumption). Maintaining the same low level of freshwater intake as production volumes grow is an important objective of NLMK Group. For industrial water supplies, the companies use water from surface water bodies, underground sources, and rainfall. NLMK Group companies do not use wastewater from other organizations.

The Group's companies do not withdraw water from wetlands included on the Ramsar List of Wetlands of International Importance or from water bodies located within environmental conservation sites.

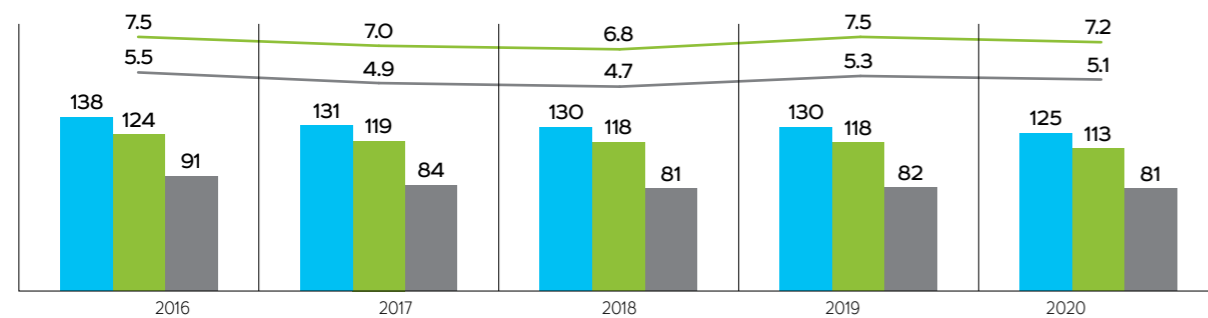
The water bodies that supply NLMK companies are assessed as being not particularly vulnerable given their size, role, or status as being rare, threatened, or endangered.

The Group's companies withdraw water in accordance with current permits and have no significant impact on the water sources in question. Water withdrawal by NLMK Group companies does not exceed 2.5% of the average annual water flow volume [GRI 303-5](#).

The Group's companies are focused on reducing the volume and improving the quality of wastewater produced, which is in line with the IMS Policy of NLMK Group. In 2020, the Lipetsk site started working on a project for feeding treated household wastewater back into the company production water supply, which will reduce the intake of fresh natural water by 2 to 8 million m³.

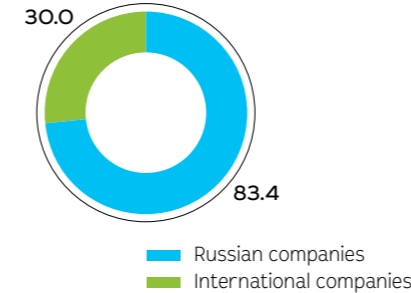
TOTAL VOLUME OF WATER CONSUMED BY NLMK GROUP

GRI 303-3, GRI 303-5



- Total water withdrawn for production needs and domestic purposes, m³
- Water consumption for production needs, m³
- Consumptive water use (the difference between total water intake and wastewater disposal), m³
- Specific consumptive water use, m³/t of steel
- Specific consumption of fresh water for production needs, m³/t of steel

TOTAL VOLUME OF WATER WITHDRAWN FOR NLMK GROUP PRODUCTION NEEDS BY REGION, 2020, M M³



In 2020, there was a downward trend in water consumption volumes compared to 2019, and a five-year low of natural water consumption for industrial and household needs was reached, thanks to operational measures to control water consumption and eliminate leaks.

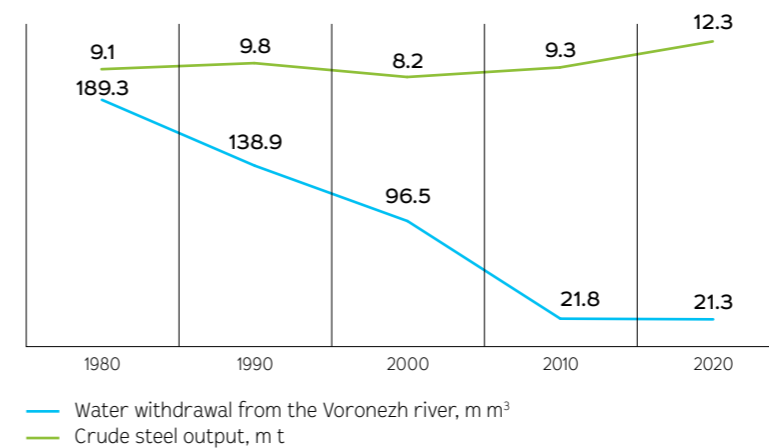
At the same time, 74% of the water consumed for production needs by the Group's international companies is direct-flow water for cooling equipment, which is not polluted during use and is fully returned to the natural environment unchanged.

Over the last 40 years the annual withdrawal of fresh water from the Voronezh River by the Group's core site in Lipetsk has been reduced by over nine times down to 21 million m³/year (from the level of 189 million m³/year in 1980 when production output was merely 9 million tonnes).

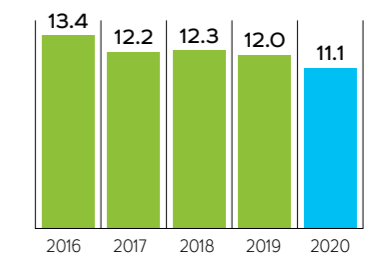
TOTAL VOLUME OF WATER WITHDRAWN FOR NLMK GROUP PRODUCTION NEEDS BY SOURCE, 2016-2020, M M³

Indicator	2016	2017	2018	2019	2020
Surface water	61.5	60.9	60.1	60.9	58.4
Ground water	62.6	58.1	58.0	57.1	54.9
Rainwater collected and stored by organization	0.1	0.1	0.1	0.1	0.1
Group total	124.3	119.1	118.2	118.2	113.4
Group total excl. direct-flow water for cooling equipment and mine drainage water (not used in the water loop)	57.0	54.6	53.7	54.1	53.1

WATER WITHDRAWAL FROM THE VORONEZH RIVER, LIPETSK SITE



WATER WITHDRAWAL (CONSUMPTION, INCL. FROM WATER UTILITIES) FOR POTABLE WATER SUPPLY AT NLMK GROUP'S COMPANIES, M M³





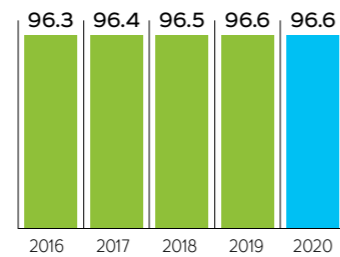
RECYCLED AND REUSED WATER

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

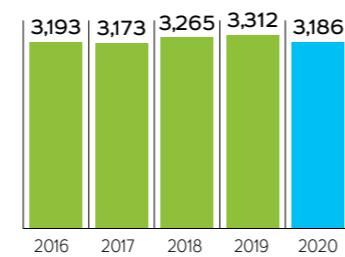
Water recycling solutions have been put in place at 14 NLMK Group assets. These solutions include both local systems for individual facilities and entirely self-contained subsidiary-wide systems. This helps to reduce water withdrawal and effluent discharge into surface water bodies. The share of recycled water supply at NLMK Group remains at a consistently high level. The goal of Strategy 2022 is to maintain a recycled water supply of at least 96% amid increasing production output.

The figures provided for recycled water supply show the additional water consumption by NLMK Group that would have occurred if no water recycling had been in place at its enterprises.

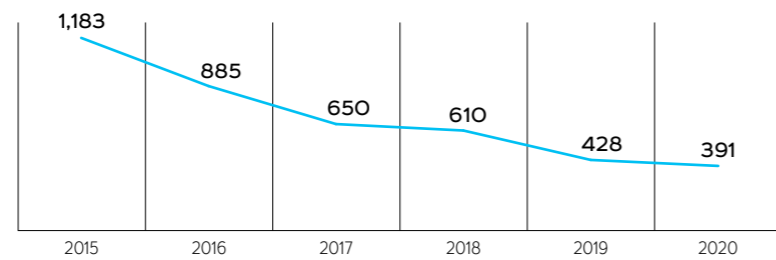
SHARE OF RECYCLED WATER IN NLMK GROUP'S TOTAL WATER CONSUMPTION, %



VOLUME OF WATER RECYCLED AT NLMK GROUP COMPANIES, M M³



POTABLE AND PUBLIC WATER CONSUMPTION AT STOILENSKY, '000 M³



The regions where the Group operates offer a high availability of water resources. The Group has no operations in water-stressed areas. According to the UN methodology, a region or country is considered water-deficient if its annual water supply is below 1,700 m³ per person. The regions where NLMK Group companies are located are not water-deficient. Only one location, namely the Belgorod Region where Stoilensky is situated, is exposed to a local water shortage as related to potable and household water supply in some areas of the region during dry years (not in the area where Stoilensky operates). Recognizing the importance of preserving the water resources in light of shortage risks, Stoilensky is implementing projects to cut down potable water consumption and taking action to protect water resources from the harmful effects of operations, including though better safety and the reliability of hydraulic structures. A dedicated certified laboratory regularly samples and checks the quality of water withdrawn, sewerage and water bodies in the area of potential impact. In 2020, Stoilensky started working on

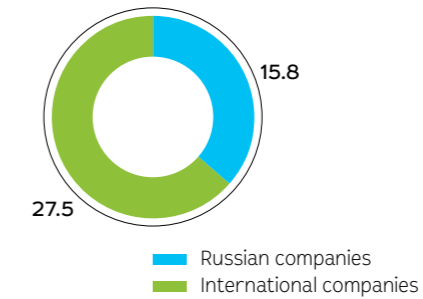
a project to redirect pumped clean mine drainage waters directly into the water body without using them in the water-loop cycle, this way the company plans to return a valuable resource in the form of non-polluted water to the natural environment.

DISCHARGE

Monitoring of discharge into water bodies at all sites is an important environmental aspect of NLMK Group's operations.

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

TOTAL VOLUME OF WATER DISCHARGE BY NLMK GROUP, INCLUDING RUSSIAN AND INTERNATIONAL COMPANIES, 2020, M M³ GRI 303-4, GRI 306-1



TOTAL VOLUME OF DISCHARGE BY RECEIVING WATER BODY, M M³ GRI 303-4, GRI 306-1

Indicator	2016	2017	2018	2019	2020
Total volume of water discharge for NLMK Group¹	46.5	47.3	49.0	47.7	43.3
Water discharge as % from total water supply	1	1	1	1	1
Into surface water bodies, including rivers, lakes, reservoirs, and canals	44.4	45.2	46.8	45.7	41.6
including into seas and oceans	0.2	0.2	0.3	0.3	0.3
Transferred to third-party organizations for treatment	2.1	2.1	2.1	2.0	1.7
Specific water discharge ¹ , m ³ /t of steel	7.5	7.0	6.8	7.5	7.2

¹ Source: Ministry of Natural Resources and Environment of the Russian Federation, <http://www.mnr.gov.ru/en/>

¹ Industrial and household wastewater, total.

ACTIONS TO REDUCE DISCHARGES OF HOUSEHOLD WASTEWATER INTO THE VORONEZH RIVER

Actions	Environmental improvement
Overhaul of mechanical treatment facilities of NLMK's LWWTP, local wastewater treatment plants (repair of the sand traps and grease traps)	<p>At 2020 year-end compared to 2019:</p> <ul style="list-style-type: none"> Volume of wastewater disposal reduced by 0.7 million m³ (-8%) Inflow of pollutants into the water body reduced by 1,900 tonnes (-19%)
Improving the efficiency of NLMK's LWWTP (optimizing the process performance)	
Reduction of water disposal through LWWTP due to the redistribution of flows in the plant's water supply system and restoration of the tightness household sewerage wells	
Monitoring of the state of networks and structures of NLMK's household sewerage system (detection and prevention of unauthorized discharges of wastewater into the plant's sewage networks)	
Interaction with the Lipetsk municipal sanitation agency (improvement of wastewater quality and minimization of residential wastewater discharges to the plant's sewage networks)	

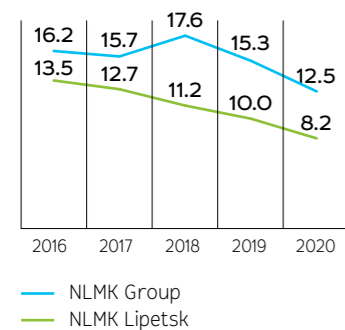
In 2020, actions were taken at the main site in Lipetsk to reduce discharges of household wastewater into the Voronezh River.

Each company makes use of water purification and treatment technologies that ensure the quality of wastewater as well as water used for industrial

and domestic purposes meets the standards set by applicable regulations. The appropriate methods are applied according to the type of wastewater in question (mechanical purification, oil/water interceptors, biological purification, decontamination). All discharged materials have a mineral content of less than 1,000 mg/L. No untreated discharges are made into water bodies [GRI 304-4](#).

The Company's Environmental Strategy sets the goal of reducing the discharge of pollutants with wastewater into water bodies by 25% compared to 2018. The Group companies develop and implement projects aimed at achieving this target.

POLLUTANTS DISCHARGED INTO WATER BODIES WITH WASTEWATER, '000 T



NLMK Lipetsk implemented a project to reduce the discharge of pollutants into water bodies

NLMK Lipetsk implemented an investment project to upgrade local wastewater treatment facilities. In line with the project, the cleaning units (aerotanks) were upgraded and a pontoon pumping station was built to reduce the unbalanced water and use it for BF slag processing. The goal of the project was to achieve the standards for 13 substances out of 19 released into the Voronezh River. The total investment in the project amounted to RUB 118 million. The project helped to reduce maximum concentrations for all substances, while average annual concentrations reached the established standards for 15 out of 19 indicators.

Over the last five years, the volume of water disposal at the Lipetsk site was reduced by 4.2 million m³ (-34%), the mass of substances going into the river was reduced by 5,300 tonnes (-39%).

Going forward, NLMK Group is considering the possibility of using wastewater treated in LWWTPs in the technical water supply system to seize the discharge of household wastewater into the Voronezh River.

AIR EMISSIONS



NLMK Group devotes considerable efforts to reducing its air emissions. The Group's Strategy 2022 includes a target of reducing specific air emissions from 18.9 kg/t in 2018 to 18.0 kg/t of steel by 2023.

In order to attain this target, the Environmental Programme 2022 envisages over 30 investment projects that aim to reduce the impact on the atmosphere. When upgrading its purification equipment, NLMK seeks to integrate and utilize best available technologies (BAT).

In 2020, NLMK Group made an inventory of all existing de-dusting systems to check their compliance with the requirements of environmental protection and dustiness at the workplace. Following the inventory, deficiencies were identified and a long-term de-dusting system upgrade

programme was developed. The Company plans to start working on priority projects under this programme already in 2021.

As part of the four-way Cooperation Agreement between NLMK Group, the Russian Ministry of Natural Resources and the Environment, the Federal Supervisory Natural Resources Management Service (Rosprirodnadzor), and the Administration of the Lipetsk Region, signed in summer 2019, by the end of 2020 NLMK Lipetsk implemented 5 out of 9 activities planned by 2024. They are aimed at implementing the Ecology National Project and reducing gross air emissions in the atmosphere. The total emissions reduction was 9,000 tonnes. Substantial environmental investment of \$1.3 billion since 2000 reduced NLMK Group's specific emissions by more than a half: from 43.3 to 19.8 kg/tonne of steel. Overall, with almost a two-fold increase in production the amount of cumulative impact on the environment was reduced by 10%.

Lipetsk: one of Russia's cleanest steelmaking centres

Since 2014 the city of Lipetsk, which is home to NLMK Group's largest asset, has been officially recognized as the 'cleanest' steelmaking city in Russia, according to data from Russia's Federal Service for Hydrometeorology and Environmental Monitoring (Roshydromet). Thanks to environmental protection measures implemented at the Lipetsk site, the Integrated Air Pollution Index (IAPI)¹ in Lipetsk decreased almost ten-fold from 2000 to 2020.

¹ The IAPI indicator, which was developed and calculated by Roshydromet, is used by the Russian Ministry of Natural Resources and the Environment to conduct scientific assessments of air pollution in Russian cities.

ENVIRONMENTAL PROGRAMME EMISSION REDUCTION PROJECTS IMPLEMENTED IN 2019-2020

Site	Measure	Effect
NLMK Lipetsk	Revamp of de-dusting systems, replacement of hot-blast stoves and re-tooling of slag granulation plants during overhauls of Blast Furnace No. 6	<ul style="list-style-type: none"> Reduction of H₂S, SO₂, dust, and CO, elimination of visible emissions Achieving a 99.9% purification rate, returning 100% of the captured dust to production Total effect – 5,663 tpa
	Upgrade of de-dusting systems during the overhaul of Blast Furnace No. 4	<ul style="list-style-type: none"> Dust emissions reduction, elimination of visible emissions Achieving a 99.9% purification rate, returning 100% of the captured dust to production Total effect – 234 tpa
	Reconstruction of off-gas ducts at BOF No. 2 and 3 and construction of secondary emission treatment systems at BOF Shop No. 2	<ul style="list-style-type: none"> Reduction of dust and CO, elimination of visible emissions Achieving a 99.9% purification rate, returning 100% of the captured dust to production Total effect – 3,096 tpa
	Revamp of the de-dusting unit (ATU-24) in the refractory shop	<ul style="list-style-type: none"> Over 90% reduction in dust emissions at the facility Performance of de-dusting system up by 20% to 240,000 m³/h Total effect – 81 tpa
	Revamp of by-product collection facilities, including merging of coke gas flows from coke batteries	<ul style="list-style-type: none"> Reduction of phenol by 66%, H₂S by 31%
	Construction of a new section for waterless slag cooling of all slag generated in BF Shop No. 1	<ul style="list-style-type: none"> Full transition to waterless slag cooling, reduction of H₂S emission The overall effect is a 3.5x reduction in hydrogen sulfide emissions at the site
Stoilensky	Technical re-equipment of the crushing and screening area de-dusting unit (DU-1), Beneficiation Plant	<ul style="list-style-type: none"> Additional capture of 700 tonnes of dust was implemented. The risk of exceeding the maximum permissible emissions at the source is eliminated, four-fold reduction in dust concentration at the workplace ensured Emission purification level increased from 35% to 96%

Blast Furnace No. 4 becomes cleaner

NLMK Lipetsk completed an upgrade of Blast Furnace No. 4 with a capacity of 2.1 million tonnes of pig iron per year.

The project includes an environmental upgrade of the furnace infrastructure. All the dust generated during hot metal production will be captured by a highly efficient de-dusting

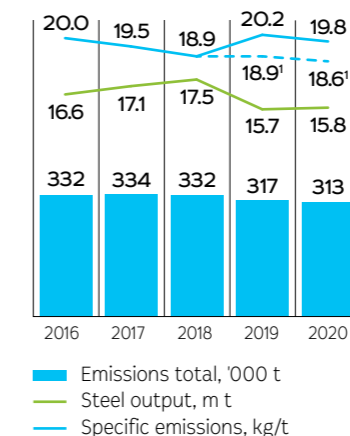
system. The system ensures a purification efficiency of 99.9%, which is in line with the best available technologies. The new equipment will also enable more efficient blast furnace gas treatment for it to be utilized as a secondary energy source. Filtered dust will be utilized in the production of iron-containing briquettes, or fed back into the blast furnace process. As part of the project, the furnace was equipped with a new lining, special refractory blocks that will enhance the resistance of the furnace's internal surface to thermal loads. Technical solutions and advanced materials will ensure stable operation of the furnace for the next 20 years.

After the furnace overhaul, emissions are expected to reduce by 200 tonnes per year. After the associated upgrade of air heaters is completed in 2022, the reduction in gross emissions will total 7,700 tonnes per year.

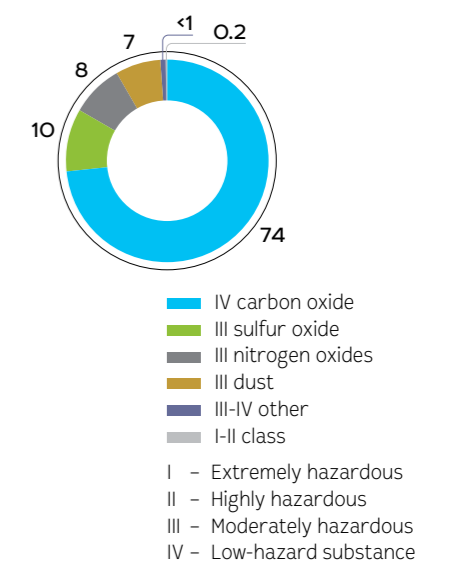
In 2020, gross emissions decreased by 4,000 tonnes (by 1.3%) compared to 2019. Specific emissions per tonne of steel were also reduced, driven by implemented investment projects. Specific emissions display a planned decline towards the target of 18.0 kg/t of steel in 2023 with production output kept flat.

74% 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, and cannot harm human health, since it comes from high pipes, is 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.

SPECIFIC VOLUME OF AIR EMISSIONS BY NLMK GROUP



NLMK GROUP'S EMISSIONS BY HAZARD CLASS, %



Road sweeping machines for NLMK and the city of Lipetsk

In the summer of 2020, NLMK Lipetsk purchased two road-sweeping machines. They will be used to clean industrial roads with high dust content on the territory of the plant and in the city of Lipetsk. They are able to remove up to 2,000 tonnes of dust from the plant's roads annually.

Sergey Evseev, Head of NLMK's Industrial Ecology Department, said: "The new equipment was delivered to the plant as part of measures

to reduce dust content on site. Dust from production facilities settles on roads and secondary dusting is possible in windy weather. The new road-sweeping machines will reduce the dustiness of the plant's roads and improve the air quality on its territory and in the city."

Swiss Aebl Schmidt sweepers work as a washing vacuum cleaner and suck all the dust into a special hopper when cleaning. The efficiency of road surface cleaning is 98-99%, which is significantly higher than the usual dry and wet cleaning methods.

The sweeper has a high level of dust suppression. This is achieved through filters for additional air purification and swirling dust flows. When the machine is running, the amount of fine dust particles released into the air is significantly lower than the established standard.

The new sweepers are also equipped with a recirculation system for water, which can be reused after filtration.

¹ Specific emissions w/o the impact of temporary decline in production output at NLMK EAF assets and NLMK Lipetsk amid overhauls of blast furnace and steelmaking operations

**VOLUME OF SIGNIFICANT AIR EMISSIONS BY NLMK GROUP
BY SUBSTANCE TYPE** GRI 305-7

Indicator	2016	2017	2018	2019	2020
Total, '000 t	332.4	333.8	331.5	317.0	313.3
NO _x emissions, '000 t	24.8	27.1	27.2	26.2	26.1
per unit of production, kg/t	1.5	1.6	1.6	1.7	1.7
SO ₂ emissions, '000 t	28.9	31.8	31.7	29.5	31.0
per unit of production, kg/t	1.7	1.9	1.8	1.9	2.0
Particulate matter emissions, '000 t	25.2	25.7	24.4	22.5	23.0
per unit of production, kg/t	1.5	1.5	1.4	1.4	1.4
CO emissions, '000 t	249.6	245.9	244.8	235.3	230.1
per unit of production, kg/t	15.0	14.4	14.0	15.0	14.5
Volatile organic compounds, '000 t	2.6	2.6	2.7	2.8	2.6
Hazard class 1 substances ¹ , t	1.4	1.2	1.3	1.2	1.2
per unit of production ¹ , g/t	0.09	0.07	0.08	0.08	0.08
Hazard class 2 substances ¹ , t	560	552	547	514	480
per unit of production ¹ , kg/t	0.04	0.03	0.03	0.03	0.03

The increase in the specific SO₂ emissions compared to previous periods is due to a change in the coking charge mix: the share of additives with a high sulfur content was increased. This did not lead to exceeding the maximum permissible concentrations. The SO₂ emission standards are met. In order to minimize the consequences of the increase in the sulfur content in the charge, NLMK Group started developing a project for the construction of a desulphurization plant.

NLMK Lipetsk cuts H₂S emissions

NLMK Lipetsk has launched an anhydrous cooling system for blast furnace slag as part of its environmental upgrade programme. This will enable it to reduce hydrogen sulfide emissions in the corresponding area by 3.5x and keep the smell from this chemical compound to a minimum.

The implementation of the complex marks the full transition of NLMK Lipetsk's Blast Furnace Shop No. 1 (three blast furnaces) to dry slag cooling technology. The complex was built in place of a slag dump that had been accumulating since the 1970s. Close to 6 million tonnes of various materials were processed and more than 300,000 tonnes of iron were fed back into steel production in the course of the project.

¹ Russian assets.

WASTE HANDLING AND SOUND USE OF NATURAL RESOURCES

WASTE MANAGEMENT

NLMK Group's waste-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. For example, a priority of the Environmental Programme 2022 is to increase waste utilization and recycling at NLMK Group to 92% (not including such mining waste as overburden and beneficiation tailings). Utilization includes reuse, recycling, and disposal.

NLMK Group utilizes some of the waste generated at its sites in the course of its own activities, and transfers some for reuse by specialized organizations that hold relevant licences.

The potential environmental impact is minimized through compliance with safe waste-handling standards and by implementing corresponding measures.

In 2020, total waste generation increased by 14% (by 7.8 million tonnes) due to increased mining output at Stoilensky. The share of recycled waste in 2020, excluding overburden and tailings, increased by 3% compared to 2019 and by 6% compared to the baseline in 2018, thanks to the processing of iron-containing sludge at the Briquetting Plant built in 2019. The share of processed sludge increased from 47% in 2018 to 87% in 2020. Going forward, the Company plans to process the entire volume of generated sludge at the plant and start processing the accumulated sludge.

TOTAL WASTE GENERATED AND UTILIZED BY NLMK GROUP, M T GRI 306-2

Indicator	2016	2017	2018	2019	2020
Waste generation ¹	1.0	1.5	1.5	1.5	1.4
Secondary raw materials recycled by the companies	2.2	1.9	1.8	1.9	2.0
Secondary raw materials recycled by third-party organizations	0.7	1.0	1.2	1.2	1.2
Waste disposal at third-party landfills, %	4	5	4	4	3
Recycling of secondary iron-containing raw materials, %	90	91	93	99	99

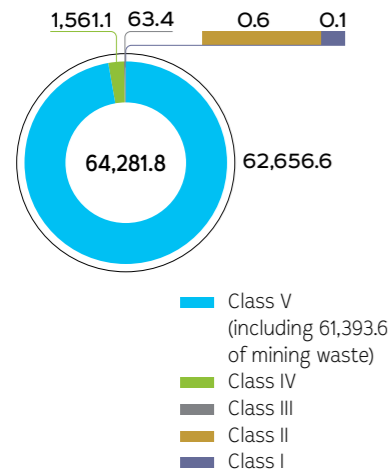
OVERBURDEN AND BENEFICIATION TAILINGS GENERATED AND UTILIZED BY THE GROUP, M T GRI 306-2

Indicator	2016	2017	2018	2019	2020
Stoilensky overburden and beneficiation tailings	55.3	53.9	46.6	53.7	61.4
Overburden generation ²	50.3	48.5	39.8	51.3	60.5
Share of utilized overburden, %	26	25	26	29	29
Generated beneficiation tailings	17.6	18.2	19.5	20.5	21.4
Utilized beneficiation tailings, %	25	25	25	26	24

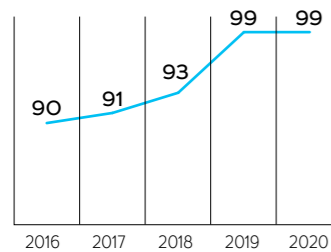
¹ Without taking into account secondary raw materials recycled by the companies.

² The total volume of generated overburden is indicated. For Stagdok and Dolomit, overburden is not waste and is used for backfilling post-mining areas of the mine, as it is developed 'to the side', 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.

WASTE GENERATED BY NLMK GROUP BY HAZARD CLASS, 2020, '000 T GRI 306-2



RECYCLING OF SECONDARY IRON-CONTAINING RAW MATERIALS¹, %



99.8% of the waste generated by NLMK Group in 2020 was non-hazardous.

97.5% of the waste generated by the Group's Russian sites is classified as Hazard Class 5 (non-hazardous). This waste category has virtually no impact on ecosystems and requires no special handling measures, including licensing.

Currently the Group companies process the absolute majority of secondary resources. In order to attain its targets, the Company instituted a recycling programme with over 15 projects.

NLMK Lipetsk increased recycling of secondary raw materials

As part of its Environmental Programme, NLMK Lipetsk continued to implement projects to utilize recyclables and reduce the impact on the surrounding areas. The plant processed a 25 ha slag dump with the total weight of accumulated slag exceeding 5 million tonnes.

The slag dump started to accumulate when the first blast furnace was launched on the left bank of the Voronezh River in 1934. Blast furnace slag was drained at a special site far from the residential sector and gradually accumulated, some of it was processed for the needs of road construction. Targeted processing of the slag dump began in 2018 and was completed in just two years.

About a tenth of the recyclables in the dump are metal scrap, varying in size, which was extracted by magnetic separation during processing. The resulting raw materials were used in ironmaking and steelmaking, while the remaining waste rock was utilized in construction.

The Company's approach is to minimize waste generation, recycle as many secondary resources as possible in its own process cycle, and ensure that the remaining unused materials are processed, either internally or by third-party companies. The implementation of the recycling programme will ensure an increase in the rate of internal processing of secondary raw materials at the Lipetsk site from 81% to 94%.

Each company of the Group annually develops measures aimed at reducing waste generation, increasing its upcycling in the companies' operations, and reducing waste disposal at landfills.

Crushed stone and crushed stone mixtures obtained during the processing of steelmaking slags are an example of upcycling material. Construction companies widely use this type of materials for the construction of roads, reclamation of disturbed land, and strengthening the banks of reservoirs.

In the reporting year, NLMK Kaluga implemented an initiative to sift the residues from the cleaning of wagons to obtain man-made soil, which will be used as a material for reclamation. This will reduce the volume of waste placed at landfills by 7,000–8,000 tonnes per year.

In 2020, together with its partners NLMK Group managed to produce carbonized bricks from steel slag with a compression strength of 10 MPa (M100). The properties of this material enable it to be used in the construction industry, at the same time reducing greenhouse gas emissions. The Company continues to develop the project for the transition to industrial production of this material.

Production lifecycle

NLMK Group companies manufacture steel products that can be fully assimilated into the environment once they are no longer of use to consumers. In this regard, ferrous metal products are a valuable raw material that can be reused in steelmaking.

All steel produced by NLMK Group companies can be recycled and reprocessed. About 35% of the liquid steel output is produced from ferrous scrap. NLMK Group's operations are part of the circular economy.

¹ 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.



Vtorchermet NLMK – a leader in scrap ferrous metal reprocessing

One NLMK Group asset, Vtorchermet NLMK, is an industry leader in scrap metal processing technology. It collects and processes scrap ferrous metals, and supplies NLMK Ural, NLMK Kaluga, and NLMK Lipetsk with 85% of the high-quality scrap metal they need for steelmaking. The scrap metal that arrives at Vtorchermet NLMK is given a second life in the form of products that are in high demand across various industries: rebar, steel duct, brackets, wire, fixing products, and flat-rolled products. Processing scrap metal helps both rid the environment of scrap and significantly reduce consumption of natural resources and energy.

Vtorchermet NLMK is a member of RUSLOM.COM, an organization whose mission and objectives include safeguarding Russia's access to raw materials and environmental safety by returning recycled resources to the economy and creating a high-tech and efficient sector for handling scrap metal and industrial and consumer waste.

TAILINGS DAMS AND HYDRAULIC ENGINEERING STRUCTURES

The organizational structure of NLMK Group includes dedicated services and units responsible for the safety of hydraulic structures.

The Stoilenskoye iron ore deposit is mined using the open-pit method. NLMK Group's sole tailings dams are located at Stoilensky. They were established in 1984, and are being built on the upstream slope. Throughout their operation, no environmental incidents related to the tailings dam systems and structures have been recorded.

The safe operation of the tailings dam is ensured by means of a number of internal and independent inspections, including:

- Water level control at least twice a day.
- Visual inspection of engineering structures at least once a day.
- Quality control of tailings at least once a quarter.
- Quality control of tailings at least once a quarter.
- Control of water filtration at the dams at least once a month.
- The facility's safety is checked weekly by inspectors from the Federal .
- Service for Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor).
- Environmental compliance assessment twice a month.
- Geological survey is carried out annually.
- Planned inspections of the dam's technical condition and safety are performed annually involving specialized government agencies.
- Hydraulic engineering structures at the tailings dam are checked involving government organizations, the general designer, and expert organizations at least once every three years.

In September 2018, a comprehensive survey of Stoilensky TMF hydraulic engineering structures was conducted together with representatives of Rostekhnadzor, EMERCOM, and other specialized government agencies and entities. The survey assessed the ultimate safety level of the Stoilensky tailings hydraulic engineering structures as 'normal' (the best possible option).

There is a local warning system in place at Stoilensky and its operability is checked monthly by Stoilensky's own staff and Rostekhnadzor specialists. A contingency plan for hydraulic structures at the tailings dam has been drafted and is updated each year. Staff training is administered at least once a month. In April 2019, training sessions were held with participation of experts from EMERCOM. There is no need to monitor seismic activity in the area according to the appropriate determination of a specialized state committee.

The water level in the tailings dam is maintained at the level more than 2 m below the crest of the dams, which meets the current safety criteria. In 2020, 762,000 m³ of tailings, rock soil, and crushed stone were used in the construction of the tailings storage facilities, 5,840 m of slurry pipelines were installed, and 4 ha of the dam slopes were reclaimed. In order to further increase the height of the dump protection dam, the necessary amount of engineering and geological surveys and a verification calculation of the dam stability were carried out, according to which the structure design provides

a stability coefficient higher than the standard one. The cost of the tailings storage maintenance programme amounted to RUB 241 million.

In accordance with the regulatory requirements, a survey of the hydraulic complex of the tailings storage facility is planned for 2021 with the involvement of state agencies, the general designer, and expert organizations.

The Group duly informs local communities about the existence of the tailings dam and holds regular public hearings regarding the development of the facility.

Stoilensky has introduced an Environmental Management System in accordance with ISO 14001:2015.

EFFICIENT TAILINGS STORAGE TECHNOLOGY

Stoilensky, one of Russia's leading iron ore producers, uses an efficient and environmentally friendly treatment process for the beneficiation of waste rock. It involves liquid extraction followed by the forced transfer of thickened tailings to storage. This process returns 80% of industrial water used during transportation back into the beneficiation process. Additionally, the better resilience of thickened tailings to weathering significantly reduces the dust levels at the tailings dam. As there is no way for excessive water to come into the facility, the overflow risk is mitigated and pressure on the dams is reduced. Thus, given that the tailings are thickened and measures are taken to ensure the safety of hydraulic structures, the risk of dam failure at Stoilensky is under control and has a conditionally acceptable level. Estimates indicate that a transition to fully dry storage of tailings at Stoilensky would inevitably lead to strong dusting, and it would be impossible to completely curb dust, especially in summer. In light of this, the Group considers dry tailings storage to be an unacceptable environmental risk and considers tailings thickening to be the most effective technology for managing environmental risks.

The perfect recipe to get rid of dust

In 2021, Stoilensky plans to carry out dust collection activities on the dry beaches of the tailing dump. It plans to build a flexible hose irrigation system. RUB 135 million were allocated for the project implementation. The current system was based on a rigid metal frame. As a result, as the compartments were filled, some of the pipelines were flooded and could not be used, and the emerging new beaches were not irrigated.

During the construction of the new system, an innovative 'recipe' for dust

suppression will be used on dry beaches of the tailing dump. Its main 'ingredient' is a special reagent that was tested during a pilot experiment.

The tailings storage facility occupies an area of 1,000 hectares, where processing waste, tailings, which are basically fine sand, is stored. Over time, influenced by the sun and wind, it will dry up and dust in dry, windy periods.

NLMK experts were able to successfully apply the method of spraying a solution of a special reagent that binds the surface, turning the fine sand into a crust. The effect after applying the solution persists for three months. The reagent itself is a kind of non-toxic glue that binds the surface of the material, forming a dense top layer. At the same time, it makes it possible for water to penetrate through it, so that there are no puddles and there is no flooding.

Next year, according to the programme for the development of the tailings workshop, it is planned to treat 120 hectares of the tailings storage facility with the reagent solution.

BIODIVERSITY

NLMK Group conducts operations on both industrial lands and residential areas in line with applicable law. The Company's activities have no direct significant impacts on biodiversity **GRI 304-2**.

In 2020, the area of NLMK Group's companies decreased by 2 hectares. Fluctuations in the area over the years are insignificant and are associated with the opening and closing of NLMK Vtorchermet scrap collection sites.

NLMK Group production sites are not located on sites that are situated on environmentally protected land or on land with a high biodiversity value. NLMK Group'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 **GRI 304-1, GRI 304-4**. With a view to preserve biodiversity on the territory of the Group companies, it is prohibited to destroy or damage greenery, build fires, hunt, and fish. These requirements are the same for both personnel and employees of contracting organizations. All places of water intake from surface water bodies are equipped with fish protection devices. The sites' location does not prevent the movement of migratory birds.

NLMK Group organized comprehensive assessment of possible involvement in biodiversity conservation projects. NLMK Lipetsk, Stoilensky, and Altai-Koks developed programmes for biodiversity conservation.

In 2020, NLMK Group invested close to RUB 4 million into biodiversity research and conservation, including compensatory measures.

AREA OCCUPIED BY GROUP COMPANIES AND REHABILITATED LAND, HA **GRI G4-MM1**

Indicator	2019	2020
Area	11,898	11,896
Land rehabilitated	15	10

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

Swan Lake Environmental Park was created by NLMK employees in 1978. It is the only bioindicator in Russia and the former Soviet Union that is situated on the territory of an industrial site. The lake is filled with process water from the Lipetsk site that has undergone treatment following its use in production. The environmental park occupies more than 5 hectares of land situated between the BOF shops of the Lipetsk site. It is home to some 500 birds of over 40 species, including 20 rare species. The lake is also inhabited by fish (common and bighead carps), which helps ensure that the waterfowl have a natural diet. Many bird species can only live in natural or near-wildlife conditions. The quality of the environment in the park allows these picky and demanding birds to enjoy long lives and reproduce regularly.

In 2020, joint activities were carried out with the Oka State Natural Biosphere Reserve, a nursery of rare crane species, as part of the Eurasian Regional Association of Zoos and Aquariums' programme for conservation of cranes of Eurasia.

The Conservation of Cranes of Eurasia programme involves determining the sex of all cranes kept in captivity and drawing up a genetic ID for each captive bird. In addition, genetic studies of cranes in Russia are being conducted in order to identify subspecies, genetic features of individual populations that will help both breeding in captivity and reintroduction into nature. Under the programme, the Company sent for research six blood samples from the Japanese crane and the belladonna crane, both Red Book species, living on the Swan Lake. Thanks to the genetic database of cranes kept in zoos in Russia, created by the Oka Reserve, NLMK hopes to find a male Daurian crane not related to NLMK's female, for mating.

Swan Lake works closely with other leading Russian zoos and nature reserves to grow and replenish the animal populations. As part of this cooperation, in 2021, 127 new birds belonging to 21 different species will move from the Vorob'i (Sparrows) and Malinki (Raspberries) bird parks, and the Penza and Lipetsk Zoos to a new place of comfortable residence in Swan Lake.

Representatives of Belogorye Nature Reserve conducted research at Stoilensky

Stoilensky cooperates with the Belogorye Nature Reserve in the study and conservation of the biodiversity of terrestrial and aquatic ecosystems. Reserve experts have compiled a list of animals and plants that are found in the area of the floodplain of the Chufichka River, where the head dam of the company is located, and forest areas close to the Stoilensky territory.

Scientists note that foxes, hare, weasel, as well as roe deer and wild boar inhabit these lands, while in the floodplain of the Chufichka River there are minks, beavers, and river otters.

Among the birds, the common turtledove, quail, and crane, rare species that are included in the new lists of the Red Book, have been noticed. As for the Red Book plants, forest anemone, whole-leaved clematis, spring primrose, and grasshopper can be found on this territory.

Following the results of the study, the reserve's researchers will develop measures to rehabilitate the environment and preserve its biodiversity.

Altai-Koks replenishes fish stocks at the Verkhneobsky basin

NLMK Group's company located in Zarinsk, Altai Territory has developed a six-year programme for the conservation of aquatic biological resources and their habitat. As part of this programme, the company plans to release more than 100,000 juvenile carp into the rivers. In 2020, about 27,000 juvenile fish were already released to the Verkhneobsky basin within a radius of 30 km from Barnaul as compensatory measures to offset water intake from the Chumysh River.

The Group regularly implements measures that aim to rehabilitate land disturbed 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 [GRI 304-3](#). Reclamation programmes have been developed and are publicly available on the websites of the Mining Division companies. The programmes are being implemented as planned. In 2020, rehabilitation was carried out on 10 hectares of disturbed land. More than RUB 10 million was spent on reclamation and improvement works.

NLMK Lipetsk finished autumn planting of greenery

NLMK Lipetsk completed the autumn stage of its territory landscaping programme.

With a view to maintain an environmentally efficient green barrier, almost 1,100 trees and about 4,600 shrubs were planted on the industrial site and along the internal roads, and about 3,000 square meters of lawns and flowerbeds were arranged and renovated. The territory of the site was decorated with new seedlings of poplar, maple, and birch, as well as spirea bushes.

The works are carried out as part of a 5-year programme for the inventory and renewal of the plant's greenery, developed with the participation of the Voronezh State Forest Engineering University. Experimental plantings recommended by the university for the renewal of the green fund of trees are planned for 2021.

In 2019–2020, 140,000 tree seedlings were planted at NLMK Group's production sites.

PLANS FOR 2021–2023

NLMK Group is planning to implement significant environmental protection initiatives in future reporting periods

under its Environmental Programme 2022. The initiatives seek to minimize our environmental impact, including by revamping major production facilities in line with the best available technologies.

MAIN PROJECTS SCHEDULED FOR 2021–2023

Company	Project	Effect
NLMK Lipetsk	Upgrade of Blast Furnace No. 4 air heaters	Reduction of carbon monoxide emissions by 7,500 tonnes per year
NLMK Lipetsk	Construction of a waterless slag cooling unit at the Blast Furnace No. 7 BF slag processing section	Reduction of hydrogen sulfide emissions at the section
NLMK Lipetsk	Upgrade of Blast Furnace No. 3 foundry yard de-dusting unit	Reduction of dust emissions by 200 tonnes per year
NLMK Lipetsk	Reconstruction of the de-dusting system for capturing unorganized emissions of the BOF Shop No. 1 mixing department	Reduction of dust emissions by 100 tonnes per year
NLMK Lipetsk	Technical re-equipment of the Mill 2000 regulating tank	Elimination of the risk of soil contamination with petroleum products on an area of 400 m ²
Stoilensky	Technical re-equipment of the beneficiation plant's medium and fine crushing department de-dusting system	Reduction of dust emissions by 791 tonnes per year
NLMK Lipetsk	Construction of the de-dusting system for capturing unorganized emissions of the BOF Shop No. 1 mixing department	Reduction of dust emissions by 100 tonnes per year Elimination of the risk of visible emissions
NLMK Lipetsk	Equipment of the storage area for waste from wagon cleaning	Eliminating the risk of soil contamination on an area of 1000 m ²
NLMK Lipetsk	Upgrade of the sludge drying scheme of sludge dewatering unit No. 6	Eliminating the risk of soil contamination on an area of 59,800 m ²
NLMK Lipetsk	Elimination of the risk of dusting when liming oiled scale	Eliminating the risk of soil contamination on an area of 120 m ²
Altai-koks	Reconstruction of the dust-free coke distribution unit's dust collection system on Coke Batteries No. 3 and 4	Reduction of dust emissions by 254 tonnes per year
Stoilensky	Reconstruction of the plant's storm sewer	Eliminating the risk of soil contamination on an area of 1100 m ²
NLMK Indiana	Installation of a waste storage warehouse	Eliminating the risk of soil contamination on an area of 500 m ²

CLIMATE CHANGE

MAJOR THEMES

CLIMATE CHANGE AIR EMISSIONS

KEY EVENTS IN 2020

- NLMK Group's climate-related risks and opportunities are estimated for the first time
- Scope 3 estimates indicating the Company's other indirect emissions related to its upstream activities are disclosed for the first time
- Improved detail and completeness of data disclosure under Scope 1 and Scope 2: emissions are presented by activity and country, data on CO₂ emissions are supplemented with data on methane (CH₄) and nitrous oxide (N₂O) emissions
- Memorandum of Cooperation to reduce climate impact signed with NOVATEK
- Greenhouse gas emissions reduction target through 2023 updated (Scope 1+2): targeted specific emissions stand at 1.91 tonnes of CO₂ per tonne of steel (with previous target of 1.94 tonnes of CO₂ per tonne of steel)

UNITED NATIONS GLOBAL COMPACT PRINCIPLES¹

- **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.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



¹ Specific emissions without the influence of temporary factors associated with a decrease in production.

1.90¹
t
(-1% yoy)

of CO₂-eq. per t of steel and commercial pig iron (Scope 1+2)

-158
thousand t

of CO₂ through projects implemented in 2020 (Scope 1+2)



Climate change is one of the greatest threats facing the world today, impacting society, the economy, and security globally. The main drivers of climate change are greenhouse gas emissions. Under the Paris Agreement, almost 200 countries made commitments to reduce their emissions, and over 100 countries announced their carbon neutrality goals.

According to various estimates, the iron and steel industry accounts for 7–9% of global greenhouse gas emissions. Therefore, the decarbonization of iron- and steelmaking is a major challenge for all industrial countries. The industry is currently engaged in active discussions of the ways to reduce its climate impact and the financing sources for potential initiatives.

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 reduce their climate impact substantially and attain their decarbonization goals. Steel produced by NLMK Group consists of 35% of recycled ferrous scrap on average. For the Lipetsk site, where BOF steel is produced, this indicator is 17%. Specific CO₂ emissions from scrap steelmaking are approximately four times lower than from primary raw materials.

This year NLMK Group published its first report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)¹. Going forward, this report will be further expanded to provide stakeholders with the fullest and timeliest information possible about the Company's progress in the matter.

OUR APPROACH

NLMK Group recognizes the importance of matters relating to climate change and the transition to a low-carbon economy. We are progressively reducing our greenhouse gas emissions by cutting our consumption of fossil fuels, increasing energy efficiency, and introducing innovative decarbonization solutions.

The Company's leadership devotes continued attention to climate-related issues, which are embedded into the corporate governance system. The Board of Directors, the Board's committees, CEO (Chairman of the Management Board), and the Management Board determine strategic growth priorities and ensure overall sustainability management. The Company's climate change initiatives are deeply intertwined with sustainable development and risk management matters (see the *Sustainability Management* section for more detail).

Our climate impact reduction targets are determined by the Strategic Planning Committee of the Board of Directors (see the *Committees of the Board of Directors* section for more detail). By addressing this issue on an annual basis, the Committee ensures that the Board of Directors pays close attention to the matter. NLMK Director of Environmental and Climate Affairs is in charge of managing the Company's impact on key environmental components, including atmospheric air, water resources, and climate change. The functional area as a whole is curated by NLMK Vice President of Energy and Environment, who is a member of the Management Board.

CLIMATE COOPERATION

The Company actively enhances environmental and climate cooperation with its Russian and international partners.

NLMK Group participates in global decarbonization initiatives

In 2020 NLMK Group joined the dialogue on the Mission Possible Platform, a World Economic Forum coalition aimed at accelerating the decarbonization of global industries that account for 30% of greenhouse gas emissions. Through this platform NLMK engages in discussions of an initiative to reduce the climate footprint of the iron and steel industry.

The matters discussed include target-setting for impact reduction, the necessary regulatory base, the market conditions, and key technologies for the decarbonization of steelmaking.

In 2020, Step Up, a joint project with the WSA, was launched at the Group's flagship site in Lipetsk to identify potential areas for reducing greenhouse gas emissions and implement appropriate measures.

NLMK joins the Net Zero Steel Pathway Methodology Project¹

This project was initiated in 2020 to assist iron and steel companies in developing a realistic and reliable approach to setting decarbonization targets, which would be in line with climate science and the Paris Agreement target, while also taking into account the way the industry works and interacts with other sectors.

NLMK participates in the project's Technical Working Group along with approximately twenty other organizations from the iron and steel industry, including the World Steel Association and ResponsibleSteel.

A special methodology was deemed necessary because the existing sectoral approach to decarbonization (SBTi SDA²) doesn't fully take into account or makes it impossible to take into account such factors as different steelmaking routes (the possibilities of decarbonizing integrated steelmaking and EAF steelmaking differ significantly); metallurgical by-products replacing primary materials in other industries, which significantly reduces their carbon footprint; emission reduction at side projects, etc. The objective of the updated methodology developed as part of the project is to adequately factor in all the nuances of ferrous metallurgy, enabling the creation of a realistic 'road map' for its decarbonization.

NLMK and NOVATEK sign Memorandum of Cooperation to reduce climate impact

In January 2021 NLMK Group and NOVATEK, the largest independent natural gas producer in Russia, signed a Memorandum of Cooperation in the field of mitigating adverse climate impacts.

Cutting greenhouse gas emissions is the key focus of cooperation. NLMK Group and NOVATEK plan to jointly test CO₂ capture, use, and storage technologies, to develop and improve hydrogen production technologies and transportation methods, as well as the use of hydrogen fuel to reduce GHG emissions. NLMK and NOVATEK are also exploring the development of new products required to implement low-carbon technologies.

NLMK Group takes part in first EU-Russia Climate Conference

Sergey Chebotarev, NLMK Group Vice President, and Nikita Vorobyev, Director of Environmental and Climate Affairs, took part in the EU-Russia Climate Conference organized by the EU Delegation to Russia and the SKOLKOVO Business School. Business representatives, officials and experts from Russia and the EU discussed possible solutions to climate change.

Participating in the "Decarbonization of energy-intensive industries" session, Sergey Chebotarev talked about NLMK Group's efforts to reduce its carbon footprint. NLMK follows a diversified approach to the climate agenda, using traditional and innovative tools to cut greenhouse gas emissions. In the coming years, the Company plans to launch a new power plant, which will be fuelled by recovered steelmaking gases. The project will cut greenhouse gas emissions by 650,000 tonnes annually. NLMK is also implementing a portfolio of research projects that focus on the use of hydrogen in the production process, and CO₂ recovery and utilization.

Nikita Vorobyev participated in the "Prospects for the Hydrogen Economy" section, where he shared his outlook on the prospects of using hydrogen in steelmaking and the necessary conditions for such a scenario. In addition, NLMK took part in the "Carbon border adjustment mechanism" session, which involved European Commission representatives, and outlined its vision of the regulation mechanism planned in Europe for imports of carbon-intensive products. NLMK believes that any regulation should take into account each company's individual performance and avoid creating discriminatory conditions within the industry.

NLMK Group supports first Franco-Russian forum on low-carbon industrial development

The forum was organized by the Nauka Innov Centre for Technological Cooperation of the Franco-Russian Chamber of Commerce (CCI France Russie), the trade mission of the Russian Federation in France, the Climate Partnership of Russia, and the Russian Ministry of Economic Development.

NLMK Group, a partner of the forum, participated in a session dedicated to green steelmaking. Nikita Vorobyev, NLMK Group Director of Environmental and Climate Affairs, presented the Company's vision of decarbonization prospects and spoke about current and future projects in the sphere. The session's participants included numerous Russian industry leaders and the French companies Fives, Air Liquide, and Dassault Systèmes, which presented their innovative technological solutions that can assist Russian manufacturers in reaching their climate impact reduction targets.

¹ The Task Force on Climate-related Financial Disclosures (TCFD) was created in December 2015 by the Financial Stability Board (FSB), an international body established by the G20 states. In June 2017 the TCFD published its recommendations, which set out the basic principles of climate-related disclosures for companies and organizations.

¹ See <https://netzerosteelproject.com/>

² Science-Based Targets initiative, Sectoral Decarbonization Approach.

IMPACT ON STRATEGY

GRI 201-2

Climate change implies a number of risks and opportunities for the iron and steel sector, which need to be identified in order to manage them and minimize the industry's climate impact. Timely identification of climate risks and opportunities will make it possible to take them into account when developing projects for NLMK Group's next strategy cycle beyond the 2023 horizon.

In the reporting period NLMK partnered up with Carbon Trust (United Kingdom), an independent sustainability consultant, to analyse risks and opportunities related to climate change and NLMK Group's activities for the first time. At the initial stage, the team identified 140 risks and opportunities, and later analysed 90 of them. The risks and opportunities were grouped by similar root causes and then classified by TCFD categories. For every group the team analysed the probability of materialization on the 2030 horizon for various scenarios of global temperature growth, including the Paris Agreement scenario (temperature increase limited to 2°C). The Company believes that Strategy 2022 is highly resilient to climate change according to preliminary assessments.

Physical risks (extreme weather events, temperature change, availability of water resources) have little impact on NLMK Group's activities. The risks of water resource availability only emerge on the long-term horizon after 2030.

In 2021 the list of risks and their impact on the Company can be specified once the project is complete and the climate strategy is approved by the Board of Directors.

TCFD DEFINITIONS OF TRANSITION AND PHYSICAL RISKS

Transition Risks

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations.

Physical Risks

Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.

Carbon border adjustment in Europe

Since late 2019 the EU is considering the introduction of an additional import charge for products whose manufacturing is associated with CO₂ emissions. This measure could become the first instance of a cross-border carbon price in the world.

NLMK Group shares European environmental values and closely monitors the initiative's development, participating in consultations and promoting the principles of fairness and non-discrimination. The Company works towards step-by-step greenhouse gas emission reduction, convinced that the mechanism can only be efficient and accepted politically at all levels if it employs a differentiated approach based on the 'polluter pays' principle, which takes into account every individual supplier's actual level of carbon intensity. In addition, the Company believes that any carbon tax should take into account the practices and mechanisms used in other countries for emission regulation, which include pricing among other methods. For instance, not only the mechanism of internal carbon pricing should be taken into account, but also the entire spectrum of carbon neutrality measures used by companies and economies, including measures to increase carbon sequestration via efficient forest management, investment in renewables, and measures to improve energy efficiency.

Considering the complexity of the issue and the high cost of a mistake, we believe it would be practical to integrate the mechanism step-by-step, starting with sectors with the least sophisticated configuration (including in terms of project portfolios) and with the least inclusion in international trade flows.

RISK MANAGEMENT

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 by 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 reports on the status of the Company's risks, plays a key role in the risk management process.

NLMK Group classifies climate change-related risks (regulatory, market, reputation) as evolving risks. All processes to manage such risks are integrated into NLMK Group's overarching risk management system (see the Operational Control and Risk Management section for more detail).



The process of analysing NLMK Group's climate-related risks and opportunities began in 2020 as an independent project. The idea is to integrate such risks into NLMK Group's risk management system more actively as new information becomes available.

PERFORMANCE AND TARGETS

Global climate change challenges us to reduce greenhouse gas emissions. To that end, NLMK Group introduces new technologies, increases production efficiency, and monitors and controls its emissions.

We are constantly enhancing the level and quality of greenhouse gas emission disclosures. In 2020, we made our disclosures on Scope 1 and Scope 2 more detailed and complete, breaking down emissions by type of activity and by country, and providing data on methane (CH₄) and nitrous oxide (N₂O) emissions in addition to CO₂. Moreover, we presented Scope 3 estimates for the first time, indicating the Company's other indirect emissions related to its upstream activities.

NLMK Group employs recognized international and industry standards and methodologies for GHG emission reporting and calculation, including The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. WRI and WBCSD, 2004 (revised); 2006 IPCC¹ Guidelines for National Greenhouse Gas Inventories / 2019 Refinement; WSA CO₂ Data Collection User Guide; Methodological guidelines on calculation of greenhouse gas emissions by organizations engaged in economic or other activities in the Russian Federation approved by order of the Russian Ministry of Natural Resources and the Environment dd. 30/06/2015 No. 300; EU Emission Trading System: The Monitoring and Reporting Regulation – General guidance for installations, and others.

In 2020 the Company introduced a centralized system to collect input data from all Group sites. It is based on leveraging regular reporting information on the use of energy and other resources.

Since early 2020, the carbon content of each incoming batch of coal, coke, and other carbon-containing resources is continuously measured at NLMK Lipetsk and Altai-Koks via laboratory tests. This has enabled higher precision of CO₂ emission calculations using the carbon balance method. NLMK is the first Russian steel company to conduct such a detailed analysis of incoming raw materials in order to determine their carbon footprint.

¹ IPCC – Intergovernmental Panel on Climate Change.

For an adequate comparison with 2020, we adjusted CO₂ emission data for the preceding few years (2016 to 2019) and added data on emissions from mobile facilities, as well as CH₄ and N₂O emissions. The adjustments are due mainly to more precise information about carbon content in coal used. Voluntary reporting standards provide the possibility of reviewing and specifying emission data for previous years.

In 2020, direct and indirect energy GHG emissions (Scope 1 + Scope 2) totalled

33.6 million tonnes of CO₂ equivalent across NLMK Group, which is 4% higher compared to the previous year. The main reason for this growth was higher pig iron output. Meanwhile, compared to 2018, the baseline year of the strategy cycle, emissions were 5% lower.

The overall contribution of additionally calculated emissions from mobile units and CH₄, N₂O emissions to NLMK Group's total direct GHG emissions is less than 1% in CO₂ equivalent.

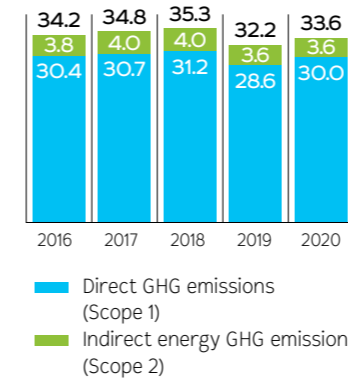
We also evaluated CO₂ emissions from biomass combustion (wood chips and charcoal), which is used at the Lipetsk site for ferroalloy production. These emissions are climate-neutral, provided for reference only, and are not included in the overall sum of reported emissions. The Company is currently considering the prospects of using sustainable biomass in its key steelmaking processes.

NLMK GROUP DIRECT AND INDIRECT ENERGY EMISSIONS, '000 T OF CO₂-EQUIVALENT GRI 305-1, GRI 305-2

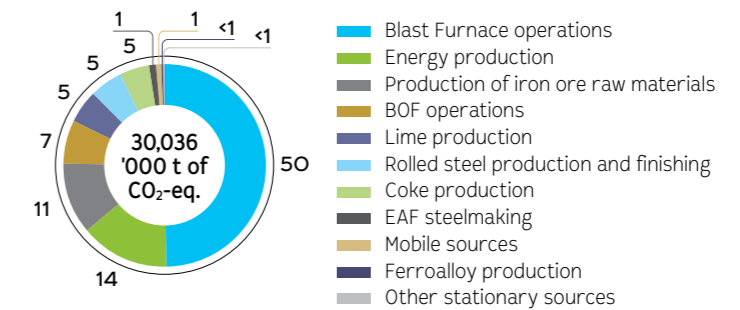
Indicator	2016	2017	2018	2019	2020
Direct GHG emissions (Scope 1)	30,356	30,740	31,232	28,601	30,036
CO ₂	30,280	30,665	31,158	28,531	29,964
Including from stationary sources	30,071	30,459	30,956	28,311	29,753
CH ₄	47	47	46	42	44
N ₂ O	28	28	28	28	28
Indirect energy emissions (Scope 2)¹	3,810	4,025	4,032	3,621	3,552
Total (Scope 1 + Scope 2)	34,166	34,765	35,264	32,222	33,587
Including stationary sources of CO ₂	33,879	34,481	34,985	31,929	33,302
CO ₂ emission from biomass combustion (for reference)	20	16	17	25	25

¹ Emissions from fuel combustion in the production of electricity received from the external grid for the needs of the Group's sites (regional method). For the Group's sites in the United States, CH₄ and N₂O emissions are taken into account in addition to CO₂.

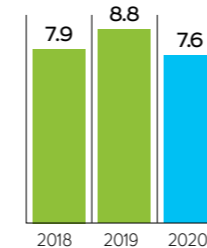
GHG EMISSIONS (SCOPE 1 + SCOPE 2), M T OF CO₂-EQUIVALENT



DIRECT GHG EMISSIONS BY TYPE OF ACTIVITY (SCOPE 1) IN 2020^{1,2}, %



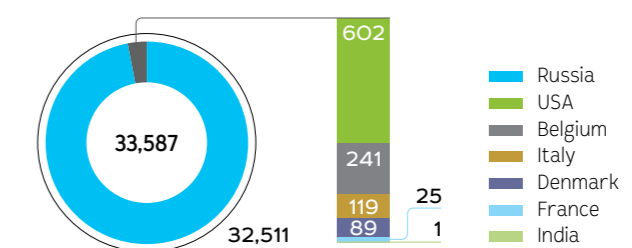
GHG EMISSIONS (SCOPE 3) UPSTREAM ALONG THE CORPORATE VALUE CHAIN, M T OF CO₂-EQUIVALENT GRI 305-3



By type of activity, blast furnace operations (50%) and energy production (14%) are the largest contributors to direct greenhouse gas emissions (Scope 1).

For the first time, the analysis includes other indirect greenhouse gas emissions associated with the production of the main types of external resources used by

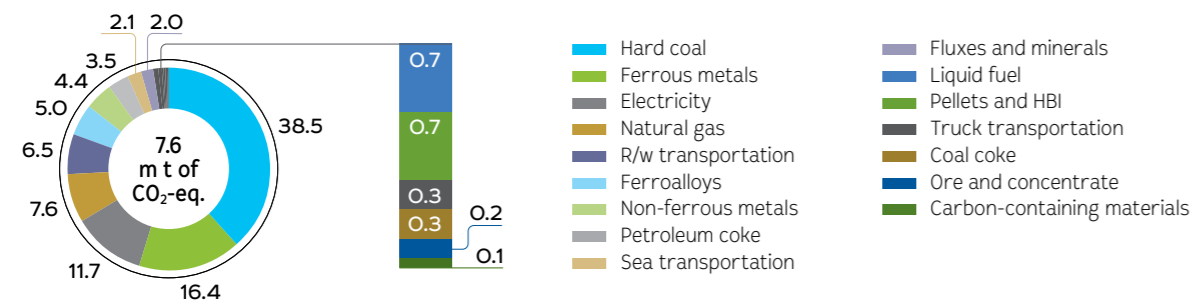
TOTAL DIRECT AND INDIRECT GHG EMISSIONS (SCOPE 1+SCOPE 2) BY COUNTRY, '000 T OF CO₂-EQUIVALENT



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 Group companies. Calculations are made for the last three years. Estimated coverage is at least 95%. Emissions associated with the transportation of finished products shipped to customers, as well as emissions generated during the use, processing, and disposal of the Company's products, were not considered at this stage. Regarding purchased electric energy for Scope 3 disclosure, we took into account emissions from the extraction, processing, and delivery of fuel to power plants, as well as losses in transmission networks, but did not take into account emissions from fuel combustion at the power plants themselves, since Scope 2 covers the latter.

¹ The CO₂ emissions from the combustion of process gases (blast furnace and coke oven gases) outside the sources of these gases, but within the Group's facilities, are considered equal to the emissions from the combustion of an energy equivalent amount of natural gas, adjusted for the combustion efficiency. The corresponding CO₂ deduction is made for the production sources of process gases.
² The "Energy production" category includes emissions from the production of thermal, mechanical, and electrical energy, hydrogen, as well as auxiliary fuel combustion in the energy, gas, and water supply shops.

OTHER INDIRECT GHG EMISSIONS (SCOPE 3) UPSTREAM ALONG THE CORPORATE VALUE CHAIN BY TYPE OF RESOURCE IN 2020, %



The largest amount of other indirect greenhouse gas emissions, 38% of the total, is associated with coal

production. These are mainly methane emissions from coal mining. The ferrous metals' emissions are mainly related to the production of slabs purchased from third parties for NLMK USA, due to current restrictions (Section 232).

SPECIFIC CO₂ EMISSIONS, STATIONARY SOURCES², T CO₂-EQ./T GRI 305-4

Indicator	2016	2017	2018	2019	2020
Direct emissions (Scope 1)					
Steel + commercial pig iron, t	1.76	1.73	1.70	1.75	1.72
Steel, t	1.81	1.78	1.77	1.80	1.88
Specific indirect energy emissions (Scope 2):					
Steel + commercial pig iron, t	0.22	0.23	0.22	0.22	0.21
Steel, t	0.23	0.24	0.23	0.23	0.22
Specific total emissions (Scope 1 + Scope 2):					
Steel + commercial pig iron, t	1.98	1.95	1.92	1.97(1.92) ³	1.92(1.90) ³
Steel, t	2.04	2.02	2.00	2.03(2.00) ³	2.10(1.98) ³

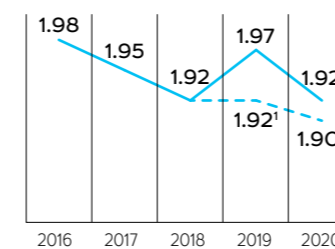
In addition to specific emissions per tonne of steel, a common indicator among steel companies, our analysis includes the specific emissions of steel production, including commercial pig iron, as the production of commercial pig iron accounts for a significant share in the total output of the Group. At the same time, most of CO₂ emissions (about 75% for the entire Group) are generated in the operations upstream

of and including pig iron production. Due to that, the Company decided to prioritize disclosing the joint indicator for steel and pig iron, since it reflects the Group's actual emissions and the rate of their reduction more accurately.

The increase in specific CO₂ emissions per tonne of steel in 2019 and 2020 compared to previous periods was due to a temporary decrease in steel output during the upgrade programme at the NLMK Lipetsk BF and BOF operations. In addition, 2020 figures were impacted by the output decrease at the Company's European and US companies amid the COVID-19 pandemic. Taking corresponding output normalization into account, the Company's level of specific emissions has been decreasing throughout the 2016–2020 period.

¹ Emissions associated with large-capacity deliveries of ferrous metals mainly from third parties for smelting and rolling at NLMK Group sites.
² Consistent with the corporate approach for setting CO₂ emission targets.
³ Specific emission without the impact of temporary factors, which have to do with lower production.

SPECIFIC CO₂ EMISSIONS (SCOPE 1 + SCOPE 2) FROM STATIONARY SOURCES GRI 305-4



t of CO₂ per t of steel and commercial pig iron

The Group will continue to further slash specific GHG emissions in the period leading up to 2023. Specific emission (Scope 1 + Scope 2) target is 1.91 tonnes of CO₂ per tonne of steel versus 2.0 tonnes in 2019 (5% reduction), per tonne of steel with commercial pig iron – 1.84 tonnes of CO₂ versus 1.92 in 2019 (4% reduction).

In 2020 the Company reviewed and expanded its portfolio of projects aimed at reducing greenhouse gas emissions. These include both standard projects to increase energy efficiency and reduce fuel consumption in blast furnaces and innovative solutions for the use of secondary carbon-based raw materials and biofuel in BF operations, as well as new decarbonization technologies of carbon dioxide capture and utilization. A number of projects has already been launched, and their status and progress are being monitored regularly.

In 2019–2020 we completed a range of previously planned projects aimed at reducing CO₂ emissions. The effects of each project were calculated based on the achieved technical effects for the reviewed period (reduction in the consumption of natural gas, coke and coke fines, energy, oxygen, limestone, dolomite, etc.).

Our new recovery cogeneration plant, which will be launched at NLMK Lipetsk in 2023, will run on by-product gases from blast furnace and steelmaking operations, thus cutting CO₂ emissions by 650,000 tonnes (35 kg per tonne of steel) annually. The step-by-step introduction of new ore beneficiation technologies at Stoilensky in 2020–2023 will increase Fe content in the charge and reduce fuel consumption at the blast furnaces in Lipetsk, which will bring an additional 790,000-tonne reduction in CO₂ emissions (43 kg per tonne of steel) annually. Besides, NLMK is also implementing a portfolio of research projects that focus on the use of hydrogen in the production process, CO₂ recovery and utilization, and other decarbonization areas.

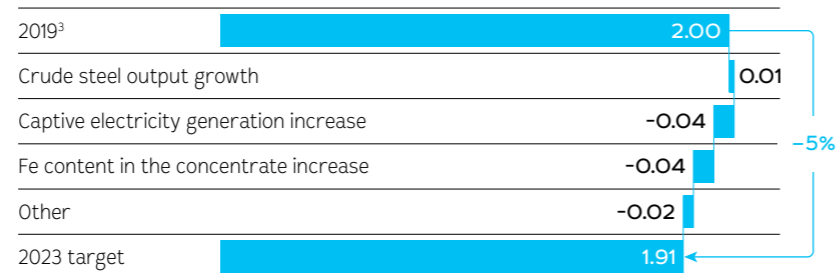
ACTUAL 2020 CO₂ EMISSION REDUCTIONS FROM PROJECTS INCLUDED IN THE 2023 STRATEGIC TARGET GRI 305-5

Project (implemented)	Start-up date	CO ₂ emission reduction (Scope 1 + Scope 2), '000 t	CO ₂ emission reduction (Scope 1 + Scope 2), kg/t
Construction of co-generation boiler-houses at NLMK Ural in Nizhniye Sergi and Beryozovsky	November 2019	27	1.7
Construction of a water-heating boiler-house at NLMK Ural in Revda	November 2019	7	0.5
Construction of an additional beneficiation section at Stoilensky ¹	July 2020	81	5.1
Turbine blower for Blast Furnace No. 7	November 2019	30	1.9
Use of dynamic stacking model when forming iron ore stacks and the APCS when metering out fluxes in coal preparation sections	December 2020	8	0.5
Stopping the converting process in BOF at set carbon value (for part of the product mix)	August 2020	2	0.1
Other	2019–2020	3	0.2
Total		158	10.0

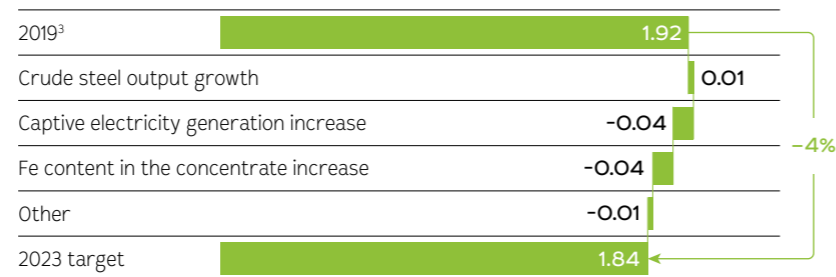
¹ Specific emissions without the impact of temporary factors, which have to do with lower production.
² Including effects of operational efficiency associated with the project

At the Lipetsk site, the specific direct CO₂ emissions per tonne of steel in 2020, calculated on the basis of the guidance document¹ of the European Union Emission Trading Scheme (EU ETS), amounted to 1.72 t CO₂/t steel. Compared to the estimated EU ETS benchmark² (calculated based on the top 10% of companies in the EU), this gap is already only 8% today. NLMK's goal is to close the gap with the current benchmark to 6% within the current strategic cycle.

NLMK GROUP'S TARGET FOR SPECIFIC EMISSION REDUCTION FROM STATIONARY SOURCES (SCOPE 1 + SCOPE 2), T CO₂/T OF STEEL



NLMK GROUP'S TARGET FOR SPECIFIC EMISSION REDUCTION FROM STATIONARY SOURCES (SCOPE 1 + SCOPE 2), T CO₂/T OF STEEL AND COMMERCIAL PIG IRON



CO₂ EMISSIONS AT THE LIPETSK SITE ACCORDING TO EU ETS (SCOPE 1), T OF CO₂/T OF STEEL

NLMK Lipetsk 2020	1.72
NLMK Lipetsk 2023	1.68
EU ETS benchmark ⁴	1.58

NLMK PRODUCTS CONTRIBUTE TO THE TRANSITION TO A LOW-CARBON ECONOMY



Forests are the largest carbon sink on the planet, they absorb more CO₂ than they release into the atmosphere. However, even in the energy industry, there are sectors that contribute to reducing greenhouse gas emissions in their own way. For example, solar and wind energy are replacing fossil fuels.

Calculating the impact of consumers using certain product categories on curbing CO₂ emissions is a common practice and is widely used in steel and other industries.

NLMK Group produces plate, which is used in the construction of wind power facilities, and premium electrical steel, thanks to which consumers are able to reduce specific magnetic losses in transformers and electric motors. NLMK also produces high-strength and wear-resistant steel grades that contribute to improving safety in a number of applications and lightening the weight of steel structures, which, in turn, leads to lower consumption of fuel and steel itself (replacing lower-quality grades), and, ultimately, contributes to the transition to a low-carbon economy. The Company estimates that the target sales volume of such steels during the 2018–2023 strategy cycle will allow it to prevent approximately 34 million tonnes per year of CO₂ emissions on the consumer side. This volume exceeds the Company's emissions from steel production. Taking into account the life cycle of the same steel volume (20–30 years), it can prevent over 700 million tonnes of emissions.

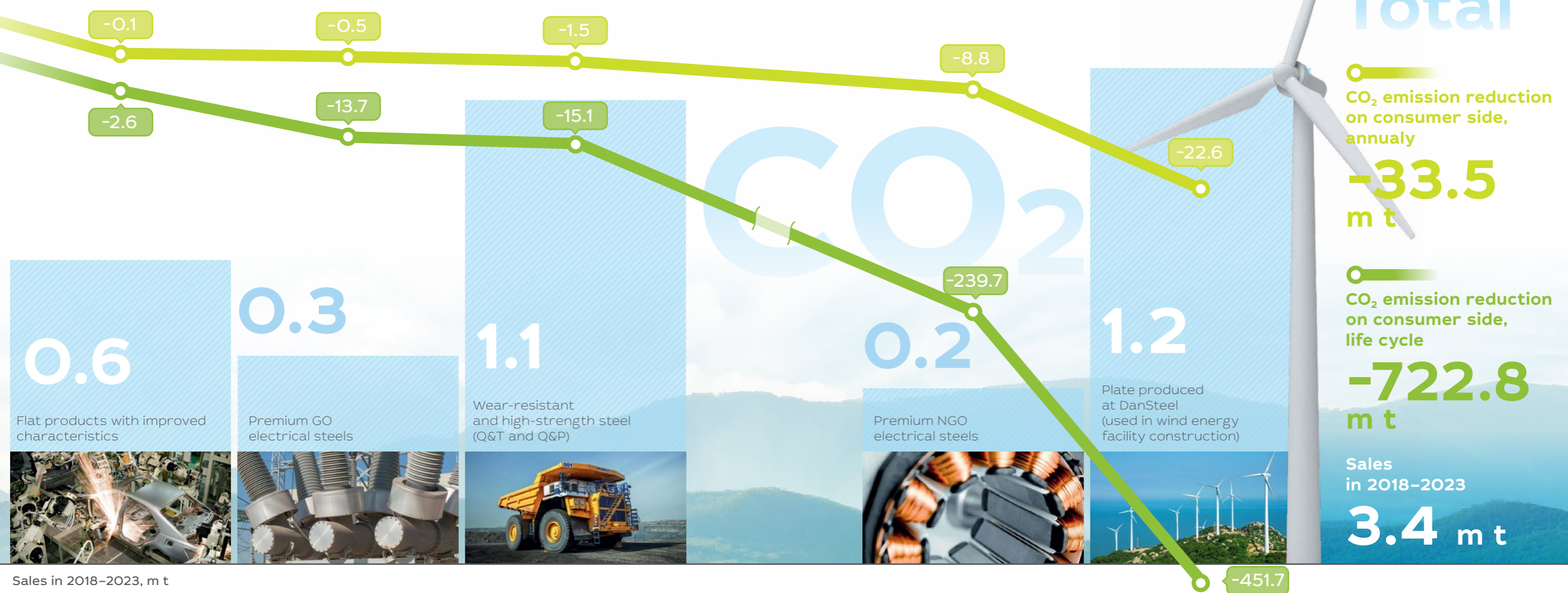
¹ COMMISSION DELEGATED REGULATION (EU) 2019/331 of 19 December 2018 determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council

² The indicator for converter steel under the ETS is not separately established, but there are established benchmarks for coke, sinter, pig iron, lime, dolomite. The given data per ton of steel are calculated at the given consumption factors

³ Specific emission without the impact of temporary factors, which have to do with lower production

⁴ Using the same coke and iron ore consumption rates as at NLMK Lipetsk in 2020

REDUCTION OF CO₂ EMISSIONS ON THE CONSUMER SIDE THROUGH NLMK PRODUCTS



NLMK DanSteel supplies steel heavy plates for next-generation floating offshore wind farm

NLMK DanSteel, NLMK Group's plant in Denmark, supplied its heavy plate for the Wind Float Atlantic project. Wind Float Atlantic is the first semi-submersible floating wind farm in the world located off the north coast of Portugal. NLMK DanSteel's high-quality steel heavy plates are used in the production of floating platforms and foundations.

Wind Float Atlantic comprises three wind turbines 8.4 MW each, mounted on floating platforms. The third platform was installed in July, and the wind farm will start operating at full capacity. The wind farm will be able to generate enough energy to supply 60,000 households in Portugal. Wind Float Atlantic will save almost 1.1 million tonnes of CO₂ emissions per year.

In 2020, NLMK DanSteel delivered more than 150,000 tonnes of steel for the manufacture of onshore and offshore wind farms, which can generate close to 3 GWh of 'green' electricity per year. The Company's customers are such industry leaders as Ørsted, Vattenfall, Equinor, Siemens Gamesa, Vestas, GE Renewable Energy.

The Company's share on the European offshore wind energy market has already reached 14%, and 20% in the onshore segment, attesting to its leadership in supplies to a key renewable energy sector.

NLMK Verona supplies special steel for wind power

NLMK Verona, the Group's Italian plant, supplies steel for the manufacture of wind turbine flanges. The flange of a wind turbine is its central connecting part and is manufactured by a limited number of companies in the world due to strict product requirements. NLMK Verona supplies about 15,000 tonnes of steel per year for the wind power generation sector, including for such projects as Beatrice, Galoper,

Mercure, Hywind, etc. The company's key customer is euskalforging, the world's largest manufacturer of offshore wind turbine flanges.

NLMK steel in superpower transformers for Krasnoyarsk HPP

In the reporting year NLMK supplied premium laser-treated electrical transformer steel to SVEL Group, a leading Russian manufacturer of electrotechnical equipment. NLMK steel was used to make a 630 MVA three-phase potential transformer for the Krasnoyarsk Hydro Power Plant.

Currently, the hydroelectric power plant is undergoing a comprehensive upgrade to install superpower transformers. By 2024, NLMK plans to supply close to 2,000 tonnes of steel to SVEL for the production of six more transformers. NLMK steel properties will enable a reduction in specific magnetic losses in transformers of up to 15% compared to commercial grades.

TCFD INDEX

TCFD recommendations	Annual report 2020	Page
GOVERNANCE		
Disclose the organisation's governance around climate-related risks and opportunities		
Describe the board's oversight of climate-related risks and opportunities	Information is presented in sections Sustainability management and Our approach to managing environmental protection	p. 30, p. 186, p. 188
Describe management's role in assessing and managing climate-related risks and opportunities.	Information is presented in sections Sustainability management and Our approach to managing environmental protection	p. 30, p. 186, p. 188
STRATEGY		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation'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	Information is presented in sections Climate change and Impact on strategy	p. 186, p. 190
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Information is presented in sections Climate change and Impact on strategy	p. 186, p. 190
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Information is presented in sections Climate change and Impact on strategy	p. 186, p. 190
RISK MANAGEMENT		
Disclose how the organisation identifies, assesses, and manages climate-related risks		
Describe the organisation's processes for identifying and assessing climate-related risks	Information is presented in sections Climate change and Risk management	p. 186, p. 191
Describe the organisation's processes for managing climate-related risks	Information is presented in sections Climate change and Risk management	p. 186, p. 191
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Information is presented in sections Climate change and Risk management	p. 186, p. 191
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	Information is presented in sections Climate change and Performance and targets	p. 186, p. 191
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	Information is presented in sections Climate change and Performance and targets	p. 186, p. 191
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Information is presented in sections Climate change and Performance and targets	p. 186, p. 191

PLANS FOR 2021 AND THE MEDIUM TERM

In 2021, the Company plans to start the development of NLMK Group's long-term climate change programme and to continue assessing the Company's risks and opportunities taking various climate change scenarios into account. Additionally, NLMK plans to participate in the Carbon Disclosure Project (CDP) programme in 2021 for the first time.



ENERGY EFFICIENCY

MAJOR THEME ENERGY

KEY EVENTS IN 2020

- The fourth recovery CGP power unit was launched, with a steam turbocharger for the air blast supply at Blast Furnace No. 7.
- A project to switch walking beam furnaces in the Hot Rolling Shop to natural gas was completed.
- K-1500 and K-500 compressors in the NLMK Lipetsk Oxygen shop were upgraded.
- A 220 kV substation was commissioned at the Revda plant (NLMK Ural).
- Supplies of medical oxygen from NLMK Lipetsk to clinics and hospitals in nearby regions reached record highs amid the COVID-19 pandemic.
- A daily-average record was set in energy generation at NLMK Lipetsk captive facilities (co-generation plant – 346.5 MW, recovery plant – 160.1 MW).
- NLMK Lipetsk halved its purchases of hot water heat energy by optimizing its power resource supply arrangements.
- NLMK Ural sites purchased 15 times less heat energy due to using cogeneration units.

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.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS



396.4

PJ
(+3.6% yoy)

NLMK Group's total energy consumption in 2020

0.094

Gcal/t
(-1.7% yoy)

reduction in specific energy intensity of steel production at NLMK Lipetsk

Our project to boost the energy efficiency of lighting at NLMK's NGOs Shop won

the Golden Photon Award

in the international electrotechnical industry competition of the Eurasian Economic Community.

OUR APPROACH TO MANAGING ENERGY EFFICIENCY



Steelmaking is an energy-intensive industry. NLMK Group systematically pursues energy efficiency improvements in its operations. This includes identifying and applying integrated solutions to ensure a reliable supply of energy resources, as well as using energy sparingly in order to reduce costs and minimize the environmental impact.

The Company has adopted an NLMK Group Integrated Management System Policy in Quality, Environmental Protection, Energy Efficiency, and Occupational Health and Safety (IMS Policy). This policy sets forth the vision, goals, principles, and management commitments related to the improvement of energy efficiency.

The Group's commitments under the IMS Policy go beyond introducing advanced energy-efficient technologies and solutions that reduce the consumption of natural and secondary energy resources.

The Group is additionally committed to developing power generation capabilities that utilize metallurgical gases and other secondary energy resources, and to supporting the use of renewable energy sources where applicable and reasonable (for more information on our IMS Policy, please follow the [link](#)).

The Unified Technical Policy on Energy Complex Management has been in effect at NLMK Group's Russian companies since 2014. The objective of this policy is to introduce the most advanced technical solutions, machinery, and technologies that bolster the reliability, efficiency, and safety of the Group's energy complex. The policy sets out priorities and rules for applying technical solutions related to the utilization of energy facilities, the implementation of investment programmes for new construction, the re-tooling of core equipment, overhauls of energy assets belonging to NLMK Group companies, and the innovative and promising development of these companies.

NLMK Group Vice President for Energy and the Environment and the units reporting to him work to frame the principles and strategic goals for improving the energy efficiency of production and developing the Group's energy facilities in addition to setting energy consumption KPIs and tracking them. Each year we create and implement a portfolio of energy efficiency projects aimed at attaining our energy resource use targets.

A key performance indicator for improving energy efficiency is the specific energy intensity of production (Gcal/t of output). The targets for these key performance indicators are determined based on earlier maximum results, taking into account the potential of optimizing the process to the best technologically achievable level, as well as the results of benchmarking similar machinery against global best practices.

CERTIFICATION

The Company's energy management system is in compliance with the international ISO 50001 standard, as confirmed by its ENMS 598731 certificate.

The system encompasses nine core production sites:

1. NLMK Lipetsk
2. VIZ-Steel
3. Altai-Koks
4. Dolomit
5. NLMK Kaluga
6. NLMK Metalware
7. NLMK Ural
8. Stagdok
9. Stoilensky

NLMK DanSteel is also certified under ISO 50001.

In 2020, NLMK Group successfully completed a cycle of recertification audits of the energy management system at its sites. A certificate was issued to confirm their compliance with ISO 50001:2018. Additionally, a project was launched in 2020 to consolidate the management systems of all Group companies into an integrated management system (IMS).

MEMBERSHIP AND PARTICIPATION IN ORGANIZATIONS

NLMK Group is a member of the Russian Association of Energy Consumers, a non-profit partnership that aims to protect the interests of member companies in the energy sector.

NLMK Lipetsk is a member of the NP Market Council organization, which ensures the Company's participation in the wholesale electricity and power market.

In November 2010 NLMK Lipetsk joined the non-commercial partnership SRO Union of Independent Energy Audit and Energy Expert Organizations.

ENERGY RESOURCE CONSUMPTION IN 2020

In 2020 total energy consumption within the Company stood at 396.4 PJ, which is 14 PJ higher than in 2019. The increase is due to the commissioning of new production capacities at the Lipetsk site (Basic Oxygen Furnace No. 3 in BOF Shop No. 2) and a new batch annealing furnace at NLMK Metalware.

Non-renewable energy consumption totalled 394.7 PJ.

NLMK Group uses a variety of non-renewable energy resources in its production activities: 26.0% of all energy consumed comes from natural gas, and 59.9% comes from coal and coke products (minus marketed coke products).

In addition, we use renewable energy sources (RES), wood chips, and charcoal to produce ferroalloys.

In 2020 the share of electricity from renewable sources totalled 5.2% of all purchased electric energy. The share of renewable electric energy in all NLMK Group energy consumption was 0.42%.

RENEWABLE ELECTRIC ENERGY CONSUMPTION ACROSS NLMK GROUP

GRI 302-1

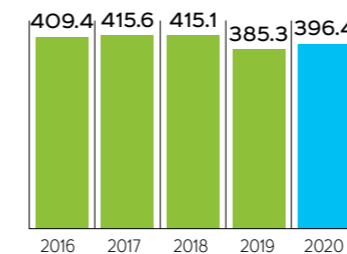
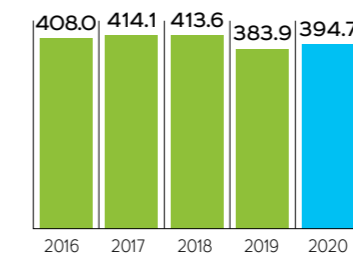
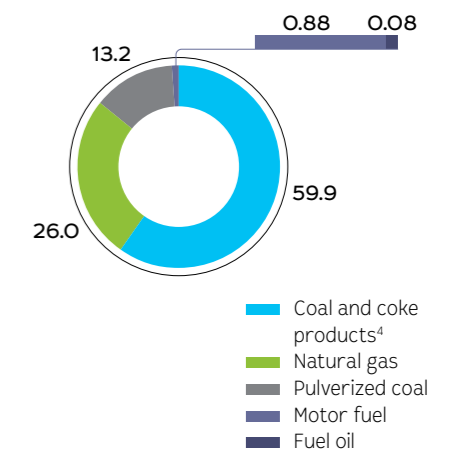
Indicator	2016	2017	2018	2019	2020
Share of renewable electric energy in purchased energy, %	4.79	4.81	4.86	5.10	5.15
Total share of renewable electric energy in total energy consumed, %	0.35	0.36	0.36	0.37	0.42
Total renewable electric energy consumed, PJ	1.42	1.50	1.51	1.43	1.68

NLMK Group sites made no direct purchases from renewable energy suppliers. The share of generation from renewables is shown as assumed

for Europe and the US as of the end of 2019 according to the Monthly Energy Review US report by the Energy Information Administration and The European Power Sector in 2019 report (available [here](#) on p. 120 and [here](#) on p. 7).

SHARE OF RENEWABLE ELECTRIC ENERGY IN TOTAL PURCHASED ELECTRICITY BY REGION, WITHOUT TRANSIT FLOWS, %

Region	Share of renewable energy	Source	Companies
Russia, Central Unified Energy System zone (Central and Northwestern Federal Districts)	1.9	Hydro	NLMK Lipetsk, Stoilensky, Stagdok, Dolomit, NLMK Kaluga
Russia, Ural Unified Energy System zone (Ural and Volga Federal Districts)	2.8	Hydro, wind, solar	NLMK Ural, NLMK Metalware, VIZ-Steel
USA	17.6	Hydro, wind, solar, biofuel	NLMK Indiana LLC, NLMK Pennsylvania LLC, Sharon Coating LLC
Belgium	20.6	Wind, solar, biofuel	NLMK La Louvière S.A., NLMK Clabecq S.A.
France	20.5	Hydro, wind, solar, biofuel	NLMK Strasbourg S.A.
Italy	40.1	Hydro, wind, solar, biofuel	NLMK Verona SpA
Denmark	83.9	Wind, solar, biofuel	NLMK DanSteel A/S

GROSS ENERGY CONSUMPTION BY NLMK GROUP¹, PJ GRI 302-1**CONSUMPTION FROM NON-RENEWABLE SOURCES BY NLMK GROUP², PJ** GRI 302-1**BREAKDOWN OF NON-RENEWABLE FUEL CONSUMPTION BY NLMK GROUP IN 2020³, %** GRI 302-1**NLMK GROUP CONSUMPTION OF NON-RENEWABLE FUELS³, PJ** GRI 302-1

Fuel type	2016	2017	2018	2019	2020
Coal and coke products ⁴	218.37	216.52	207.94	184.30	196.94
Natural gas	99.409	91.645	87.750	91.262	85.499
Pulverized coal	18.10	28.40	43.30	36.15	43.36
Motor fuel (petrol, diesel, liquefied gas)	2.81	2.76	2.79	2.91	2.90
Fuel oil	0.26	0.04	0.04	0.21	0.27
Total	338.93	339.37	341.83	314.92	328.97

¹ The methodology for calculating the Company's energy consumption was adjusted: purchased energy minus sold energy (sales, shipment, transfer) at every production site; total across all sites.

² The methodology for calculating non-renewable energy consumption has been adjusted: total energy consumption by the Company minus renewable electric energy.

³ Consumption of coke products and motor fuel has been adjusted because data sources have changed (added diesel fuel consumption by the Mining Division in '000 litres and coke fine consumption by NLMK Ural). Consumption of non-renewable fuels is shown net of fuel sales/shipment as products.

⁴ Consumption of coal and coke products is shown net of sales/shipments of coke products (coke breeze, lump coke, coke nut, pitch coke) to 3rd parties.

CONSUMPTION, GENERATION, AND SALE OF ELECTRICITY AND THERMAL ENERGY BY NLMK GROUP, PJ GRI 302-1

Indicator	2016	2017	2018	2019	2020
Electricity and thermal energy obtained for consumption					
Electrical power obtained	83.06	87.32	87.30	78.47	77.68
Thermal energy obtained as steam	0.45	0.51	0.50	0.48	0.48
Thermal energy obtained as hot water	1.64	1.52	1.59	1.33	1.01
Total	85.15	89.35	89.39	80.28	79.17
In-house electricity and thermal energy generation					
Electricity generation	46.99	46.34	49.36	50.01	49.93
Thermal energy as steam	23.79	23.78	21.90	21.75	22.26
Thermal energy as hot water	8.68	7.96	9.81	7.44	7.59
Total	79.47	78.07	81.07	79.20	79.77
Electricity and thermal energy sold to external consumers					
Electricity sold and transmitted	11.06	11.78	10.70	8.98	8.60
Heat energy sold and transmitted as steam	0.34	0.36	0.35	0.37	0.40
Heat energy sold and transmitted as hot water	2.69	2.56	2.76	2.36	1.92
Total	14.08	14.70	13.81	11.71	10.92

SPECIFIC ENERGY INTENSITY¹ AT THE LIPETSK SITE, GCAL/T GRI 302-3

Indicator	2016	2017	2018	2019	2020
Specific energy intensity	5.599	5.491	5.469	5.641	5.546

¹ Specific energy intensity = (energy consumption during steel production / extraction and processing of raw materials, Gcal) / (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 Kaluga), 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, hydrogen, and commercial pig iron.

CAPTIVE ELECTRICITY GENERATION

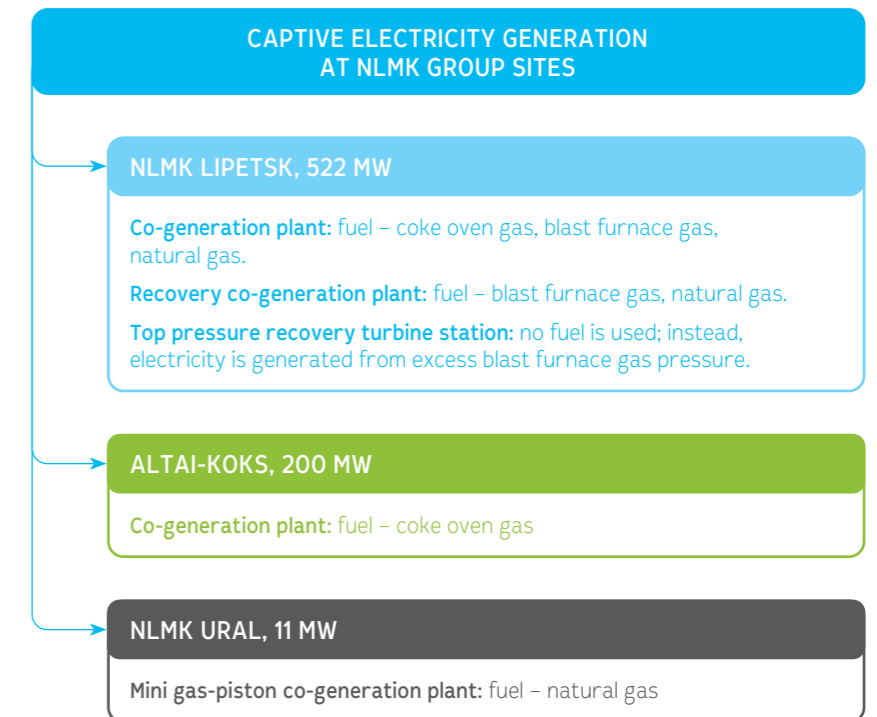
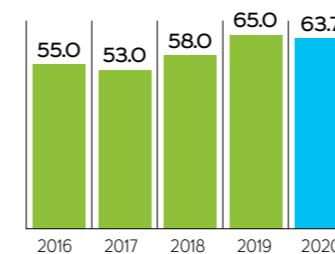
The Company has managed to reduce energy costs by implementing investment projects and optimization initiatives aimed at increasing captive generation of electricity and thermal energy.

Electricity is generated at the Company's captive power plants, which are chiefly powered by recycled fuel gases from steel production. Approximately 80% of the electricity generated at the Lipetsk site (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).

Maximizing the utilization of available recyclable energy is one of the main challenges faced by NLMK Group. Overcoming this challenge will make it possible to not only minimize costs, but to also reduce our environmental impact by slashing emissions of harmful substances and greenhouse gases.

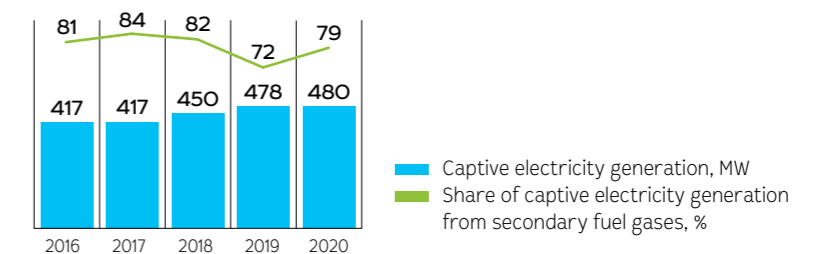
In the reporting period, the total installed in-house generation capacity was 733 MW: 522 MW at the Lipetsk site and 200 MW at Altai-Koks; the installed capacity of gas-piston units at NLMK Ural was 11 MW.

SHARE OF CAPTIVE ELECTRICITY IN TOTAL ELECTRICITY CONSUMPTION AT NLMK LIPETSK¹, %



In 2020, NLMK Lipetsk generating capacities set an average daily record in electricity generation: (CGP – 346.5 MW, RCGP – 160.1 MW, total – 506.6 MW).

CAPTIVE ELECTRICITY GENERATED AT NLMK LIPETSK²



¹ The share of captive electricity generation in 2020 is lower than in 2019 because of the increase in overall energy consumption on the site (start-up of new equipment for Basic Oxygen Furnace No. 3 in BOF Shop No. 2).

² The share of captive electricity generation from secondary fuel gases went up in 2020 due to increased utilization of BF gases after repairs at Blast Furnaces No. 6 and 7 were completed in 2019.

Construction works are ongoing at a new recovery co-generation plant (RCGP-2) fuelled by secondary energy resources, which will bring NLMK Lipetsk's self-sufficiency in electricity to 94%

In 2019, NLMK Group launched a project to construct a new recovery co-generation plant at NLMK Lipetsk. The new plant will be fuelled by recyclable gases from steel production: BOF and BF gases. The installed capacity of the new recovery co-generation plant will be 300 MW. The estimated investment into the project is RUB 35 billion.

In 2020, design documentation engineering was completed for the main facilities in the new power plant complex, and the project was approved by the State Environmental Impact Assessment Authority

The 2023 launch of this new power plant running on by-product gases of blast furnace and steelmaking operations will cut CO₂ emissions by 650 kt (36 kg per tonne of steel) annually.

Stoilensky expands energy capacities in open-cast mine

Stoilensky Mining and Beneficiation Plant, an NLMK Group company, has completed construction of the main step-down substation (MSDS-15) at its open-cast mine. The substation generates electricity to power mining machinery, traction units, and drain well equipment. The construction works were part of an NLMK Group Strategy 2022 project to boost the capacity of the open-cast mine to 42 million tonnes of ore annually.

IMPLEMENTING ENERGY EFFICIENCY PROJECTS

During the reporting period, NLMK Group implemented a number of energy efficiency projects at its sites to address the following items:

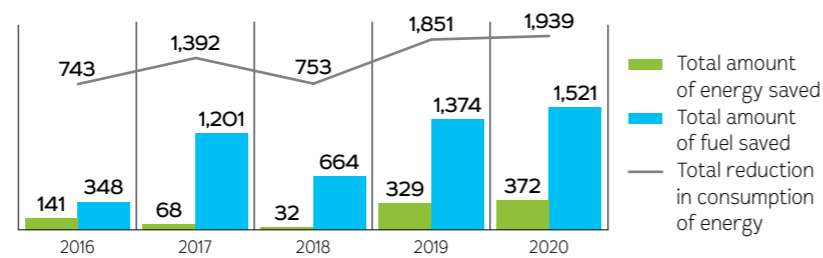
- Increasing the efficiency of fuel gas utilization in electricity generation
- Improving the efficiency of compressor equipment and cooling equipment
- Replacing pumping equipment with more energy-efficient units
- Optimizing process charts for the production of technical gases
- Optimizing the load and configuration of energy transportation networks, optimizing the operation modes of energy equipment

As part of the target-oriented programmes, lighting fixtures at NLMK Group sites were replaced with more advanced and efficient solutions. Previous work to improve efficiency was continued, such as replacement of pumping equipment and projects to improve the efficiency of compressor operation.

OPTIMIZATION INITIATIVES UNDERTAKEN BY NLMK GROUP IN 2020

The energy efficiency and optimization projects carried out in 2020 for the co-generation and recovery plants at NLMK Lipetsk and the co-generation plant at Altai-Koks aimed to improve the operation modes and control algorithms of boilers and turbines, apply a new technology of heating combustion air, increase the surface area of economizers, and optimize equipment repairs.

REDUCTION OF ENERGY CONSUMPTION AS A RESULT OF ENERGY-SAVING INITIATIVES (PROGRAMMES) AT LIPETSK SITE, TJ GRI 302-4



NLMK DanSteel to build the most environmentally friendly reheating furnace in Europe

The new, cleaner furnace will open up new opportunities to expand production. This major investment is part of a larger strategy, aimed, inter alia, at enhancing the quality of plate for offshore wind turbines.

The furnace will reduce emissions of CO₂ and NO_x by 15% and 75%, respectively. NO_x emissions will go down to a quarter of the maximum level permitted by Danish legislation.

PLANS FOR 2021 AND THE MEDIUM TERM



Improving the energy efficiency of production is a key goal of Strategy 2022. The main lines of action to boost energy efficiency in 2021 and the medium term include:

- Reducing specific energy consumption at production units; in the medium term – reaching the minimum technically feasible level of consumption

- Improving the efficiency of power-generating equipment
- Optimizing process charts for the production of technical gases
- Improving the efficiency of compressor equipment
- Replacing pumping equipment with more energy-efficient units
- Lighting system upgrades
- Reducing the amount of purchased thermal energy
- Developing and introducing innovative energy solutions
- Increasing the cost-efficiency of energy facilities by outsourcing processes
- Implementing investment projects for infrastructure development, technical upgrades/construction of facilities with improved energy efficiency performance

APPENDIX

ABOUT THE REPORT

OUR APPROACH TO PREPARING REPORTS

NLMK Group's 2020 Annual Report (the Report) discloses information about financial and business operations along with data on the Company's achievements in sustainability management for the period from 1 January 2020 to 31 December 2020 [GRI 102-50](#).

NLMK prepares its Annual Report on a yearly basis. The Report includes information about the Company's sustainability activities in the relevant topic-specific sections. The Company's most recent annual report was published in April 2020. Electronic versions of previous reports can be found on the Company's official website [GRI 102-51](#), [GRI 102-52](#).

Starting from 2018 Company uses the recommendations of the Global Reporting Initiative (GRI Standards). The core option was selected for information disclosure. The GRI Content Index listing the disclosures included can be found in the Appendix [GRI 102-54](#), [GRI 102-55](#).

In 2020 Report, the Climate Change section has been published for the first time, relied on the TCFD (Taskforce on Climate-related Financial Disclosure) recommendations. New indicators are also provided in accordance with the SASB (Sustainability Accounting Standards Board).

The Report also covers compliance with the principles of the UN Global Compact to which the Company acceded in 2019 and the OECD Principles of Corporate Governance based on which the Group strives to conduct its activities.

The interests of the investment community regarding sustainability management practices were taken into account during the preparation of this Report. In particular, the Group relied on the methodology of such rating agencies as SAM S&P, MSCI, Sustainalytics, FTSE Russell, ISS when disclosing information.

The Report also reflects the Group's contribution to the achievement of the Sustainable Development Goals adopted by the United Nations in 2015 in the document Transforming Our World: The 2030 Agenda for Sustainable Development.

SCOPE OF REPORTING

[GRI 102-45](#) Information about the Group's financial and business activities is disclosed in accordance with its 2020 IFRS consolidated financial statements.

Data relating to NLMK's operating activities and sustainability information are presented within the scope shown in the table below, unless otherwise indicated in the text of the Report.

SCOPE OF REPORTING ABOUT NLMK OPERATIONS AND SUSTAINABILITY ACTIVITIES

RUSSIA	
NLMK RUSSIA FLAT PRODUCTS	
NLMK Lipetsk	Steel and flat products
VIZ-Steel	GO electrical steel
Altai-Koks	Coke
NLMK Trading SA	Trader (located in Switzerland)
NLMK RUSSIA LONG PRODUCTS	
NLMK Ural	Steel and long products
NLMK Kaluga	Steel and long products
NLMK Metalware	Metalware
Vtorchermet NLMK	Scrap processing
Other	-
MINING DIVISION (RUSSIA)	
Stoilensky	Extraction and processing of iron ore
Stagdok	Extraction and processing of flux limestones
Dolomit	Extraction of flux dolomite
USA	
NLMK USA	
NLMK Pennsylvania LLC & Sharon Coating LLC	Flat products
NLMK Indiana LLC	Steel and flat products
EU	
NLMK DANSTEEL AND PLATE DISTRIBUTION NETWORK	
NLMK DanSteel A/S	Plate
NBH SEGMENT	
NLMK Clabecq S.A.	Plate
NLMK Verona SpA	Plate
NLMK La Louviere S.A.	Strip
NLMK Strasbourg S.A.	Strip
Other	-
SERVICE AND SUPPORTING BUSINESSES	
NLMK Trade House	Sales of NLMK Group products
Novolipetsk Steel Service Centre (Metallobaza)	Sales of NLMK Group products, manufacturing of plastic and steel products
NLMK Engineering	Design and survey operations
SMT NLMK	Construction
NLMK IT	IT and computing services
NLMK Communications	Telecom services
VIZ	Steel baths
VIZ-Broker	Customs brokerage services
Gazobeton-48	Gas-concrete blocks
NLMK INDIA Service Center Pvt Ltd	Cutting and sales of GO steel
Other	-

¹ The GRI Standards: Core option requires obligatory disclosure of a selected set of indicators from GRI Standard 102 (General disclosures), as well as at least one indicator from the selected topic-specific GRI Standards

THE PROCESS OF DEFINING MATERIAL TOPICS

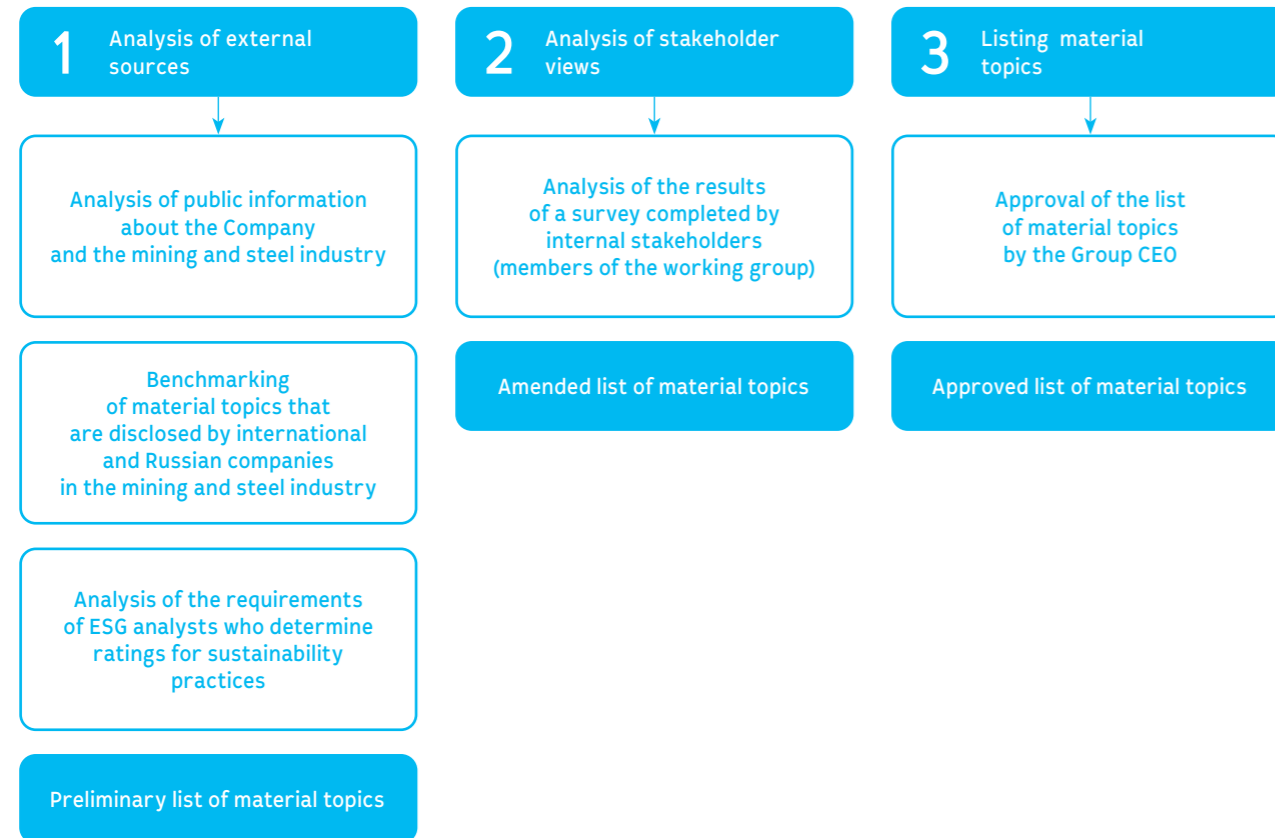
GRI 102-46 In the process of defining the Report's content, NLMK identified significant economic, environmental, and social topics that are of the greatest importance to the Company and its stakeholders. This approach was developed based on the requirements set out in the GRI Standards.

For the preparation of the 2020 Report, the heads of NLMK's functional areas updated the list of material topics based on an analysis of stakeholder (shareholders, investors, and analysts) requirements pertaining to the environment, the social sector, corporate governance, local communities, the authorities, market and social trends, and GRI Standards.

A total of 21 material topics were identified and approved based on the analysis. These disclosures were also prioritized on the basis of a survey of internal stakeholders.

The GRI information disclosure requirements were met to the same extent for all topics regardless of their level of materiality. At the same time, topics with a high level of materiality were given special attention: additional detailed information about them is provided in the Report.

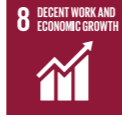


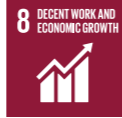

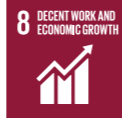




APPROACH TO DEFINING MATERIAL TOPICS



MATERIAL TOPICS

GRI 102-47

Category	Topic	Level of materiality	Link to Global Sustainable Development Goals
Economic	201 Economic Performance	High	
	201-2 Climate change	Medium	
	203 Indirect Economic Impacts	Medium	
	205 Anti-Corruption	High	
Environmental	302 Energy	High	
	303 Water and Effluents	Medium	
	304 Biodiversity	Medium	
	305 Emissions	High	
	306 Effluents and Waste	High	
	307 Environmental Compliance	High	
	308 Supplier Environmental Assessment	Medium	

Category	Topic	Level of materiality	Link to Global Sustainable Development Goals
Social	401 Employment	High	
	403 Occupational Health and Safety	High	
	404 Training and Education	High	
	405 Diversity and Equal Opportunity	Medium	
	406 Non-Discrimination	High	
	407 Freedom of Association and Collective Bargaining	Medium	
	408 Child Labour	Low	
	409 Forced or Compulsory Labour	Low	
	411 Rights of indigenous peoples	Low	
	413 Local Communities	High	

EXTERNAL ASSURANCE

Proper disclosure of qualitative and quantitative information prepared in accordance with the GRI Standards for selected indicators (sample information) has been verified 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 opinion on the results of the audit, which provides limited confidence in the sample information, can be found in the Appendix. The independent auditor was AO PricewaterhouseCoopers Audit [GRI 102-56](#).

METHODOLOGY FOR PREPARING AND REVISING DATA

The calculation, collection, and consolidation of the operational, social, and environmental indicators presented in the Report were carried out in accordance with the reporting

principles and requirements of the GRI Standards based on the Group's existing processes for collecting and preparing business information [GRI 102-48, GRI 102-49](#).

Financial information is presented in US dollars or Russian rubles in accordance with the financial reporting system used in the Group. In cases where financial data were recalculated in dollars, the weighted average rate for 2020 was used: USD 1 = RUB 72.15 or the rate on 31 December 2020: USD 1 = RUB 71.88.

Operating performance indicators and sustainability data are presented in the International System of Units (SI).

State mandatory statistical reporting forms, which are submitted to the relevant government agencies on an annual basis, were used as sources of sustainability information about staff management, occupational health and safety, and environmental protection.

For the sake of comparing data, the most significant indicators of the Group's activities will be presented not only for the reporting period, but also for the previous four years. The scope of 2020 information disclosure covers both the Group's Russian and international companies, unless the text states otherwise.

In 2020, the Company expanded its disclosure of greenhouse gas emissions, including Other indirect (Scope 3) GHG emissions. In the next reporting periods, the Company plans to continue disclosing this information. Major step in 2020 was disclosure of information about climate change aspect.

In 2020 information about the impact of the COVID-19 pandemic on NLMK Group's operations was also disclosed. The decision to add this information to the the Report was made in response to the strong impact of this event at all levels of the global economy. The list of disclosed indicators of the structure and remuneration of personnel was also expanded.

ANNUAL REPORT 2020 APPROVAL PROCEDURE

No.	Stage	Document
1	Preliminary approval by the Board of Directors	MoM No. 279 dd 22.03.2021
2	Approval by the General Meeting of Shareholders	MoM No. 62 dd 29.04.2021

SASB INDICATORS

Indicator	Reference / Comment	Page
GREENHOUSE GAS EMISSIONS		
EM-MM-110a.2 Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	NLMK Group progressively reducing greenhouse gas emissions by cutting consumption of fossil fuels, increasing energy efficiency, and introducing innovative decarbonization solutions. The Board of Directors, the Board's committees, CEO (Chairman of the Management Board), and the Management Board determine strategic growth priorities and ensure overall sustainability management	p. 191, p. 193
ENERGY MANAGEMENT		
EM-MM-130a.1 Total energy consumed, percentage grid electricity, percentage renewable	Total energy consumed – 396.4 PJ; Percentage grid electricity – 17%; Percentage renewable – 0.42%.	p. 203–208
WATER MANAGEMENT		
EM-MM-140a.1 Total fresh water withdrawn, total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Total fresh water withdrawn – 11,074 th m ³ Total fresh water consumed – 11,074 th m ³ The regions of the Group's presence are characterized by high availability of water resources. The Group does not operate in water-scarce areas.	p. 170
BIODIVERSITY IMPACTS		
EM-MM-160a.1 Description of environmental management policies and practices for active sites	NLMK Group conducts operations on both industrial lands and residential areas in line with applicable law. The Company's activities have no direct significant impacts on biodiversity. NLMK Group production sites are not located on industrial sites that are leased. More specifically, they are not located on sites that are situated on environmentally protected land or on land with a high biodiversity value.	p. 183
EM-MM-160a.2 Percentage of mine sites where:		
Acid rock drainage is predicted to occur	NLMK Group has one ore mining company, and acid effluents are not predicted to form there. Drainage waters as well as bottom waters at Stoilensky GOK pit mine are collected and pumped out into a buffer tank or a dam reservoir of the tailing dump. The control of the physical and chemical composition of drainage water is carried out both at the stage of entering the tailing dump and its near-dam reservoirs, and during the discharge of drainage water into a water body after biological treatment in natural conditions. The pH value (measure of acidity) of the drainage water entering the tailing dump and discharged into the water body is within the pH range of 7.7–8.0 (alkaline)	p. 220
Acid rock drainage is actively mitigated	Not applicable. Acid effluents are not formed	p. 220
Acid rock drainage is under treatment or remediation	Not applicable. Wastewater treatment is carried out by sedimentation of suspensions in the tailing dump and biological treatment in natural conditions.	p. 220
EM-MM-160a.3 Percentage of proved and probable reserves in or near sites with protected conservation status or endangered species habitat	Percentage of proved and probable reserves in or near sites with protected conservation status or endangered species habitat – 0% All explored reserves are located within the contour of the mining allotment and do not lie within (or near) territories that have a conservation status or are a habitat for endangered species	p. 220

Indicator	Reference / Comment	Page
GREENHOUSE GAS EMISSIONS		
EM-MM-110a.1 Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Gross global Scope 1 emissions – 30 mn t CO ₂ -equiv. Only 1.2% is regulated by legal requirements at factories in the EU.	p. 193
AIR QUALITY		
EM-MM-120a.1 Air emissions of the following pollutants: (1) CO, (2) NO _x (excluding N ₂ O), (3) SO _x , (4) particulate matter (PM10), (5) mercury (Hg), (6) lead (Pb), and (7) volatile organic compounds (VOCs)	(1) carbon monoxide (CO) – 230.1 thousand tons, (2) nitrogen oxides (excluding N ₂ O) – 26.1 thousand tons, (3) sulfur oxides – 31.0 thousand tons, (4) solid particles 23.0 thousand tons, (5) mercury (Hg) – 0 tons, (6) lead (Pb) – 1 ton, (7) volatile organic compounds (VOC) – 2.6 thousand tons	p. 221
WASTE & HAZARDOUS MATERIALS MANAGEMENT		
EM-MM-150a.1 Total weight of tailings waste, percentage recycled	Total weight of tailings – 21.4 million tons The share of used tailings is 24% of the total volume.	p. 179, p. 221
EM-MM-150a.2 Total weight of mineral processing waste, percentage recycled	The total weight of overburden is 60.5 million tons (including non-waste). The share of used overburden is 29% of the total volume	p. 221
EM-MM-150a.3 Number of tailings impoundments, broken down by MSHA hazard potential	NLMK Group operates one tailing dump. Detailed information is available at the link https://nlmk.com/upload/iblock/4dc/TSF-management.pdf	p. 221
LABOR RELATIONS		
EM-MM-310a.1 Percentage of active workforce covered under collective bargaining agreements, broken down by local and foreign employees	Without local and foreign employees structure	p. 136
SECURITY, HUMAN RIGHTS, RIGHTS OF INDIGENOUS PEOPLES		
EM-MM-210a.1 Percentage of (1) proved and (2) probable reserves in or near areas of conflict	Company doesn't have such reserves	p. 221
EM-MM-210a.2 Percentage of proved and probable reserves in or near indigenous land	According to the Company estimates, there is no presence of indigenous peoples in the regions where NLMK Group operates	p. 221
EM-MM-210a.3 Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict		p. 112, p. 115
COMMUNITY RELATIONS		
EM-MM-210b.1 Discussion of process to manage risks and opportunities associated with community rights and interests		p. 112, p. 150
EM-MM-210b.2 Number and duration of non-technical delays	There were no non-technical delays at Russian assets	p. 221
ACTIVITY METRICS		
EM-MM-000.A Production of (1) metal ores and (2) finished metal products	Saleable iron ore production: 18.5 mn t Finished metal products production: 17.4 ¹	p. 221
EM-MM-000.B Total number of employees	NLMK Group's average 2020 headcount was 51,900 people	p. 121

¹ Including NBH.

Indicator	Reference / Comment	Page
BUSINESS ETHICS & TRANSPERANCY		
EM-MM-510a.1 Description of the management system for prevention of corruption and bribery throughout the value chain	The Company has adopted the Code of Corporate Ethics and Anti-Corruption Policy. Whenever a new version of the Code of Corporate Ethics or Anti-Corruption Policy comes into effect, all employees of the Company review latest version and sign an acknowledgement form. The Company also expects its business partners to adhere to basic values and principles of good business conduct. The Company's business partners familiarize themselves with the provisions of the Code of Corporate Ethics during the qualification and selection of a counterparty as well as the conclusion of a contract.	p. 88
EM-MM-510a.2 Production in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	NLMK Group does not have production assets in countries ranked in one of the last 20 places in the Transparency International Corruption Perceptions Index	p. 222

GRI INDEX

Indicator	Reference / Comment	Page	Independent verification
GRI 102: General Disclosures			
1. ORGANIZATIONAL PROFILE			
GRI 102-1 Name of the organization		p. 8	
GRI 102-2 Activities, brands, products, and services		p. 9	
GRI 102-3 Location of headquarters		p. 44	
GRI 102-4 Location of operations		p. 8, p. 20	
GRI 102-5 Ownership and legal form	The organizational structure of the Company can be found on its website at https://www.nlmk.com/ru/about/group-structure/ . The legal form of all companies belonging to NLMK Group is presented in the About the Report section.		
GRI 102-6 Markets served		p. 20	
GRI 102-7 Scale of the organization		p. 8, p. 121	
GRI 102-8 Information on employees and other workers		p. 121, p. 122	✓ The average headcount (in total); Staff breakdown (by segment, region, contract type, gender, age and category).
GRI 102-9 Supply chain		p. 110	✓ Procurement from suppliers of goods and materials by supplier country.
GRI 102-10 Significant changes to the organization and its supply chain	In the reporting period, there were no significant changes in the structure and activities of the Company.	p. 110	
GRI 102-11 Precautionary Principle or approach		p. 80	
GRI 102-12 External initiatives		p. 236	
GRI 102-13 Membership of associations		p. 236	
2. STRATEGY			
GRI 102-14 Statement from senior decision-maker		p. 2	
3. ETHICS AND INTEGRITY			
GRI 102-16 Values, principles, standards, and norms of behaviour		p. 30, p. 88, p. 96	
GRI 102-17 Mechanisms for advice and concerns about ethics		p. 88, p. 114	
4. CORPORATE MANAGEMENT			
GRI 102-18 Governance structure		p. 48	
GRI 102-20 Executive-level responsibility for economic, environmental, and social topics		p. 31	

Indicator	Reference / Comment	Page	Independent verification
GRI 102-21 Consulting stakeholders on economic, environmental, and social topics		p. 98	
GRI 102-22 Composition of the highest governance body and its committees		p. 54, p. 56, p. 67	
GRI 102-23 Chair of the highest governance body		p. 56	
GRI 102-24 Nominating and selecting the highest governance body		p. 53	
GRI 102-25 Conflicts of interest		p. 66	
GRI 102-26 Role of highest governance body in setting purpose, values, and strategy		p. 53	
GRI 102-27 Collective knowledge of highest governance body		p. 58	
GRI 102-28 Evaluating the highest governance body's performance		p. 64	
GRI 102-29 Identifying and managing economic, environmental, and social impacts		p. 68	
GRI 102-30 Effectiveness of risk management processes		p. 80	
GRI 102-32 Highest governance body's role in sustainability reporting		p. 68	
GRI 102-35 Remuneration policies		p. 77, p. 79	
GRI 102-36 Process for determining remuneration		p. 77, p. 79	
GRI 102-37 Stakeholders' involvement in remuneration		p. 77	
5. DIALOGUE WITH STAKEHOLDERS			
GRI 102-40 List of stakeholder groups		p. 96	
GRI 102-41 Collective bargaining agreements		p. 136	✓ Employees covered by collective bargaining agreements, %.
GRI 102-42 Identifying and selecting stakeholders		p. 96	
GRI 102-43 Approach to stakeholder engagement		p. 96	
GRI 102-44 Key topics and concerns raised		p. 98	
6. REPORTING PRACTICE			
GRI 102-45 Entities included in the consolidated financial statements		p. 214	
GRI 102-46 Defining report content and topic boundaries		p. 216	
GRI 102-47 List of material topics		p. 217	
GRI 102-48 Restatements of information		p. 219	
GRI 102-49 Changes in reporting		p. 219	
GRI 102-50 Reporting period		p. 214	
GRI 102-51 Date of most recent report		p. 214	
GRI 102-52 Reporting cycle		p. 214	
GRI 102-53 Contact point for questions regarding the report		p. 44, p. 93	
GRI 102-54 Claims of reporting in accordance with the GRI Standards		p. 214	

Indicator	Reference / Comment	Page	Independent verification
GRI 102-55 GRI content index		p. 214	
GRI 102-56 External assurance		p. 129	
MATERIAL TOPICS			
GRI 200 ECONOMIC			
GRI 201 ECONOMIC PERFORMANCE			
GRI 103 Management Approach		p. 40	
GRI 201-1 Direct economic value generated and distributed		p. 43, p. 132, p. 133, p. 156	✓ Investment in external social programmes; Social spending for employees at the Russian assets of NLMK Group.
GRI 201-2 Financial implications and other risks and opportunities due to climate change		p. 190	
GRI 202 MARKET PRESENCE			
GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage		p. 125	✓ Average employee salary at the Group.
GRI 203 INDIRECT ECONOMIC IMPACTS			
GRI 103 Management Approach		p. 152	
GRI 203-2 Significant indirect economic impacts		p. 152	
GRI 204 PROCUREMENT PRACTICES			
GRI 204-1 Proportion of spending on local suppliers		p. 110	✓ Proportion of spending on local suppliers.
GRI 205 ANTI-CORRUPTION			
GRI 103 Management Approach		p. 152	
GRI 205-1 Operations assessed for risks related to corruption		p. 89	
GRI 205-2 Communication and training about anti-corruption policies and procedures		p. 88, p. 89	
GRI 205-3 Confirmed incidents of corruption and actions taken		p. 89	
GRI 206 ANTI-COMPETITIVE BEHAVIOR			
GRI 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		p. 89	
GRI 300 ENVIRONMENTAL			
GRI 302 ENERGY			
GRI 103 Management Approach		p. 205	
GRI 302-1 Energy consumption within the organization		p. 206, p. 207, p. 208	✓ Gross energy consumption by the Company (excluding fuel consumption from renewable sources); Consumption from non-renewable fuels by the Company; Breakdown of non-renewable fuel consumption by the Company; Consumption, generation, and sale of electricity and thermal energy by the Company.

Indicator	Reference / Comment	Page	Independent verification
GRI 302-3 Energy intensity	The Company considers it unhelpful to calculate the energy intensity indicator for the Group as a whole due to different production specifics at its companies. This indicator is calculated only for the main Russian production site – NLMK Lipetsk.	p. 208	
GRI 302-4 Reduction of energy consumption		p. 210	
GRI 303 WATER AND EFFLUENTS			
GRI 103: Management Approach		p. 164	
GRI 303-1 Interactions with water as a shared resource		p. 170	
GRI 303-2 Management of water discharge-related impacts		p. 166, p. 170	
GRI 303-3 Water withdrawal		p. 170, p. 171	✓ Total volume of water withdrawn; Total volume of water withdrawn for the Group by needs, by sources and by region
GRI 303-4 Water discharge		p. 173	✓ Total volume of water discharge by receiving water body; total volume of water discharge by regions
GRI 303-5 Water consumption		p. 170, p. 172	✓ Total volume of water recycled
GRI 304 BIODIVERSITY			
GRI 103: Management Approach		p. 164	
GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		p. 183	
GRI 304-2 Significant impacts of activities, products, and services on biodiversity		p. 183	
GRI 304-3 Habitats protected or restored		p. 184	
GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		p. 174, p. 183	
GRI G4-MM1 land rehabilitated		p. 183	✓ Hectares of rehabilitation carries out of contaminated land.
GRI 305 EMISSIONS			
GRI 103: Management Approach		p. 188	
GRI 305-1 Direct (Scope 1) GHG emissions		p. 192	✓ Direct GHG emissions (Scope 1).
GRI 305-2 Energy indirect (Scope 2) GHG emission		p. 192	✓ Indirect energy GHG emissions (Scope 2).

Indicator	Reference / Comment	Page	Independent verification
GRI 305-3 Other indirect (Scope 3) GHG emissions		p. 193	✓ Other indirect (Scope 3) GHG emissions.
GRI 305-4 GHG emissions intensity		p. 194, p. 195	✓ GHG emissions intensity.
GRI 305-5 Reduction of GHG emissions		p. 195	✓ Reduction of GHG emissions.
GRI 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.		
GRI 305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		p. 178	✓ Volume of significant air emissions by the Company by substance type.
GRI 306 EFFLUENTS AND WASTE			
GRI 103: Management Approach		p. 164	
GRI 306-1 Water discharge by quality and destination		p. 173	
GRI 306-2 Waste by type and disposal method		p. 179, p. 180	✓ Waste generated by the Group by hazard class; the amount of recycled materials processed in-house; amount of secondary raw materials recycled by third parties; waste disposal at third-party landfills.
GRI 306-3 Significant spills	In the course of the Company's activities in the reporting year, no significant spills were recorded.		
GRI 306-4 Transport of hazardous waste	NLMK Group's companies do not import or export hazardous waste or ship it internationally. Transportation of waste outside the Group's premises is carried out by specialized organizations with appropriate licenses.		
GRI 307 ENVIRONMENTAL COMPLIANCE			
GRI 103: Management Approach		p. 164	
GRI 103-2: The management approach and its components		p. 166	✓ Spending on environmental protection (incl. investments projects and current expenditures).
GRI 307-1 Non-compliance with environmental laws and regulations		p. 166	

Indicator	Reference / Comment	Page	Independent verification
GRI 308 SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: Management Approach		p. 164	
GRI 308-1 New suppliers that were screened using environmental criteria		p. 168	
GRI 308-2 Negative environmental impacts in the supply chain and actions taken		p. 168	✓ Suppliers of feedstock, materials, and equipment to the Company screened using environmental criteria during audits; Suppliers subject to measures to improve environmental compliance following audits (% of total audits conducted).
GRI 400 SOCIAL			
GRI 401 EMPLOYMENT			
GRI 103: Management Approach		p. 120	
GRI 401-1 New employee hires and employee turnover		p. 122, p. 123	✓
GRI 403 OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach		p. 140	
GRI 403-1 Occupational health and safety management system		p. 140	
GRI 403-2 Hazard identification, risk assessment, and incident investigation		p. 142	
GRI 403-3 Occupational health services		p. 135	
GRI 403-4 Worker participation, consultation, and communication on occupational health and safety		p. 142	
GRI 403-5 Worker training on occupational health and safety		p. 142	
GRI 403-6 Promotion of worker health		p. 133, p. 134	
GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		p. 142	
GRI 403-8 Workers covered by an occupational health and safety management system		p. 142	
GRI 403-9 Work-related injuries		p. 142, p. 146, p. 147	✓ LTIFR for employees and contractors; TRIFR for employees and contractors; Number of occupational accidents with employees and contractors; Total man-hours worked for employees and contractors.
GRI 403-10 Work-related ill health		p. 134	
GRI 404 TRAINING AND EDUCATION			
GRI 103: Management Approach		p. 127	
GRI 404-1 Average hours of training per year per employee		p. 127	
GRI 404-2 Programs for upgrading employee skills and transition assistance programs		p. 127, p. 129, p. 131, p. 133	

Indicator	Reference / Comment	Page	Independent verification
GRI 404-3 Percentage of employees receiving regular performance and career development reviews		p. 125, p. 126	✓ Employees who received a regular performance.
GRI 405 DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management Approach		p. 120	
GRI 405-1 Diversity of governance bodies and employees		p. 121, p. 122	
GRI 406 NON-DISCRIMINATION			
GRI 103: Management Approach		p. 114	
GRI 406-1 Incidents of discrimination and corrective actions taken		p. 116	
GRI 407 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
GRI 103: Management Approach		p. 114	
GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		p. 114, p. 116	
GRI 408 CHILD LABOR			
GRI 103: Management Approach		p. 114	
GRI 408-1 Operations and suppliers at significant risk for incidents of child labour		p. 114, p. 116	
GRI 409 FORCED OR COMPULSORY LABOR			
GRI 103: Management Approach		p. 114	
GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour		p. 114, p. 116	
GRI 411 RIGHTS OF INDIGENOUS PEOPLES			
GRI 411-1 Incidents of violations involving rights of indigenous peoples	Company considers there is no presence of indigenous peoples in the regions where NLMK Group operates.	p. 115	
GRI 412 HUMAN RIGHTS ASSESSMENT			
GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	The question about possible violations of human rights is included in the annual corporate survey "Pulse NLMK", which covers the largest enterprises of the company. In the reporting year, there were no cases of human rights violations.	p. 114	
GRI 412-2 Employee training on human rights policies or procedures		p. 114	
GRI 413 LOCAL COMMUNITIES			
GRI 103: Management Approach		p. 152	
GRI 413-1 Operations with local community engagement, impact assessments, and development programs		p. 97, p. 154, p. 155	
GRI 413-2 Operations with significant actual and potential negative impacts on local communities	No such operations.		

GRI INDICATOR CONSOLIDATION BOUNDARIES

The GRI standard disclosures 101 and 102 set out the reporting principles for determining the quality content, and also include information

about the company's profile, strategy, ethics and integrity, management, stakeholder engagement practices, and are collected by the NLMK Group. The standard GRI disclosure of the 103 series cover management approaches for all significant topics defined in the 200, 300, 400 series.

Indicator	Russia Flat Products (Russia)	Russia Long Products (Russia)	Mining Division (Russia)
Information on employees and other workers (GRI 102-8)	✓	✓	✓
Supply chain (GRI 102-9)	✓ ¹	✓ ³	✓ ⁶
Collective bargaining agreements (GRI 102-41)	✓	✓	✓
The management approach and its components (GRI 103-2)	✓ ¹	✓ ⁴	✓
Direct economic value generated and distributed (GRI 201-1)	✓ ¹	✓	✓
Financial implications and other risks and opportunities due to climate change (GRI 201-2)	✓	✓	✓
Ratios of standard entry level wage by gender compared to local minimum wage (GRI 202-1)	✓ ¹	✓	✓
Market presence; average employee salary at the Group (GRI 203-2)	✓	✓	✓
Procurement (GRI 204-1)	✓ ¹	✓ ³	✓ ⁶
Anti-corruption (GRI 205-1, 205-2, 205-3)	✓	✓	✓
Anti-competitive behaviour (GRI 206-1)	✓	✓	✓
Energy (GRI 302-1)	✓ ¹	✓ ⁵	✓
Energy (GRI 302-4)	✓ ²	-	-
Water (GRI 303-1, 303-2, 303-3, 303-4, 303-5)	✓ ¹	✓ ⁴	✓
Biodiversity (GRI 304-1, 304-2, 304-3, 304-4, G4-MM1)	✓ ¹	✓ ⁴	✓
Emissions (GRI 305-1, 305-2, 305-3, 305-4, 305-5)	✓ ¹	✓ ⁵	✓
Emissions (GRI 305-7)	✓ ¹	✓ ⁴	✓
Effluents and waste (GRI 306-1, 306-2)	✓ ¹	✓ ⁴	✓

NLMK USA	DanSteel and plate distribution network	NBH Segment		Service and Supporting Business
		NLMK Clabecq S.A., NLMK Verona SpA, NLMK La Louviere S.A., NLMK Strasbourg S.A.	Other companies	
✓	✓	✓	✓	✓
-	-	-	-	-
✓	✓	✓	✓ ⁸	✓
✓	✓	✓	-	✓ ¹¹
✓	✓	✓	✓ ⁹	✓ ¹²
✓	✓	✓	✓	✓
-	-	-	-	✓ ¹³
✓	✓	✓	✓	✓
-	-	-	-	-
✓	✓	✓	-	-
-	-	-	-	-
✓	✓	✓	-	✓ ¹¹
✓	✓	✓	-	✓ ¹¹
✓	✓	✓	✓ ⁹	✓ ¹⁴
✓	✓	✓	-	✓ ¹¹
✓	✓	✓	-	✓ ¹¹

Indicator	Russia Flat Products (Russia)	Russia Long Products (Russia)	Mining Division (Russia)
Environmental compliance (GRI 307-1)	✓	✓	✓
Supplier environmental assessment (GRI 308-1, 308-2)	✓	✓	✓
Employment (GRI 401-1)	✓	✓ ⁵	✓
Occupational health and safety (GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10)	✓ ¹	✓ ⁵	✓
Training and education (GRI 404-1, 404-2, 404-3)	✓ ¹	✓ ¹	✓ ⁷
Diversity and equal opportunity (GRI 405-1)	✓	✓	✓
Non-discrimination (GRI 406-1)	✓	✓	✓
Freedom of association and collective bargaining (GRI 407-1)	✓	✓	✓
Child labor (GRI 408-1)	✓	✓	✓
Forced or compulsory labor (GRI 409-1)	✓	✓	✓
Rights of indigenous peoples (GRI 411-1)	✓	✓	✓
Human rights assessment (GRI 412-1, 412-2)	✓	✓	✓
Local communities (GRI 413-1)	✓	✓	✓

NLMK USA	DanSteel and plate distribution network	NBH Segment		Service and Supporting Business
		NLMK Clabecq S.A., NLMK Verona SpA, NLMK La Louviere S.A., NLMK Strasbourg S.A.	Other companies	
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓ ¹⁵
✓	✓	✓	✓ ¹⁰	✓ ¹⁶
✓	✓	✓	–	✓ ¹⁷
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓
✓	✓	✓	✓	✓

¹ Excluding NLMK Trading SA² Only NLMK Lipetsk³ Excluding NLMK SORT and Vtorchermet NLMK⁴ Excluding NLMK-URAL Service and NLMK SORT⁵ Excluding NLMK SORT⁶ Excluding Stagdok and Dolomit⁷ Excluding Stagdok⁸ Excluding NLMK Jemappes Steel Center, NLMK Profil Batiment and NLMK Liege Steel Distribution⁹ Only NLMK Manage¹⁰ Excluding NLMK Spain Steel, NLMK Belgium HoldingsSTRIP and Commercial-Plate-WorldQ&T¹¹ Only VIZ¹² Excluding VIZ-Broker, Blinovskoye, GK Metallurg, Ural'skaya zdravnica Nizhnie Sergi, Demidov Centre, GOK Usinskiy-3¹³ Excluding NLMK India Service Center Pvt Ltd¹⁴ Only VIZ and NLMK India Service Center Pvt Ltd¹⁵ Excluding Blinovskoye, GK Metallurg, Ural'skaya zdravnica Nizhnie Sergi, Demidov Centre, GOK Zhernovskiy-1, GOK Usinskiy-3¹⁶ Only Novolipetsk metallobaza, NLMK-Engineering, NLMK-IT, NLMK-Svyaz, VIZ and NLMK India Service Center Pvt Ltd¹⁷ Only Novolipetsk metallobaza, NLMK-Engineering, STROITEL'NO-MONTAZHNYJ TREST NLMK, NLMK-IT, NLMK-Svyaz, VIZ, Gazobeton-48 and NLMK INDIA Service Center Pvt Ltd



Independent Limited Assurance Report

To the Management of Novolipetsk Steel:

Introduction

We have been engaged by Novolipetsk Steel (hereinafter – the “Company”) to provide limited assurance on the selected information listed below and included in the 2020 Annual Report of the Company (hereinafter – the “Annual Report”). The Annual Report represents information related to the Company, its subsidiaries and a joint venture (hereinafter together – the “Group”).

Selected information

We assessed quantitative information specified in Appendix 1 (hereinafter – the “Selected Information”), that is disclosed in the Annual Report and referred to the GRI content index.

The scope of our assurance procedures was limited to the Selected Information for the year ended 31 December 2020 only. We have not performed any procedures with respect to earlier periods or any other items included in the Annual Report and, therefore, do not express any conclusion thereon.

Reporting criteria

We assessed the Selected Information using relevant criteria, including reporting requirements, in the respective GRI Standards 102, 103, 201, 202, 204, 302, 303, 304, 305, 306, 308, 401, 403, 404 (hereinafter – the “GRI Standards”) published by the Global Reporting Initiative (GRI) (hereinafter – the “Reporting Criteria”). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

The Group's responsibilities

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;
- preparation, measuring and reporting the Selected Information in accordance with the Reporting Criteria; and
- 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.

AO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russian Federation, 125047
T: +7 (495) 967 6000, F: +7 (495) 967 6001, www.pwc.ru



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 Annual Report, which may be published on the Company's website¹, to assist management in responding to their governance responsibilities by obtaining an independent 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.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits and 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 control

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. We have fulfilled our other ethical responsibilities in accordance with these requirements

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and 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;
- conducted interviews of personnel responsible for the preparation of the Annual Report and collection of underlying data;
- performed analysis of the relevant internal methodology and guidelines, gaining an understanding of the design of the key systems, processes and controls for preparing and reporting the Selected Information; and
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported.

¹ The maintenance and integrity of the Company's website is the responsibility of management; 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.



Reporting and measurement methodologies

The range of different, but acceptable under the GRI Standards, measurement and reporting 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 Annual Report, described therein, and which the Group is solely responsible for.

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 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

AO PricewaterhouseCoopers Audit

22 March 2021

Moscow, Russian Federation



A. B. Fomin, certified auditor (licence No. № 01-000059),
AO PricewaterhouseCoopers Audit

Audited entity: Novolipetsk Steel PJSC

Record made in the Unified State Register of Legal Entities on 9 July 2002 under State Registration Number 1024800823123

Taxpayer Identification Number 4823006703

2, Metallurgov sq., Lipetsk, 398040, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338



Appendix 1

The Selected Information

GRI disclosure	Information
102-8 Information on employees and other workers	<ul style="list-style-type: none"> The average headcount; Staff breakdown (by segment, region, contract type, gender, age and category).
102-9 Supply chain	<ul style="list-style-type: none"> Procurement from suppliers of goods and materials by supplier country.
102-41 Collective bargaining agreements	<ul style="list-style-type: none"> Number of employees covered by collective bargaining agreements, %.
103-2 The management approach and its components	<ul style="list-style-type: none"> Spending on environmental protection (incl. investments projects and current expenditures).
201-1 Direct economic value generated and distributed	<ul style="list-style-type: none"> Investment in external social programmes; Social spending for employees at the Russian assets of the Group.
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	<ul style="list-style-type: none"> Average employee salary at the Group.
204-1 Proportion of spending on local suppliers	<ul style="list-style-type: none"> Proportion of spending on local suppliers.
302-1 Energy consumption within the organization	<ul style="list-style-type: none"> Gross energy consumption by the Group (excluding consumption from renewable fuels); Consumption from non-renewable fuels by the Group; Breakdown of non-renewable fuel consumption by the Group; Consumption, generation, and sale of electricity and thermal energy by the Group.
303-3 Water withdrawal	<ul style="list-style-type: none"> Total volume of water withdrawn; Total volume of water withdrawn for the Group by needs, by sources and by region.
303-4 Water discharge	<ul style="list-style-type: none"> Total volume of water discharge by receiving water body; Total volume of water discharge by regions.
303-5 Water consumption	<ul style="list-style-type: none"> Total volume of water recycled.
305-1 Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> Direct GHG emissions (Scope 1).
305-2 Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> Indirect energy GHG emissions (Scope 2).
305-3 Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> Other indirect (Scope 3) GHG emissions.
305-4 GHG emissions intensity	<ul style="list-style-type: none"> GHG emissions intensity.



GRI disclosure	Information
305-5 Reduction of GHG emissions	<ul style="list-style-type: none"> Reduction of GHG emissions.
305-7 Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	<ul style="list-style-type: none"> Volume of significant air emissions by the Group by substance type.
306-2 Waste by type and disposal method	<ul style="list-style-type: none"> Waste generated by the Group by hazard class; Secondary raw materials recycled by the Group; Secondary raw materials recycled third-party organizations; Waste disposal at third-party landfills.
308-2 Negative environmental impacts in the supply chain and actions taken	<ul style="list-style-type: none"> Suppliers of feedstock, materials, and equipment to the Group screened using environmental criteria during audits; Suppliers subject to measures to improve environmental compliance following audits (% of total audits conducted).
401-1 New employees hires and employee turnover	<ul style="list-style-type: none"> New employees hires and employee turnover.
403-9 Work-related injuries	<ul style="list-style-type: none"> LTIFR for employees and contractors; TRIFR for employees and contractors; Number of occupational accidents, employees and contractors; Total man-hours worked for employees and contractors.
404-3 Percentage of employees receiving regular performance and career development reviews	<ul style="list-style-type: none"> Employees who received a regular performance.
G4-MM1 Amount of land disturbed or rehabilitated	<ul style="list-style-type: none"> Hectares of land rehabilitated.

NLMK'S INTERNAL AUDIT SERVICE CONCLUSION ON THE RISK MANAGEMENT AND INTERNAL CONTROL IN THE COMPANY IN 2020

In 2020, the Internal Audit Service evaluated the reliability and efficiency of risk management and internal control system to confirm the existence and efficient functioning of the controls necessary to manage material risks in NLMK's key business processes.

In its activities, the Internal Audit Service was guided by the Federal Law "On Joint-Stock Companies", the Bank of Russia Corporate Governance Code, the Regulations on the Audit Department, International Professional Standards of Internal Audit, internal audit guidelines and practices, documents of international professional organizations in the field of risk management and internal control, including ISO 31000:2018, COSO ERM: 2017 and COSO 2013, as well as internal regulatory documents of the NLMK Audit Department.

In the course of the evaluation, the Internal Audit Service considered whether the Company has functioning controls in place, that are necessary to implement in practice the relevant principles of material risk management and internal control in the following processes in the Company: Supply of raw materials, Repairs, Production, Operational efficiency, Contractor qualification, Procurement procedures, Conclusion of contracts, Compliance with anti-corruption requirements, etc.

Following the evaluation, we have not found any facts that would give us reason to believe that the controls in question preclude the Company from managing its material risks.

E. Sidorova
Audit Director
(Head of the Internal Audit Service)

Lipetsk, 10 March 2021

PARTICIPATION IN INDUSTRY ASSOCIATIONS AND EXTERNAL INITIATIVES

NLMK Group plays an active part in the life of the professional community, helping to address topical issues in the industry, including sustainability matters. Participation in external initiatives is a priority for NLMK Group.

Representatives of the Group are not only active in a number of industry associations and relevant commissions and committees, they also head some of them, which allows the Group to play an active role in shaping the views and values of the business community. For instance, NLMK Group Chairman of the Board of Directors Vladimir Lisin is also Chairman of the Commission on Metals and the Committee on Taxation Policy as well as member of the Management Bureau of the Russian Union of Industrialists and Entrepreneurs (RSPP).

NLMK GROUP'S PARTICIPATION IN INDUSTRY ASSOCIATIONS AND EXTERNAL INITIATIVES GRI 102-12, 102-13

Association/Initiative	NLMK Group's status
World Steel Association, an international association of iron and steel product manufacturers	Membership in the Association 2018 signatory to the Sustainable Development Charter of the World Steel Association Participation in conferences and seminars enabling the sharing of best practices in occupational health and safety Provision of information about sustainability indicators
UN Global Compact	Participant in the Global Initiative
The Russian Union of Industrialists and Entrepreneurs (RSPP)	Membership in the Management Bureau and the Board Chairmanship of the Commission on Metals Participation in other Commissions and Committees, including: the Commission on Mining, the Committee on Corporate Social Responsibility and Demographic Policies, the Committee on Vocational Training and Qualifications, the Committee on Competition Development, Committee on Ecology and Environment Management, Committee on Climate Policy and Carbon Regulation
Russian Steel Association	President and Vice President of the Association Membership in all commissions of the Association, including the Commission for protection of labour, industrial and environmental safety
European Steel Association (EUROFER)	Membership in the Association and on the Board Participation in working groups
Council of Electricity Consumers of the Russian Federation	Membership in the Council
Expert Council of the Committee on Transport and Construction of the State Duma of the Russian Federation	Membership in the Council Participation in the Council as an expert
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	Participation in the Association

RESPONSIBILITY STATEMENT

NLMK management, having considered the information available regarding the activities of the Company, confirms its responsibility for:

Preparation and reliability of the Group's consolidated financial statements, prepared in accordance with IFRS, as of December 31, 2020 and also for the year ended on that data, within balance sheets, profit and loss statements, cash flow statements, equity statements and the statements on the total income of shareholders and notes to the consolidated financial statements.

Management confirms the reliability of NLMK's financial status, operational results and cash flow results, as well as that of its companies and dependent companies in the consolidated financial statements.

The completeness and correctness of the information submitted in the NLMK Group Annual Report for 2020, specifically the information on the operational results of NLMK Group, the results of its strategic development, risks, and events which in the near future may have impact on the operations of the Group.

The Company management confirms that the operational and financial indices fully reflect the outcome of NLMK Group's operations in 2020 and main changes regarding the previous periods as well as give a comprehensive representation on the development of NLMK and its companies and dependent companies.

G. Fedorishin
CEO (Chairman of the Management Board)

REPORT ON COMPLIANCE WITH THE 'DIRECTIVE ON INFORMATION DISCLOSURE BY SECURITY ISSUERS'

No	Regulation	Reference to the clause	Status of compliance	Comments
1	Information about Joint-stock company position in the industry	70.3.	Compliance ensured	Information is represented in part "About Company", section Company Profile
2	Information about strategy in joint-stock company development	70.3.	Compliance ensured	Information is represented in part "About Company", section Strategy 2022, 2020 performance review
3	Report of the Board on results of joint-stock company strategy development	70.3.	Compliance ensured	Information is represented in part "About Company", section Strategy in action
4	Information about consumption of energy resources	70.3.	Compliance ensured	Information is represented in in Appendix
5	Information about development perspectives	70.3.	Compliance ensured	Information is represented in part "About Company", section Strategy 2022
6	Report on dividends declared	70.3.	Compliance ensured	Information is represented in part "Corporate governance", section Information for shareholders and investors and Appendix
7	Information about key risk factors	70.3.	Compliance ensured	Information is represented in part "Corporate governance", section Operational control and risk management
8	List of transactions which are recognized as major transactions in line with the Federal Law "On Joint-stock Companies"	70.3.	Compliance ensured	Information is represented in Appendix
9	List of transactions recognized as interested-party transactions in line with the Federal Law "On Joint-stock Companies"	70.3.	Compliance ensured	Information is represented in Appendix
10	Composition of the Board of Directors, changes in Composition of the Board of Directors, information about Board of Directors members, Board of Directors members transactions with company shares	70.3.	Compliance ensured	Information is represented in part "Corporate governance", section Board of Directors
11	Information about the person holding the position (exercising the functions) of the sole executive body of the Company and the members of the collegial executive body, transactions made by the person holding the position (exercising functions) of the sole executive body and (or) members of the collegial executive body for the acquisition or disposal of shares of the joint-stock company	70.3.	Compliance ensured	Information is represented in part "Corporate governance", section Management Board
12	Joint-stock company policy in the field of remuneration and (or) compensation of expenses	70.3.	Compliance ensured	Information is represented in part "Corporate governance", section Report on remuneration paid to governing bodies

No	Regulation	Reference to the clause	Status of compliance	Comments
13	Report on compliance with the Corporate Governance Code principles and recommendations	70.3.	Compliance ensured	Information is represented in Appendix
14	Information on the approval of the annual report by the general meeting of shareholders or the board of directors of a joint-stock company	70.3.	Compliance ensured	Information is represented in Appendix
15	Corporate Governance Code: Statement by the board of directors (supervisory board) of the joint-stock company on compliance with corporate governance principles stated in the Corporate Governance Code, and if such principles are not followed by the joint-stock company or are not fully respected by them, indicating these principles and a brief description of what part they are not observed	70.4.	Compliance ensured	Information is represented in Appendix
16	Corporate Governance Code: a brief description of the most significant aspects of the corporate governance model and practice in a joint-stock company	70.4.	Compliance ensured	Information is represented in Appendix
17	Corporate Governance Code: Description of the methodology by which the joint-stock company assessed compliance with corporate governance principles enshrined in the Corporate Governance Code	70.4.	Compliance ensured	Information is represented in Appendix
18	Corporate Governance Code: Explanation of key reasons, factors and (or) circumstances that should be specific, due to which the joint-stock company does not comply or does not fully comply with corporate governance principles enshrined in the Corporate Governance Code	70.4.	Compliance ensured	Information is represented in Appendix
19	Corporate Governance Code: Description of corporate governance mechanisms and tools that are used by the joint-stock company instead of those recommended by the Corporate Governance Code	70.4.	Compliance ensured	Information is represented in Appendix
20	Corporate Governance Code: Expected actions and activities of the joint-stock company to improve the corporate governance model and practice, indicating the timing for the implementation of such actions and activities	70.4.	Compliance ensured	Information is represented in Appendix
21	Section on the status of net assets, if at the end of the second reporting year or each subsequent reporting year the value of the net assets of the joint-stock company is less than its authorized capital	70.5.	Not applicable	-

NLMK COMPANIES AND AFFILIATES AS OF 31.12.2020

No.	Company name	Address	Activity	NLMK Lipetsk share in charter capital, %
1	2	3	4	5
SUBSIDIARY COMPANIES				
1.	Altai-Koks Joint-Stock Company	Zarinsk, Altaysky Region, Russia	Production and marketing of coke and by-products, generation and marketing of heat and electric power	100
2.	Dolomit Joint-Stock Company	Dankov, Lipetsk Region, Russia	Mining and processing of dolomite	100
3.	Stoilensky Mining and Beneficiation Plant Joint-Stock Company	Stary Oskol, Belgorod Region, Russia	Mining and processing of iron ore and other minerals	100
4.	Studenovskaya Joint-Stock Mining Company	Studenovskaya industry area, Vvedensky local council, Lipetsk District, Lipetsk Region, Russia	Production of fluxing limestone for steelmaking, process limestone for the sugar industry, lime-containing materials and crushed stone for construction and roadwork	100
5.	NLMK Engineering Joint-Stock Company	Lipetsk, Russia	Design and survey operations	100
6.	NLMK Ural Joint-Stock Company	Revda, Sverdlovsk Region, Russia	Production of long steel stock, hot-rolled and forged flat steel	92.59
7.	VIZ-Steel Limited Liability Company	Yekaterinburg, Sverdlovsk Region, Russia	Production and marketing of electrical steel	100
8.	Vtorchermet NLMK Limited Liability Company	Yekaterinburg, Sverdlovsk Region, Russia	Collection, processing, and sales of ferrous and non-ferrous scrap	100
9.	Zhernovskiy-1 Mining and Processing Complex Limited Liability Company	Novokuznetsk, Kemerovo Region, Russia	Entire range of works related to coal mining and processing	100
10.	Hotel Metallurg Limited Liability Company	Lipetsk, Russia	Hotel services	100
11.	NLMK Information Technologies Limited Liability Company	Lipetsk, Russia	IT, computing, and telecom services	100
12.	NLMK Kaluga Limited Liability Company	Vorsino, Borovsk District, Kaluga Region, Russia	Production of steel, re-rolling stock (billets), hot-rolled and forged flats, unpainted and pre-painted cold-rolled flat steel	100
13.	NLMK Metalware Limited Liability Company	Beryozovsky, Sverdlovsk Region, Russia	Production of wire, wire products, fasteners, and springs	100
14.	NLMK Communications Limited Liability Company	Lipetsk, Russia	Telecom services	100
15.	NLMK Long Products Limited Liability Company	Yekaterinburg, Sverdlovsk Region, Russia	Managing company, trading and procurement activities	100

No.	Company name	Address	Activity	NLMK Lipetsk share in charter capital, %
1	2	3	4	5
16.	NLMK Overseas Holdings Limited Liability Company	Lipetsk, Russia	Developing the growth strategy for NLMK Group companies, supporting relations between the Group's Russian and international businesses	100
17.	Novolipetskaya Metallobaza Limited Liability Company	Lipetsk, Russia	Manufacturing of plastic and steel products	100
18.	NLMK Construction and Assembly Trust Limited Liability Company	Lipetsk, Russia	Contracting of industrial, housing, utilities, cultural services, and road construction works. Construction of health facilities and household natural gas supply lines	100
19.	NLMK Trading House, Limited Liability Company	Moscow, Russia	Sale of NLMK Group products	100
20.	Uralvtorchermet, Limited Liability Company	Yekaterinburg, Sverdlovsk Region, Russia	Consulting services re commercial activities, management, investing in securities, leasing of assets	100
AFFILIATED COMPANIES				
21.	Neptune Limited Liability Company	Lipetsk, Russia, 398005, 1C Adm. Makarova St., Office 35	Sports and recreation services	25

USAGE OF ENERGY RESOURCES (FUELS AND COALS) OF NLMK (NOVOLIPETSK) IN 2019–2020

Name	Item	2020	2019	Change, %
Electric energy	mIn kWth	2,555	2,442	5
	mIn of RUB with VAT	3,713	3,924	-5
Natural gas	mIn m3.	2,044	2,145	-5
	mIn of RUB with VAT	11,377	11,689	-3
Heating energy	GCal	24,237	84,837	-71
	mIn of RUB with VAT	41	146	-72
Gas oil	'000 liters	22,311	21,967	2
	mIn of RUB with VAT	899	930	-3
Benzine	t	253	294	-14
	mIn of RUB with VAT	14	16	-10
Heating oil	t	3,101	1,115	178
	mIn of RUB with VAT	16	6	169
Coking coal	'000 t	4,848	4,736	2
	mIn of RUB with VAT	36,071	50,375	-28

LIST OF TRANSACTIONS PERFORMED BY NLMK IN 2020 RECOGNIZED AS MAJOR TRANSACTIONS IN LINE WITH THE FEDERAL LAW "ON JOINT-STOCK COMPANIES" AND OF OTHER TRANSACTIONS FALLING UNDER THE EXTENDED PROCEDURE FOR APPROVING MAJOR TRANSACTIONS IN LINE WITH THE COMPANY'S CHARTER

In 2020, NLMK did not perform any transactions that the Federal Law "On Joint-Stock Companies"

recognizes as major transactions. NLMK's Charter does not specify any additional cases falling under the extended procedure for approval of major transactions in line with the Federal Law "On Joint-Stock Companies".

LIST OF TRANSACTIONS PERFORMED BY NLMK IN 2020 RECOGNIZED AS INTERESTED-PARTY TRANSACTIONS IN LINE WITH THE FEDERAL LAW "ON JOINT-STOCK COMPANIES"

An interested-party transaction is a transaction involving an interest of a member of the Board of Directors, the CEO (Chairman of the Management Board), the Interim or Acting CEO (Chairman of the Management Board), a member of the Management Board of the Company or a controlling entity of the Company, or an entity entitled to give binding instructions to the Company in accordance with the Federal Law "On Joint-Stock Companies".

A resolution on consent to an interested-party transaction shall be passed by the Board of Directors of the Company, unless otherwise stipulated in the Federal Law "On Joint-Stock Companies".

A resolution on consent to such a transaction shall be passed by the Company's Board of Directors by the majority of votes of the directors who are not interested in the transaction, and who are not, and have not been, within 1 year prior to such a resolution:

- The CEO (Chairman of the Management Board), the Interim or Acting CEO (Chairman of the Management Board), the executive manager of the Company, a member of the Management Board, a person holding offices in management bodies of the managing entity.
- A person whose spouse, parents, children, full-blood and half-blood brothers and sisters, adoptive parents, and adoptees are persons holding offices in the said management bodies of the Company, managing entity of the Company or holding the office of a manager of the Company.
- A controlling entity of the Company or the Company's managing organization (manager) entrusted with the functionality of the Company's sole executive body or entitled to give mandatory instructions to the Company.
- Resolution on consent to an interested-party transaction shall be passed by the General Meeting of Shareholders by the majority of votes of all the shareholders (owners of the Company's voting shares participating in the voting) who are not interested in the transaction, in the following cases:
 - In case a transaction or several related transactions are made in respect of the property with a book value (quotation price of the acquired property) of 10 or more percent of the book value of the Company's assets according to its accounting (financial) statements as of the latest reporting date.
 - If a transaction or several related transactions involve the sale of common shares keeping records of over two percent of the common shares distributed by the Company earlier, and common shares which earlier distributed securities convertible into shares can be converted into, unless the Charter provides for a lower number of shares.

In 2020, neither the General Meeting of Shareholders nor the Board of Directors passed resolutions regarding interested-party transactions.

REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE PRINCIPLES AND RECOMMENDATIONS

The present report on observance of principles and recommendations of the Corporate Governance Code was reviewed by NLMK's Board of Directors at the 22.03.2021 meeting [MoM No. 279].

The Board of Directors confirms that the data given in the present report contain complete and reliable information on the Company's observance of principles and recommendations of the Corporate Governance Code in 2020.

A detailed description of the key aspects of the corporate governance

model and practices is presented in the Corporate Governance section of the Annual Report.

Information on compliance with specific principles and key recommendations of the Corporate Governance Code is presented in the table below in the format recommended for use by the Bank of Russia.

The methodology for evaluating NLMK's compliance with the principles of corporate governance enshrined in the Corporate Governance Code is based on the Recommendations for compiling reports on compliance with Corporate Governance Code principles and recommendations (Letter of the Bank of Russia No. IN-06-52/8 dd. 17 February 2016).

Explanations of non-compliance with the criteria of the corporate governance principles, a description of corporate governance mechanisms and tools, and plans for its improvement are given in the table below, as well as in the Corporate Governance section of the Annual Report.

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
1.1	The Company shall provide equal and fair treatment to all shareholders exercising their right to participate in the Company governance.			
1.1.1.	The Company creates the most favourable conditions for shareholders to participate in the General Meeting of Shareholders, to elaborate an informed position on General Meeting agenda items, and to coordinate their actions, as well as a possibility to express their opinions in relation to the items under consideration.	<ol style="list-style-type: none"> The Company's internal document approved by the General Meeting and regulating the General Meeting procedures is publicly available. The Company provides an accessible way of communication with the Company, such as a hotline, e-mail, or web-based message board, which allows shareholders to express their opinion and ask questions about an agenda in the course of the General Meeting preparation. The Company ensured the compliance with the above-mentioned criteria shortly before the convocation of every General Meeting within the reporting period. 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance 	
1.1.2.	The procedure of notifying about upcoming General Meetings and submission of materials for the General Meeting enables shareholders to get properly prepared for participation therein.	<ol style="list-style-type: none"> A notice of the General Meeting of Shareholders is published on the Company's website at least 30 days ahead of the date of the meeting. The notice of the General Meeting specifies the venue of the meeting and the documents needed to access the venue. Shareholders have access to the information about who proposed the agenda items and who nominated the candidates for election to the Board of Directors and audit commission of the Company. 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
1.1.3.	In preparation for the General Meeting of Shareholders and its convocation, shareholders were able to receive information on the meeting and materials therefor, to ask executive bodies and members of the Company's Board of Directors questions, and to communicate with each other freely and in a timely manner.	<ol style="list-style-type: none"> In the reporting period shareholders were given a chance to ask questions to members of executive bodies and of the Company's Board of Directors shortly before and during the Annual General Meeting of Shareholders. The opinion of the Board of Directors (including specific opinions entered into the MoM) on each agenda item of the General Meetings of Shareholders held within the reporting period was quoted in the materials to the General Meeting of Shareholders. In all cases of General Meeting of Shareholders convocation in the reporting period, the Company provided access to a list of persons having the right to participate in the General Meeting of Shareholders to the shareholders entitled to it starting from the date on which the Company received it. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
1.1.4.	The shareholders experienced no unnecessary complications in exercising their right to convene a General Meeting of Shareholders, to nominate candidates to the governing bodies, and to propose agenda items for a General Meeting of Shareholders.	<ol style="list-style-type: none"> In the reporting period, shareholders had an opportunity to propose items for inclusion in the agenda of the Annual General Meeting of Shareholders at least 60 days after the respective calendar year-end. In the reporting period the Company did not refuse to accept proposals on the agenda items or candidates to the Company's governing bodies due to misprints and other minor faults in a shareholder's proposal. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
1.1.5.	Every shareholder had an opportunity for unhindered exercise of their voting right in the simplest and the most convenient manner.	<ol style="list-style-type: none"> The Company's internal document (internal policy) contains provisions according to which every participant of the General Meeting of Shareholders can request a copy of the ballot they filled in, certified by the Counting commission, before the end of the respective meeting. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
1.1.6.	The General Meeting rules of procedure established by the Company provide for equal opportunity for all persons present at the meeting to express their opinions and ask questions.	<ol style="list-style-type: none"> When General Meetings of Shareholders were held in the reporting period in the form of a meeting (the joint presence of shareholders), sufficient time was given for reports on the agenda items and to discuss those items. Candidates to the Company's management and supervision bodies were available to answer questions from shareholders in those meetings where their nominations were put to vote. While taking decisions related to preparation and holding of General Meetings of Shareholders, the Board of Directors studied the issue of using telecommunications to provide shareholders with remote access to participate in General Meetings of Shareholders in the reporting period. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
1.2.	The shareholders are provided an equal and fair opportunity to participate in the Company's profit by receiving dividends.			
1.2.1	The Company developed and implemented a transparent and clear mechanism of dividend determination and payment.	<ol style="list-style-type: none"> The Dividend Policy was developed by the Company, approved by the Board of Directors, and disclosed. If the Company's Dividend Policy uses the Company's statement indicators to determine dividends, the respective provisions of the Dividend Policy take into account consolidated financial statement indicators. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
1.2.2.	The Company does not make decisions to pay dividends if such a decision, though not violating legal restrictions formally, is economically groundless and can lead to false representations of the Company's business.	<ol style="list-style-type: none"> The Company's Dividend Policy contains clear indications of financial/economic circumstances under which dividends should not be paid. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
1.2.3.	The Company does not allow for deterioration of its shareholders' dividend rights.	<ol style="list-style-type: none"> In the reporting period, the Company did not take any actions resulting in the deterioration of its shareholders' dividend rights. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
1.2.4.	The Company seeks to prevent shareholders from using other methods of obtaining profit (income) at the Company's expense, except for dividends and liquidation value.	1. In order to prevent shareholders from using other methods of obtaining profit (income) at the Company's expense, except for dividends and liquidation value, the Company's internal documents establish control mechanisms ensuring timely determination and an approval procedure for transactions with persons affiliated with (related to) material shareholders (persons entitled to dispose of the votes attributed to the issuer's voting shares) in cases when such transactions are not legally recognized as interested-party transactions	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
1.3.	The corporate governance system and practices ensure parity for all shareholders owning shares of the same category (type), including minority shareholders and foreign shareholders, and their equal treatment by the Company.			
1.3.1.	The Company has established conditions for the fair treatment of each shareholder by the Company's management and supervisory bodies, including conditions ensuring the inadmissibility of abuses of minor shareholders by major shareholders.	1. During the reporting period, procedures to manage potential conflicts of material shareholders' interests were effective, and the Board of Directors paid due attention to shareholders' conflicts, if any.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
1.3.2.	The company does not take any actions which result in or may result in artificial redistribution of corporate governance.	1. There are no quasi-treasury shares or they have not participated in voting within the reporting period.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
1.4.	Shareholders are provided with a reliable and efficient procedure for registration of their shareholder rights and a possibility to dispose of their shares in a free and unhindered manner.			
1.4.	Shareholders are provided with a reliable and efficient procedure for registration of their shareholder rights and a possibility to dispose of their shares in a free and unhindered manner.	2. The quality and reliability of the Registrar's activities in maintaining the Register of shares comply with the requirements of the Company and its shareholders.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.1.	The Board of Directors performs strategic management of the Company, identifies the basic principles and approaches to the Company's risk management and internal control systems, supervises the activity of the Company's executive bodies, and performs other key functions.			
2.1.1.	The Board of Directors is responsible for taking decisions related to the appointment and dismissal from office of executive bodies, including because of underperformance. The Board of Directors ensures that the Company's executive bodies act in compliance with the approved development strategy and core businesses of the Company.	1. In line with the Company's Charter, the Board of Directors is entitled to appoint members of executive bodies, dismiss them from office, and define their contractual terms and conditions. 2. The Board of Directors reviewed the report (reports) of the sole executive body and members of the collegial executive body on execution of the Company's strategy.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
2.1.2.	The Board of Directors defines the main reference points of the Company's business on a long-term basis, evaluates and approves key business indicators and main business objectives of the Company, assesses and approves strategy and business plans related to core activities of the Company.	1. Within the reporting period the Board of Directors reviewed the following issues: status and update of the Company's strategy; approval of the Company's business plan (budget); consideration of criteria and indicators (including interim ones) of the Company's strategy and business plan execution.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
2.1.3.	The Board of Directors defines the principles and approaches of the Company's risk management and internal control system.	1. The Board of Directors defined the principles and approaches to the arrangement of the Company's risk management and internal control system. 2. The Board of Directors evaluated the Company's risk management and internal control system within the reporting period.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
2.1.4.	The Board of Directors defines the Company's policy on remuneration and/or reimbursement of expenses (compensations) to members of the Board of Directors, executive bodies, and other key executives of the Company.	1. The Company elaborated and introduced the policy (policies) approved by the Board of Directors on remuneration and reimbursement of expenses (compensations) to members of the Board of Directors, executive bodies, and other key executives of the Company. 2. During the reporting period the issues related to the above policy (policies) were reviewed at Board of Directors meetings.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.1.5.	The Board of Directors plays a key role in the prevention, identification, and settlement of internal conflicts between the Company's bodies, shareholders, and employees.	<ol style="list-style-type: none"> The Board of Directors plays a key role in the prevention, identification, and settlement of internal conflicts. The Company established a system for identifying transactions related to a conflict of interests and a system of measures aimed at the settlement of such conflicts. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.1.6.	The Board of Directors plays a key role in ensuring the Company's transparency, timely and complete information disclosure, and easy access for shareholders to the Company's documents.	<ol style="list-style-type: none"> The Board of Directors approved the Regulations on Information Policy. The Company appointed persons responsible for ensuring compliance with the Information Policy. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.1.7.	The Board of Directors exercises control over the corporate governance practices in the Company and plays a key role in the Company's significant corporate events.	<ol style="list-style-type: none"> During the reporting period the Board of Directors reviewed the Company's corporate governance practices. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.2.	The Board of Directors is accountable to the Company's shareholders.			
2.2.1.	Information on the activities of the Board of Directors is disclosed and provided to shareholders.	<ol style="list-style-type: none"> The Company's Annual Report for the reporting period includes information on individual directors' attendance of the Board of Directors and committee meetings. The Annual Report contains information on the key results of an evaluation of the Board of Directors' activities performed during the reporting period. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.2.2.	The Chairman of the Board of Directors is available for communication with the Company's shareholders.	<ol style="list-style-type: none"> The Company employs a transparent procedure enabling shareholders to ask questions to the Chairman of the Board of Directors and share their opinion on these matters with them. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.3.	The Board of Directors is an effective and professional governing body of the Company, capable of making impartial independent judgements and decisions that are in the interest of the Company and its shareholders.			
2.3.1.	Only persons who have an impeccable business and personal reputation, and have the knowledge, skills, and experience required to make decisions within the Board of Directors' area of expertise and necessary for the effective performance of its functions are elected as members of the Board of Directors.	<ol style="list-style-type: none"> The procedure for assessing the efficiency of the Board of Directors adopted in the Company includes an evaluation of the professional qualifications of members of the Board of Directors. In the reporting period, the Board of Directors (or its Nomination Committee) evaluated the candidates to the Board of Directors in terms of whether they have the necessary experience, knowledge and business reputation, lack of conflict of interest, etc. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.3.2.	Members of the Board of Directors are elected through a transparent procedure that allows shareholders to receive information on the candidates, sufficient to get an idea of their personal and professional qualities.	<ol style="list-style-type: none"> In all cases in the reporting period when the agenda of a General Meeting of Shareholders included an item on election of the Board of Directors, the Company presented to shareholders the curricula vitae of all the candidates to the Board of Directors, the results of evaluation of the candidates performed by the Board of Directors (or its Nomination Committee), as well as information on the candidates' compliance with the independence criteria, in accordance with recommendations No. 102 to 107 of the Code, and the written consent of the candidates for election to the Board of Directors. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.3.3.	The composition of the Board of Directors is balanced, including the qualifications of its members, their experience, knowledge, and business qualities, and enjoys the trust of shareholders.	<ol style="list-style-type: none"> As part of the procedures for the Board of Directors evaluation held during the reporting period, the Board of Directors reviewed its own needs in the field of professional qualification, experience, and business skills. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.3.4.	The quantitative composition of the Board of Directors makes it possible to arrange the activities of the Board of Directors in the most efficient manner, including the formation of the Board's committees; it also provides significant minority shareholders an opportunity to elect a candidate for whom they vote.	1. As part of the Board of Directors evaluation procedure carried out in the reporting period, the Board of Directors considered the issue of compliance of the quantitative Board composition with the Company's needs and the interests of shareholders.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
2.4.	The Board of Directors has a sufficient number of independent directors.			
2.4.1.	An independent director is a person who has sufficient competence, experience, and independence to form their own opinion, and is able to make objective and fair judgments that are independent of the influence of the Company's executive bodies, certain groups of shareholders, or other interested parties. It should be borne in mind, however, that in ordinary circumstances a candidate (elected member of the Board of Directors) who is associated with the Company, its significant shareholder, significant counterparty, or a competitor, or is associated with the state, cannot be regarded as an independent candidate.	1. During the reporting period, all independent Board members met all the independence criteria set out in recommendations 102-107 of the Code or were recognized as independent by the decision of the Board of Directors.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.4.2.	The candidates to the Board of Directors are evaluated for compliance with the independence criteria; independent directors are also regularly evaluated for compliance with the independence criteria. During this evaluation, the content should prevail over the form.	1. In the reporting period, the Board of Directors (or the Board's Nomination Committee) formed an opinion of each candidate's independence and submitted a conclusion on the matter to shareholders. 2. During the reporting period, the Board of Directors (or the Board's Nomination Committee) evaluated the independence of the current Board members indicated in the Annual Report as independent directors at least once. 3. The Company has procedures in place which define the necessary actions for a Board member to take in case they cease to be independent, including the obligation to inform the Board of this fact in due time.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
2.4.3.	At least one third of the elected members of the Board are independent directors.	1. At least one third of the members of the Board are independent directors.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
2.4.4.	Independent directors play a key role in preventing internal Company conflicts and in the Company's execution of material corporate actions.	1. Independent directors (with no conflict of interest) give a preliminary evaluation of material corporate actions related to a possible conflict of interest; this evaluation is submitted to the Board of Directors.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.5.	The Chairman of the Board of Directors promotes the most efficient implementation of the functions assigned to the Board of Directors.			
2.5.1.	An independent director is elected Chairman of the Board of Directors, or a Senior Independent Director is chosen from among the elected Independent Directors, who coordinates the activities of independent directors and carries out interaction with the Chairman of the Board of Directors.	<ol style="list-style-type: none"> The Chairman of the Board of Directors is an independent director or a Senior Independent Director chosen from among independent directors. The role, rights, and duties of the Board Chairman (and Senior Independent Director, if any) are duly defined in internal corporate documents. 	<input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	<ol style="list-style-type: none"> Non-compliance The Chairman of the Board of Directors is not an independent director; a Senior Independent Director has not been chosen from among independent directors. The Chairman of the Board of Directors is a member who made a significant contribution to the development of the Company and has the most experience, professional competence, and authority among shareholders, members of management bodies, and employees of the Company. Independent Directors, who make up the majority of members of the Company's Board, have full opportunity to have face-to-face communication with the Chairman of the Board of Directors. The Company has opted for a model whereby having a majority of independent directors ensures their key role in resolving all matters and eliminates the need for a Senior Independent Director. The Company believes that its Chairman of the Board of Directors not being an independent director and there being no Senior Independent Director does not entail additional risks for the Company. The Company does not believe that the mandatory election of an independent Chairman of the Board of Directors is practical when the majority of directors are independent. In case independent directors are no longer in the majority on the Board of Directors, the Company will include in its agenda the matter of electing a Chairman of the Board of Directors from among independent members or electing a senior independent director.

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.5.2.	The Chairman of the Board creates a constructive atmosphere at meetings, ensures open discussions on the agenda items, and monitors the implementation of resolutions passed by the Board of Directors.	<ol style="list-style-type: none"> The efficiency of Chairman of the Board's performance was evaluated during the evaluation of the Board's performance in the reporting period. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	<ol style="list-style-type: none"> The Company recognizes the expediency of introducing the position of Senior Independent Director in case the number of independent directors becomes less than 50% of the Board of Directors. Compliance ensured
2.5.3.	The Chairman of the Board takes reasonable measures to ensure timely submittal of information required by the Board members for taking decisions on the agenda items.	<ol style="list-style-type: none"> The obligation of the Chairman of the Board to take measures to ensure timely submittal of materials required for taking decisions on the agenda items to the Board members is set out in the Company's internal documents. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
2.6.	Members of the Board act reasonably and in good faith in the interests of the Company and its shareholders, based on sufficient information, with due diligence and care.			
2.6.1.	Members of the Board make decisions taking into account all available information, with no conflict of interest, on the condition of equal treatment of the Company's shareholders, within the normal business risk.	<ol style="list-style-type: none"> The Company's internal documents state that a Board member must duly notify the Board of Directors if a conflict of interest arises pertaining to any agenda item of a Board meeting or a Board committee meeting before the start of discussions on the respective agenda item. The Company's internal documents state that a Board member must refrain from voting on any item where they have a conflict of interest. There is a procedure in place in the Company which entitles the Board of Directors to receive professional consultations on items within their area of expertise at the Company's expense. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
2.6.2.	The rights and obligations of the Board members are clearly worded and stated in the Company's internal documents.	<ol style="list-style-type: none"> There is a published document in effect in the Company which clearly defines the Board members' rights and obligations. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.6.3.	Board members have enough time to perform their duties.	<ol style="list-style-type: none"> Individual presence at the meetings of the Board and committee meetings, as well as the time dedicated to the preparation for such meetings, were taken into consideration during the Board evaluation in the reporting period. According to the Company's internal documents, members of the Board must notify the Board of Directors of their intention to enter the management bodies of other organizations (except the controlled and affiliated companies) and of the fact of such an appointment. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.6.4.	All members of the Board have equal access to the documents and information of the Company. Newly elected members of the Board receive sufficient information on the Company and the Board of Directors' activities as promptly as possible.	<ol style="list-style-type: none"> In accordance with the Company's internal documents, members of the Board of Directors have the right to access documents and make inquiries regarding the Company and the companies it controls, while the Company's executive bodies are obliged to provide the relevant information and documents. The Company has a formal induction procedure for newly elected members of the Board. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.7.	Meetings of the Board of Directors, preparation for them, and attendance by the Board members ensure the efficient performance of the Board of Directors.			
2.7.1.	Meetings of the Board of Directors are conducted on an ad hoc basis, taking into account the scope of activities and tasks that the Company is facing at a given time.	<ol style="list-style-type: none"> The Board of Directors had at least six meetings during the reporting year. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.7.2.	The Company's internal documents set the procedure for preparing and holding Board meetings, enabling Board members to be properly prepared.	<ol style="list-style-type: none"> The Company has an approved internal document in place which sets the procedure for preparing and holding Board meetings, stating, inter alia, that the notice of the meeting should be made, as a rule, at least 5 days in advance. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.7.3.	The format of the Board meetings is determined by the degree of importance of the agenda items. The most important issues are resolved at meetings held in praesentia.	<ol style="list-style-type: none"> The Charter or an internal document of the Company requires that the most significant issues (according to the list specified in recommendation 168 of the Code) should be considered at Board meetings held in praesentia. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.7.4.	Resolutions on the most important issues of the Company's business are passed at the Board meetings by qualified majority or by a majority of votes of all the elected Board members.	<ol style="list-style-type: none"> The Company's Charter stipulates that resolutions on the most important issues listed in recommendation 170 of the Code are to be passed at the Board meetings by qualified majority, at least 75% of votes, or by a simple majority of votes of all the elected Board members. 	<ul style="list-style-type: none"> □ Compliance ensured ■ Partial compliance □ Non-compliance 	<p>In accordance with the Charter, resolutions on most of the issues that are in the competence of the Board of Directors are made by open voting of the members of the Board of Directors participating in the meeting with a simple majority, except in cases stipulated by law. This way, full compliance with legislative requirements is achieved.</p> <p>The Company believes that the risks related to partial compliance with the requirements of the Code are offset by the high attendance of meetings by members of the Company's Board of Directors and preliminary study of the most important issues by independent directors as part of the activities of the Board Committees, as well as the maximum consideration of the opinions of all Board members when taking decisions on the most important issues concerning the Company's activities. Thus, in practice, compliance with this Code recommendation is ensured.</p> <p>In view of the above, the Company eliminates the possibility of any risks and is not planning to alter its practices related to this recommendation.</p> <p>At the same time, in case of risk factors, it will take measures to adjust this system by amending internal corporate documents.</p>

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.8.	The Board of Directors sets up committees for preliminary consideration of the most important issues of the Company's activity.			
2.8.1.	An Audit Committee consisting of independent directors is set up for the preliminary consideration of issues related to the control over the company's financial and economic activities.	<ol style="list-style-type: none"> The Board of Directors has set up an Audit Committee, which consists entirely of independent directors. The Company's internal documents define the tasks for the Audit Committee, including, among others, the tasks listed in recommendation 172 of the Code. At least one member of the Audit Committee who is an independent director has experience in and knowledge about the compilation, analysis, evaluation, and audit of accounting (financial) statements. Meetings of the Audit Committee were held at least once per quarter during the reporting period. 	<ul style="list-style-type: none"> <input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance 	<ol style="list-style-type: none"> Partial compliance The Board of Directors has set up an Audit Committee chaired by an independent director; the majority of Committee members are independent directors. The Audit Committee was formed based on the requirements of maximum effectiveness, taking into consideration members' qualifications in order to attain the optimal balance of relevant expert competencies and professional experience. The Board of Directors does not limit itself to a formal Committee formation approach, considering not only the independence of its members, but also their professional knowledge and skills necessary to ensure the Committee's effective operation. The Board takes into account the entirety of factors related to the Committee members' specialized competencies, including the relevant professional expertise and education, and other important aspects concerning the ability to form objective, independent opinions and judgements and to take decisions based on the long-term interests of the Company and all its shareholders. Additionally, the Board considers the effectiveness of the members' previous work on the Committee and their engagement in its activities. The Committee member acting as a non-executive director has extensive experience, a deep understanding of business, and comprehensive knowledge in areas related to the Committee's remit, making a substantial contribution, which is required for the Committee's functioning.

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
				<p>In order to ensure thorough consideration of matters included in the Committee meeting agenda, the Company takes into account the maximum number of committees that every Board member can participate in (stipulated in NLMK's Regulations on the Board of Directors in accordance with the Corporate Governance Code recommended by the Bank of Russia). Thus, the Company takes into account the expediency of attaining maximum engagement of independent directors and their required prevalence in the above Committees.</p> <p>In view of the above, the Company believes that the optimal Committee composition has been formed, with the vast majority of members (four out of five), as well as the Chairman, being independent directors. The Company holds that non-compliance with this recommendation does not entail additional risks and has no plans to ensure compliance with this recommendation in the near future.</p> <ol style="list-style-type: none"> Compliance ensured Compliance ensured Compliance ensured Compliance ensured

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.8.2.	For the preliminary consideration of issues related to the development of an efficient and transparent remuneration practice, a Remuneration Committee has been set up, which consists of independent directors and is chaired by an independent director who is not the Board Chairman.	<ol style="list-style-type: none"> The Board of Directors has set up a Remuneration Committee, which consists entirely of independent directors. The Chairman of the Remuneration Committee is an independent director who is not the Chairman of the Board. The Company's internal documents define the tasks of the Remuneration Committee, including, among others, the tasks listed in Recommendation 180 of the Code. 	<ul style="list-style-type: none"> <input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance 	<ol style="list-style-type: none"> Partial compliance The Board of Directors has set up the Human Resources, Remuneration, and Social Policy Committee chaired by an independent director; the majority of Committee members are independent directors. The Human Resources, Remuneration, and Social Policy Committee was formed based on the requirements of maximum effectiveness, taking into consideration members' qualifications in order to attain the optimal balance of relevant expert competencies and professional experience. The Board of Directors does not limit itself to a formal Committee formation approach, considering not only the independence of its members, but also their professional knowledge and skills necessary to ensure the Committee's effective operation. The Board takes into account the entirety of factors related to the Committee members' specialized competencies, including the relevant professional expertise and education, and other important aspects concerning the ability to form objective, independent opinions and judgements and to take decisions based on the long-term interests of the Company and all its shareholders. Additionally, the Board considers the effectiveness of the members' previous work on the Committee and their engagement in its activities.

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
				<p>Committee members acting as non-executive directors, including the Chairman of the Human Resources, Remuneration, and Social Policy Committee, have extensive experience, authority among shareholders, members of management bodies and employees of the Company, a deep understanding of business, and comprehensive knowledge in areas related to the Committee's remit, making a substantial contribution, which is required for the Committee's functioning. In order to ensure thorough consideration of issues included in the Committee meeting agenda, the Company takes into account the maximum number of committees that every Board member may participate in (stipulated in NLMK's Regulations on the Board of Directors in accordance with the Corporate Governance Code recommended by the Bank of Russia). Thus, the Company takes into account the expediency of attaining maximum engagement of independent directors and their required prevalence in the Committee. In view of the above, the Company believes that the optimal Committee composition has been formed, with the majority of members, as well as the Chairman, being independent directors, and other members being non-executive. The Company holds that non-compliance with this recommendation does not entail additional risks and has no plans to ensure compliance with this recommendation in the near future.</p> <ol style="list-style-type: none"> Compliance ensured Compliance ensured

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.8.3.	For the preliminary consideration of issues related to human resources planning (succession planning), occupational structure, and efficient performance of the Board of Directors, a Nomination (Appointments, Staffing) Committee has been set up, which mostly consists of independent directors.	<ol style="list-style-type: none"> The Board of Directors has set up a Nomination Committee (alternatively, another committee performs its tasks, listed in recommendation 186 of the Code), which mostly consists of independent directors. The Company's internal documents define the tasks of the Nomination Committee (or another committee performing related tasks), including, among others, the tasks listed in recommendation 186 of the Code. 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance 	
2.8.4.	Considering the scope of activities and risk level, the Board of Directors has made sure that the composition of its committees is fully in line with the Company's business objectives. Additional committees have either been formed or deemed unnecessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety and Environment Committee, and others).	<ol style="list-style-type: none"> During the reporting period, the Board of Directors has considered the compliance of its committees' composition with the goals of the Board and objectives of the Company. Additional committees have either been formed or deemed unnecessary. 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.8.5.	The committees are composed in such a way as to enable comprehensive examination of issues under consideration based on various opinions.	<ol style="list-style-type: none"> Committees of the Board are chaired by independent directors. The company's internal documents (policies) contain provisions stating that non-members of the Audit Committee, Nomination Committee, and Remuneration Committee may only attend their meetings when invited by the respective committee's chair. 	<ul style="list-style-type: none"> <input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance 	<ol style="list-style-type: none"> Partial compliance Formed in accordance with the Corporate Governance Code as a matter of priority, the Company's Audit Committee and HR, Remuneration, and Social Policy Committee are chaired by independent directors. Apart from the Audit Committee and the HR, Remuneration, and Social Policy Committee, the Board of Directors set up a Strategy Committee, which assists the Board of Directors in matters related to long-term efficiency improvements, growing the Company's asset base, and increasing its profitability and investment appeal. The Committee is chaired by a member of the Board of Directors who is not independent. The Committee is made up of five independent directors, other members of the Board of Directors, and experts with the professional experience required to address the matters listed above. The Company believes that this Committee structure is optimal, implies no additional risks for NLMK, and changing it is not practical in the near future. Nevertheless, the Company is monitoring the situation and will take measures to adjust the structure if necessary. Compliance ensured
2.8.6.	Committee chairs regularly inform the Board of Directors and its Chairman of their respective Committees' activities.	<ol style="list-style-type: none"> Within the reporting period Committee chairs regularly reported on their activities to the Board of Directors. 	<ul style="list-style-type: none"> <input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
2.9.	The Board of Directors ensures that the performance of the Board, its committees and members is evaluated.			
2.9.1.	The evaluation of the Board of Directors is designed to determine the efficiency of the Board's, its Committees', and members' performance and the correspondence of their performance to the development needs of the Company, as well as to step up the Board's activities and identify the areas for potential improvement.	<ol style="list-style-type: none"> 1. Within the reporting period, self-assessment or external assessment of the Board's performance was carried out, including a performance evaluation of the Committee, individual members of the Board, and the Board of Directors as a whole. 2. The results of self-assessment or external assessment of the Board of Directors made within the reporting period have been reviewed at the Board of Directors' meeting in praesentia. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
2.9.2.	A performance assessment of the Board of Directors, Board committees, and Board members is made on a regular basis at least once a year. For an independent quality assessment of the Board of Directors' performance, an external company (consultant) is involved at least once every three years.	<ol style="list-style-type: none"> 1. An independent performance evaluation of the Board of Directors was carried out by an independent auditor (consultant) at least once within the last three reporting periods. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
3.1.	The Corporate Secretary of the Company ensures efficient day-to-day interaction with shareholders, coordinates the Company's activities aimed at the protection of shareholders' rights and interests, and supports the efficient operation of the Board of Directors.			
3.1.1.	The Corporate Secretary has sufficient knowledge, experience, and qualification to perform his obligations, as well as an impeccable reputation and credibility with shareholders.	<ol style="list-style-type: none"> 1. The Company has adopted and disclosed an internal document: Regulations on the Corporate Secretary. 2. The biography of the Corporate Secretary published on the company's website and the Annual Report is as detailed as the biographies of Board members and the company's executive management. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
3.1.2.	The Corporate Secretary has sufficient independence from the Company's executive bodies and has the required authority and resources to execute the tasks assigned to him.	<ol style="list-style-type: none"> 1. The Board of Directors approves the appointment, dismissal from office, and additional remuneration of the Corporate Secretary. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
4.1.	The level of remuneration paid by the Company is sufficient to attract, motivate, and retain persons with the required expertise and qualification. Remuneration to the Board members, executive bodies, and other key executives of the company is paid according to the remuneration policy adopted in the Company.			
4.1.1.	The level of remuneration paid by the Company to the Board members, executive bodies, and other key executives is sufficient to motivate them to perform effectively, enabling the Company to attract and retain competent and qualified professionals. At the same time the company avoids having a higher than necessary remuneration level and an unreasonably large gap between the remuneration of the persons mentioned above and the company employees.	<ol style="list-style-type: none"> 1. The Company has adopted an internal document (internal documents): a policy (policies) on remuneration of the Board members, members of executive bodies, and other key executives, which expressly establishes approaches to the remuneration paid to these persons. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
4.1.2.	The Company's remuneration policy is developed by the Remuneration Committee and approved by the Board of Directors. With the assistance of the Remuneration Committee, the Board of Directors oversees the incorporation and implementation of the remuneration policy in the Company, and, if required, revises and amends it.	<ol style="list-style-type: none"> 1. Within the reporting period the Remuneration Committee reviewed the remuneration policy (policies) and practices and, if required, gave relevant recommendations to the Board of Directors. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
4.1.3.	The Company's remuneration policy contains transparent mechanisms for determining the remuneration level of the Board members, members of executive bodies, and other key executives of the Company, and regulates all types of payments, benefits, and privileges granted to the these persons.	<ol style="list-style-type: none"> 1. The Company's remuneration policy (policies) contains (contain) transparent mechanisms for determining the remuneration level of the Board members, members of executive bodies, and other key executives of the Company, and regulates (regulate) all types of payments, benefits, and privileges granted to the these persons. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
4.1.4.	The Company establishes its policy of reimbursement of expenses (compensation) specifying the list of reimbursable expenses and the level of service to which Board members, executive bodies, and other key executives of the Company are entitled. This policy can be a part of the Company's remuneration policy.	1. The Company's remuneration policy (policies) or other internal documents establish the rules of expense reimbursement of the Board members, members of executive bodies, and other key executives of the Company.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
4.2.	The remuneration system for members of the Board of Directors aligns the financial interests of directors with the long-term financial interests of shareholders.			
4.2.1.	The Company pays fixed annual remuneration to the Board members. The Company does not pay remuneration for participation in individual meetings of the Board of Directors or Board Committees. The Company does not use any forms of short-term incentives and additional material incentives for members of the Board of Directors.	1. Fixed annual remuneration was the sole form of monetary remuneration to the Board members for their work on the Board of Directors during the reporting period.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
4.2.2.	Long-term ownership of the Company's shares is most conducive to aligning the financial interests of the Board members with the long-term interests of shareholders. At the same time, the Company does not tie the rights to sell shares to achieving certain performance indicators, and members of the Board of Directors do not participate in option programmes.	1. If the Company's internal document (documents) – policy (policies) on remuneration – provides for the ownership of the Company's shares by the Board members, clear and explicit rules aimed at encouraging long-term ownership of the Company's shares by the Board members should be introduced and disclosed.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
4.2.3.	The Company does not provide for additional payments or compensations in the event of early termination of the Board members' appointment in connection with the transfer of control over the Company or other circumstances.	1. The Company does not provide for additional payments or compensations in the event of early termination of the Board members' appointment in connection with the transfer of control over the Company or other circumstances.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
4.3.	The Company's remuneration system for members of executive bodies and other key executives provides for a correlation between the amount of remuneration and the Company's performance and personal contribution to achieving this performance.			
4.3.1.	The remuneration of members of executive bodies and other key executives of the Company is determined in such a way as to ensure a reasonable and justified correspondence between the fixed part of remuneration and the variable part of remuneration, depending on the Company's performance and the employee's personal (individual) contribution to the final result.	<ol style="list-style-type: none"> Within the reporting period annual performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration of members of executive bodies and other key executives of the Company During the latest evaluation of the Company's remuneration system for members of executive bodies and other key executives, the Board of Directors (Remuneration Committee) made sure that an efficient ratio of the fixed part and the variable part of remuneration is applied in the Company. The Company provides for a procedure which ensures that the Company's bonuses illegally received by members of executive bodies and other key executives of the Company are returned to the Company. 	<input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	<ol style="list-style-type: none"> Compliance ensured Compliance ensured Non-compliance <p>The Company uses a clear mechanism for paying bonuses to members of executive bodies and other senior executives:</p> <ol style="list-style-type: none"> Determining the quantitative indicators that the bonus will be paid for; Control departments independently calculating the planned and actual indicators required for the bonus payout; Independent audit of the actual attainment of the indicators before calculating the bonus size; The HR, Remuneration, and Social Policy Committee approving the actual attainment and the size of the payout. <p>The Company believes that this system eliminates the need for an additional bonus return procedure.</p> <p>Nevertheless, if preconditions for returning bonus payments emerge, the Company will take the necessary measures: recalculate the indicators and bonus sums with subsequent withholding/return according to existing Russian Federation legislation.</p>

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
4.3.2.	The Company has implemented a long-term incentive programme for members of executive bodies and other key executives of the Company using the Company's shares (options or other derivative financial instruments based on the Company's shares).	<ol style="list-style-type: none"> The Company has implemented a long-term incentive programme for members of executive bodies and other key executives of the Company using the Company's shares (financial instruments based on the Company's shares). In line with the long-term incentive programme, members of executive bodies and other key executives of the Company have the right to sell shares and other financial instruments not earlier than three years from the moment of their granting. Additionally, the right to sell them depends on the Company achieving certain performance indicators. 	<input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	In conditions when significantly changing market prices have a determining influence on the share price, a long-term incentive programme using the Company's shares has been recognized as ineffective and is not used in the Company. The Company has adopted a long-term incentive programme for members of executive bodies and other key executives of the Company, which does not provide for the use of the Company's shares (financial instruments based on the Company's shares). The current long-term incentive programme is based on defining and evaluating long-term strategic KPIs. The right to receive long-term remuneration appears no earlier than three years after the KPIs are set if there is confirmation of their successful attainment expressed in quantitative terms. The KPIs for the long-term programme correlate directly with the Company's strategic success. In the near future there are no plans to implement a long-term incentive programme for members of executive bodies and key executives of the Company with the use of the Company's shares (financial instruments based on the Company's shares).
4.3.3.	The amount of compensation (golden parachute) paid by the Company to members of executive bodies or other key executives in case of their early termination initiated by the Company and with no fraudulent actions on their part does not exceed the two-fold amount of the fixed part of their annual remuneration.	<ol style="list-style-type: none"> The amount of compensation (golden parachute) paid by the Company to members of executive bodies or other key executives in case of their early termination initiated by the Company and with no fraudulent actions on their part did not exceed the two-fold amount of the fixed part of their annual remuneration in the reporting period. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
5.1.	The Company has an efficiently functioning risk management and internal control system in place, aimed at providing reasonable assurance that the Company will achieve its targets.			
5.1.1.	The Board of Directors defines the principles and approaches to the Company's risk management and internal control system.	<ol style="list-style-type: none"> The Company's internal documents/respective policy approved by the Board of Directors explicitly defines the functions of the Company's various management bodies and subdivisions in the risk management and internal control system. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
5.1.2.	The Company's executive bodies ensure that an efficiently functioning risk management and internal control system is established and maintained in the Company.	<ol style="list-style-type: none"> The Company's executive bodies ensured that risk management and internal control functions and authority are well distributed between the managers (heads) of the subdivisions reporting to them. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
5.1.3.	The Company's risk management and internal control system ensures an objective, fair, and clear understanding of the Company's current state and prospects, the integrity and transparency of the Company's statements, and that the risks assumed by the Company are reasonable and acceptable.	<ol style="list-style-type: none"> The Company has adopted an anti-corruption policy. There is a procedure in place in the Company aimed at informing the Board of Directors or the Board's Audit Committee about any violations of legislation, the Company's internal procedures, and ethics code. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
5.1.4.	The Company's Board of Directors takes the necessary measures to ensure that the Company's risk management and internal control system functions efficiently and complies with the principles and approaches determined by the Board of Directors.	<ol style="list-style-type: none"> During the reporting period, the Board of Directors or the Board's Audit Committee evaluated the efficiency of the Company's risk management and internal control system. The results of this evaluation are included in the Company's Annual Report. 	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
5.2.	The Company arranges internal audits for a systematic independent evaluation of the reliability and efficiency of the risk management and internal control system and corporate governance practice.			
5.2.1.	A separate structural subdivision has been set up in the Company for internal audit or an independent external auditor has been engaged. There is a division between the functional and administrative jurisdictions of the Internal Audit Department. The Internal Audit Department functionally reports to the Board of Directors.	1. The Company has set up a separate structural subdivision for internal audit, which functionally reports to the Audit Committee and the Company's Board of Directors, or engaged an independent auditor under the same accountability principle.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
5.2.2.	The Internal Audit Department evaluates the efficiency of the internal control, risk management, and corporate governance systems. The Company is guided by generally accepted internal audit standards.	1. During the reporting period, the internal audit evaluated the efficiency of the internal control and risk management system. 2. The Company is guided by generally accepted approaches to internal control and risk management.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
6.1.	The Company and its activity are transparent for its shareholders, investors, and other stakeholders.			
6.1.1.	The Company has developed and implemented an information policy, which ensures efficient interaction between the Company, its shareholders, investors, and other stakeholders information-wise.	1. The Company's Board of Directors has approved the Company's Information Policy developed with regard to recommendations of the Code. 2. The Board of Directors (or one of its Committees) has reviewed the issues related to information policy observance at least one time within the reporting period.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
6.1.2.	The Company discloses information on its corporate governance system and practices, including detailed information on observance of the principles and recommendations of the Code.	1. The Company discloses information on its corporate governance system and on the general principles of corporate governance used in the Company, including on the Company's website. 2. The Company discloses information on the composition of its executive bodies and the Board of Directors, the independence of the Board members and their membership in the Board Committees (in accordance with the definition set out in the Code). 3. If there is a person controlling the Company, the Company publishes a memorandum of the controlling person regarding their plans with regard to the Company's corporate governance.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	1. Compliance ensured 2. Compliance ensured 3. Compliance ensured The Board of Directors is chaired by a person controlling the Company, whose plans with regard to the Company's corporate governance are reflected in the documents approved by the Company's General Meeting of Shareholders and Board of Directors, available to an unlimited number of interested parties.
6.2.	The Company discloses complete, valid, and reliable information on the Company in due time to enable the Company's shareholders and investors to make informed decisions.			
6.2.1.	The Company discloses information guided by the principles of regularity, consistency, efficiency, availability, reliability, completeness, and comparability of the information disclosed.	1. The Information Policy of the Company defines approaches and criteria of determining information that can significantly affect the Company's valuation and the value of its securities; it also defines procedures ensuring timely disclosure of such information. 2. If the Company's securities circulate on foreign regulated markets the disclosure of material information in the Russian Federation and in these markets is done simultaneously and similarly during the reporting year. 3. If foreign shareholders own a significant quantity of the Company's shares, the information was disclosed not only in Russian but also in one of the most common foreign languages during the reporting year.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
6.2.2.	The Company avoids a box-ticking approach while disclosing information; it discloses material information on its activities even if law does not require such disclosure.	<ol style="list-style-type: none"> During the reporting year, the Company disclosed its annual and semi-annual IFRS financial statements. The Annual Report of the Company for the reporting year includes annual IFRS financial statements and an auditor's opinion. The Company discloses information on the its equity structure in full in its Annual Report and on the Company's website in line with Recommendation 290 of the Code. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
6.2.3.	The Annual Report as one of the most important tools of interaction with shareholders and other stakeholders contains information, which enables the evaluation of the Company's performance over a year.	<ol style="list-style-type: none"> The Company's Annual Report contains information on the key aspects of the Company's operations and its financial performance. The Company's Annual Report contains information on environmental and social aspects of the Company's activities. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
6.3	The Company provides information and documents requested by shareholders in line with the principle of equal and easy access.			
6.3.1	Information and documents requested by shareholders are disclosed in line with the principle of equal and easy access.	<ol style="list-style-type: none"> The Company's Information Policy determines an easy procedure of giving access to information for shareholders including the information on legal entities controlled by the Company on shareholder's request. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	
6.3.2	When providing information to shareholders the Company ensures a reasonable balance between the interests of certain shareholders and the interests of the Company itself, which seeks to keep important commercial information, which may significantly affect its competitiveness, confidential.	<ol style="list-style-type: none"> In the reporting year, the Company did not refuse to satisfy the shareholders' requests to provide information or justified such refusals. In cases defined by the Information Policy of the Company, shareholders are warned about the confidential nature of the information and undertake to keep it confidential. 	<ul style="list-style-type: none"> ■ Compliance ensured □ Partial compliance □ Non-compliance 	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
7.1	Actions that significantly affect or can significantly affect the structure of the share capital and the financial status of the Company and, accordingly, the shareholders' standing (i.e. material corporate events) are carried out on fair terms ensuring observance of the rights and interests of shareholders and other interested parties.			
7.1.1	The material corporate events include restructuring of the Company; acquisition of 30 and over percent of the Company's voting shares (takeover); material transactions effected by the Company; increase or reduction of the Company's authorized capital; listing and delisting of the Company's shares; other actions which may cause a significant change of shareholders' rights or violation of their interests. The Company's Charter lists (specifies the criteria of) transactions and other actions that are recognized as material corporate events and fall in the remit of the Company's Board of Directors.	<ol style="list-style-type: none"> The Company's Charter lists transactions and other actions that are recognized as material corporate events and the criteria to determine them. Decision-making regarding material corporate events falls in the remit of the Company's Board of Directors. In cases when the decision on performing such corporate actions statutorily falls in the remit of the General Meeting of Shareholders, the Board of Directors provides respective recommendations to shareholders. The Company's Charter lists the following actions, among others, as material corporate events: restructuring of the Company; acquisition of 30 and over percent of the Company's voting shares (takeover); increase or reduction of the Company's authorized capital; listing and delisting of the Company's shares. 	<ul style="list-style-type: none"> □ Compliance ensured ■ Partial compliance □ Non-compliance 	The Company's Charter does not list transactions and other actions that are recognized as material corporate events and the criteria to determine them. Decision-making in relation to actions, recognized by the Corporate Governance Code as material corporate events, fall in the remit of the Company's Board of Directors or the General Meeting of Shareholders in line with the legislation and the Company's Charter. In cases when such corporate events are statutorily assigned to the competence of the General Meeting of Shareholders, the Board of Directors provides respective recommendations to shareholders. In cases when such corporate events are statutorily assigned to the competence of the Board of Directors, they are first reviewed by the relevant Board Committees that provide respective recommendations to the Board of Directors. In view of the above, the Company excludes the possibility of any risks. The Company does not plan to review and approve the list of material corporate events in the near future, but intends to continue to act within the framework of current legislation.

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
7.1.2	The Board of Directors plays a key role in decision-making or in preparing recommendations regarding material corporate events; the Board of Directors relies on the opinion of the Company's independent directors.	1. The Company has a procedure in place ensuring that the independent directors declare their opinion on material corporate events before they are approved.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	
7.1.3	In case of material corporate events that affect the rights and legitimate interests of shareholders, equal conditions are provided to all the Company's shareholders; if the procedures set out in the legislation and designed to protect the shareholders' rights are not sufficient, additional measures are taken to protect the rights and legitimate interests of the Company's shareholders. In this case, the Company is guided not only by compliance with formal statutory requirements but also by the corporate governance principles outlined in the Code.	1. The Company's Charter, taking into account the specifics of the Company's activities, establishes the minimal criteria for the attribution of the Company's transactions to material corporate events, which are lower than those statutorily required. 2. During the reporting period all material corporate events underwent an approval procedure prior to their implementation.	<input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	1. Partial compliance The Company's Charter does not establish minimal criteria for the attribution of the Company's transactions to material corporate events that are lower than those statutorily required. The Company is guided by statutory criteria for the attribution of the Company's transactions to material corporate events. The majority of material corporate events recognized by the Corporate Governance Code fall within the remit of the Company's Board of Directors or the General Meeting of Shareholders. Decision-making with regard to transactions, which the Corporate Governance Code recognizes as material corporate events, fall within the remit of the Company's Board of Directors. In cases when such corporate events are statutorily assigned to the competence of the General Meeting of Shareholders, the Board of Directors provides respective recommendations to shareholders.

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
7.2	The Company ensures such a procedure for material corporate events that enables shareholders to receive full information thereof in due time and to influence such events; it guarantees observance and proper level of protection of their rights when such events take place.			In cases when such corporate events are statutorily assigned to the competence of the Board of Directors, these matters are first reviewed by the relevant Board Committees that provide respective recommendations to the Board of Directors. The current system meets the needs of the Company, and its change in the next few years does not seem practical. The Company believes that additional risks for the Company are excluded. At the same time, the Company is monitoring the system for protecting the rights and legitimate interests of shareholders and in case of any risk factors emerging, it will take required measures to adjust the system. 2. Compliance ensured
7.2.1	Information on material corporate events is disclosed with an explanation of the grounds, conditions, and consequences of such events.	1. During the reporting period, the Company disclosed information on its material corporate events in a timely and detailed manner including the grounds and timing of such events.	<input checked="" type="checkbox"/> Compliance ensured <input type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
7.2.2	The rules and procedures related to the Company's performance of material corporate events are specified in the Company's internal documents.	<ol style="list-style-type: none"> The Company's internal documents provide for a procedure for engaging an independent appraiser to estimate the value of property to be disposed of or acquired as a material transaction or as an interested party transaction. The Company's internal documents provide for a procedure for engaging an independent appraiser to estimate the value of acquisition and buyback of its shares. The Company's internal documents provide for an expanded list of grounds on which Board members and other parties are recognized as an interested party in the Company's transactions under the Russian legislation. 	<input type="checkbox"/> Compliance ensured <input checked="" type="checkbox"/> Partial compliance <input type="checkbox"/> Non-compliance	<ol style="list-style-type: none"> Partial compliance The Company's internal documents do not provide for a procedure for engaging an independent appraiser to estimate the value of property to be disposed of or acquired as a material transaction or as an interested party transaction. The Company engages an independent appraiser in cases set out in the legislation of the Russian Federation, and the Company believes that this fully eliminates any risk. The Company does not plan to review the procedure for engaging an independent appraiser in the near future and intends to continue to operate within the framework of the current legislation. The Company is monitoring the system, and in case of any risk factors emerging, it will take the required measures to adjust the system. Compliance ensured

No.	Principles of corporate governance	Criteria of corporate governance principles observance evaluation	Status of compliance with corporate governance principle	Clarification of deviation from criteria of corporate governance principles observance evaluation
				<ol style="list-style-type: none"> Partial compliance The Company's internal documents do not provide for an expanded list of grounds on which Board members and other parties as required by law are recognized as an interested party in the Company's transactions. Before the conclusion of any transaction in which there can be interest, the Company evaluates all possible circumstances that could lead to the existence of such interest, including those not provided for by law. This approach has proved to be effective in practice, risks are completely excluded and the Company does not deem it appropriate to provide an expanded list of grounds on which Board members and other parties are recognized as an interested party in the Company's internal documents. Thus, the Company does not plan to make changes to internal documents in the near future and will continue to adhere to the established approach. The Company is monitoring the system, and in case of any risk factors emerging, it will take the required measures to adjust the system.

REPORT ON THE PAYMENT OF DECLARED (ACCRUED) DIVIDENDS

Year	Period	Dividend per share, RUB	Declaration date	Amount, RUB
2020	9M	6.43	18.12.2020	38,536,451,153.2
2020	6M	4.75	25.09.2020	28,467,829,390
2020	3M	3.21	30.06.2020	19,238,259,440.40
2019	year	17.36 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 3.12 per share)	29.05.2020	104,042,424,886.40 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 18,698,868,988.80)
2019	9M	3.22	20.12.2019	19,298,191,712.80
2019	6M	3.68	27.09.2019	22,055,076, 243.20
2019	3M	7.34	07.06.2019	43,990,287,941.60
2018	year	22.81 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 5.80 per share)	19.04.2019	136,705,513,344.40 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 34,760,717.992)
2018	9M	6.04	21.12.2018	36,199,092,529.60
2018	6M	5.24	28.09.2018	31,404,510,737.60
2018	3M	5.73	08.06.2018	34,341,192,085.20
2017	year	14.04 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 3.36 per share)	08.06.2018	84,144,910,449.60 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 20,137,243,526.40)
2017	9M	5.13	22.12.2017	30,745,255,741.20
2017	6M	3.20	29.09.2017	19,178,327,168
2017	3M	2.35	02.06.2017	14,084,084,014
2016	year	9.22 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 3.38 per share)	02.06.2017	55,257,555,152.80 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 20,257,108,071.20)
2016	9M	3.63	23.12.2016	21,755,414,881.20
2016	6M	1.08	30.09.2016	6,472,685,419.20
2016	3M	1.13	03.06.2016	6,772,346,781.20
2015	year	6.95 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 2.43 per share)	03.06.2016	41,652,929,318 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 14,563,542,193.20)
2015	9M	1.95	21.12.2015	11,686,793,118
2015	6M	0.93	30.09.2015	5,573,701,333.20
2015	3M	1.64	05.06.2015	9,828,892,673.60
2014	year	2.44 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 1.56 per share)	05.06.2015	14,623,474,465.60 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 9,349,434,494.40)
2014	6M	0.88	30.09.2014	5,274,039,971.20

¹ The ratio "Dividends to net profit, %" is calculated as Dividends per share in rubles multiplied by the number of shares (5,993,227,240) divided by the dollar rate on the day of the announcement divided by the net profit attributable to NLMK shareholders under IFRS multiplied by 100%.

² The obligation to pay dividends on shares was fulfilled by PJSC "NLMK" in the terms established by the legislation of the Russian Federation. The reason for paying dividends is not in full amount due to incorrect payment details of shareholders.

Dividends/free cash flow, % ¹	Date of payment	Paid out ² as of 31.12.2020	
		RUB	% from declared
134	from 30.12.2020 до 10.02.2021 (inclusive)	38,526,138,114.7 ³	99.97 ³
101	from 13.10.2020 до 17.11.2020 (inclusive)	28,427,060,235.83	99.86
83	from 14.07.2020 до 17.08.2020 (inclusive)	19,212,238,851.08	99.86
104	from 10.06.2020 до 15.07.2020 (inclusive)	103,925,539,981.95	99.89
124	from 10.01.2020 to 13.02.2020 (inclusive)	19,277,572,251.46	99.89
133	from 11.10.2019 to 15.11.2019 (inclusive).	22,031,690,658.57	99.89
99	from 20.06.2019 to 24.07.2019 (inclusive)	43,941,942,070.47	99.89
104	from 07.05.2019 to 13.06.2019 (inclusive)	136,559,008,896.53	99.89
84	from 10.01.2019 to 13.02.2019 (inclusive)	36,160,188,287.60	99.89
166	from 13.10.2018 to 19.11.2018 (inclusive).	31,370,838,449.86	99.89
93	from 21.06.2018 to 25.07.2018 (inclusive)	34,304,657,291.50	99.89
113	from 21.06.2018 to 25.07.2018 (inclusive)	84,054,201,298.19	99.89
99	from 10.01.2018 to 13.02.2018 (inclusive)	30,712,814,779.85	99.89
101	from 13.10.2017 to 17.11.2017 (inclusive)	19,157,682,665.66	99.89
120	from 15.06.2017 to 19.07.2017 (inclusive)	14,067,867,006.85	99.88
84	from 15.06.2017 to 19.07.2017 (inclusive)	55,198,112,496.67	99.89
75	from 10.01.2017 to 13.02.2017 (inclusive)	21,731,775,726.20	99.89
65	from 13.10.2016 to 17.11.2016 (inclusive)	6,465,547,166.15	99.89
37	from 15.06.2016 to 19.07.2016 (inclusive)	6,764,857,327.70	99.89
65	from 15.06.2016 to 19.07.2016 (inclusive)	41,605,954,038.53	99.89
44	from 09.01.2016 to 12.02.2016 (inclusive)	11,673,475,109.09	99.89
50	from 13.10.2015 to 17.11.2015 (inclusive)	5,567,460,843.39	99.89
52	from 17.06.2015 to 21.07.2015 (inclusive)	9,817,408,088.53	99.88
26	from 17.06.2015 to 21.07.2015 (inclusive)	14,606,462,870.22	99.88
18	from 12.10.2014 to 18.11.2014 (inclusive)	5,267,898,137.36	99.88

³ As at December 31, 2020 dividends payment deadline has not expired. The data is related to the expiry date of the dividend payout period the 9 months of 2020 – deadline expiring – February 10, 2021.



NOVOLIPETSK STEEL

CONSOLIDATED FINANCIAL STATEMENTS

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

**AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2020**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)



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Independent Auditor's Report

To the Shareholders and the Board of Directors of Novolipetsk Steel:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Novolipetsk Steel and its subsidiaries (together – the “Group”) as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

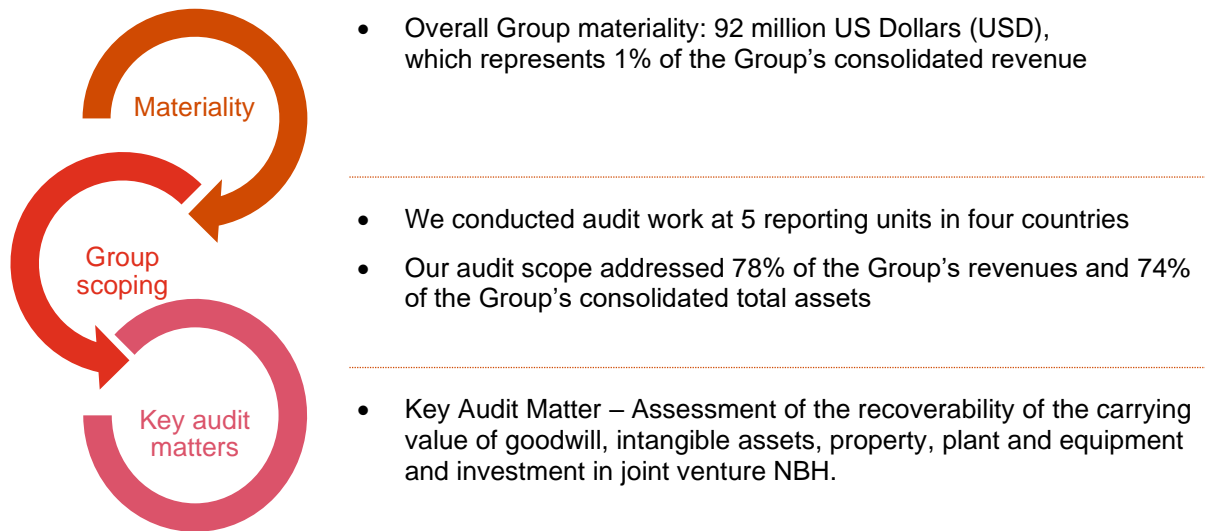
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.



Overall Group materiality	USD 92 million (2019: USD 106 million)
How we determined it	1% of the Group's consolidated revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is the benchmark which objectively best represents the performance of the Group over a period of time while financial results are volatile. We determined overall materiality as 1%, which in our experience is within the range of acceptable quantitative materiality thresholds applied for public companies in the relevant industry.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of the recoverability of the carrying value of goodwill, intangible assets, property, plant and equipment, and investment in joint venture NBH</p> <p><i>Refer to Notes 8, 9 and 4 to the consolidated financial statements</i></p> <p>The Group management performed an analysis of existence of indicators of impairment of the Group's property, plant and equipment (PP&E), intangible assets, goodwill and carrying value of investment in joint venture NBH (a joint venture between the Group and Societe Wallonne de Gestion et de Participations S. A.(SOGEPA), as well as indicators of potential reversal of an impairment loss recognised in prior periods. This analysis revealed:</p> <ul style="list-style-type: none"> sales volumes and prices decline on the market of certain finished products and raw materials because of the spread of COVID -19; high volatility on the market of certain finished products and raw materials. <p>The analysis triggered testing a number of the Group's cash-generating units (CGUs) for impairment. No indicators that an impairment loss recognised in prior periods may no longer exist or may have decreased have been identified.</p> <p>The recoverable amount of PP&E, intangible assets and goodwill for each CGU subject to testing as well as recoverable amount of investment in NBH were calculated by management as at 31 December 2020 or as at 30 June 2020.</p>	<p>We obtained, understood and evaluated management's impairment models. We involved our valuation experts to assist in the evaluation of the methodology, mathematical accuracy and assumptions used in the models.</p> <p>Specific work performed over the impairment test included:</p> <ul style="list-style-type: none"> comparing the key assumptions used within the impairment models to the historic performance of the respective CGUs, approved estimates, and other supporting calculations; sample benchmarking the key assumptions used within the impairment models, including price forecasts for core raw materials and finished products, inflation and discount rates, against external expert valuations, macroeconomic and industry forecasts, which corroborated their validity; performing a sensitivity analysis over the key assumptions in order to assess their potential impact on impairment results and ranges of possible outcomes of the recoverable amounts; assessing compliance with the requirements of IFRS of the related disclosures in the consolidated financial statements and verification of disclosure.



Key audit matter	How our audit addressed the key audit matter
<p>Management assessed the recoverable amount of CGU PJSC NLMK as fair value less cost to sell and as value in use for each other CGU using discounted cash flow models.</p> <p>As a result of this testing performed, additional impairment loss of USD 120 million was recognized in respect to investment in NBH. In respect to other CGUs management concluded that no impairment was required as at 31 December 2020.</p> <p>We focused on this area because of the significant judgmental factors involved in the calculation of recoverable amount of each CGU, and the significant carrying value of the assets in scope of the test.</p>	<p>The scope of the audit procedures for verification of impairment models for each CGU was based on its significance, safety margin, sensitivity to assumptions and on individual risks.</p>

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group’s major production facilities are located in the Russian Federation, the USA and Western Europe and the trading company is based in Switzerland. Based on our continuing assessment, we included in our group audit scope the 5 components located in these regions.

The audits of the components were conducted by PwC network firms in accordance with International Standard on Auditing (ISA) 600 “Special considerations – audits of group financial statements (including the work of component auditors)”. The Group engagement team’s instructions to component auditors included results of our risk assessment, materiality levels and the approach to the audit of centralised processes and systems. The Group engagement team is in regular contact with the component auditors. Our selection is based on the relative significance of the entities within the Group or specific risks identified.

By performing the procedures above at the components in combination with additional procedures performed at the Group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial statements as a whole that provides a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Group Annual Report for 2020 and the Issuer’s Report for the first quarter of 2021 (but does not include the consolidated financial statements and our auditor’s report thereon), which are expected to be made available to us after the date of this auditor’s report

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group Annual Report for 2020 and the Issuer’s Report for the first quarter of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is A. B. Fomin.

10 February 2021
Moscow, Russian Federation

Signed on the original: A. B. Fomin

A. B. Fomin, certified auditor (licence No. № 01-000059), AO PricewaterhouseCoopers Audit

Audited entity: Novolipetsk Steel

Record made in the Unified State Register of Legal Entities on
28 January 1993 under State Registration Number 1024800823123

Taxpayer Identification Number 4823006703

2, Metallurgov sq., Lipetsk, 398040, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on
28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on
22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association
"Sodruzhestvo"

Principal Registration Number of the Record in the Register of Auditors and
Audit Organizations –12006020338

	Note	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Assets				
Current assets				
Cash and cash equivalents	3	842	713	1,179
Short-term financial investments	5	191	287	19
Trade and other accounts receivable	6	1,148	1,047	1,326
Inventories	7	1,373	1,634	1,816
Other current assets		16	14	10
		3,570	3,695	4,350
Non-current assets				
Long-term financial investments	5	7	5	85
Investments in joint ventures	4	131	223	159
Property, plant and equipment	8	5,659	6,039	4,798
Goodwill	9	212	248	224
Other intangible assets	9	159	162	165
Deferred income tax assets	17	119	101	152
Other non-current assets		5	11	11
		6,292	6,789	5,594
Total assets		9,862	10,484	9,944
Liabilities and equity				
Current liabilities				
Trade and other accounts payable	10	1,065	1,124	1,122
Dividends payable		109	318	525
Short-term borrowings	11	1,054	468	398
Current income tax liability		51	32	28
Other short-term liabilities		3	-	-
		2,282	1,942	2,073
Non-current liabilities				
Long-term borrowings	11	2,432	2,188	1,677
Deferred income tax liability	17	359	405	346
Other long-term liabilities		48	2	14
		2,839	2,595	2,037
Total liabilities		5,121	4,537	4,110
Equity attributable to Novolipetsk Steel shareholders				
Common stock	12(a)	221	221	221
Additional paid-in capital		8	9	10
Accumulated other comprehensive loss		(7,140)	(6,140)	(6,782)
Retained earnings		11,641	11,840	12,370
		4,730	5,930	5,819
Non-controlling interests		11	17	15
Total equity		4,741	5,947	5,834
Total liabilities and equity		9,862	10,484	9,944

The consolidated financial statements as set out on pages 9 to 66 were approved by the Group's management and authorised for issue on 10 February 2021.

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	14	9,245	10,554	12,046
Cost of sales		(5,920)	(7,303)	(7,680)
Gross profit		3,325	3,251	4,366
General and administrative expenses		(346)	(352)	(375)
Selling expenses		(845)	(843)	(886)
Net impairment losses on financial assets		(8)	(1)	(1)
Other operating income/(expenses), net		9	13	(4)
Taxes other than income tax	16	(64)	(66)	(88)
Operating profit before share of results of joint ventures and impairment of investments in joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment		2,071	2,002	3,012
Loss on disposals of property, plant and equipment		(8)	(4)	(7)
Impairment of non-current assets	8, 9	(5)	(30)	(4)
Share of results of joint ventures and impairment of investments in joint ventures	4	(236)	(88)	(243)
Losses on investments, net		-	-	(2)
Finance income	18	18	18	21
Finance costs	18	(90)	(68)	(70)
Foreign currency exchange (loss)/gain, net	19, 22	(40)	(6)	33
Hedging result	22	(24)	-	-
Expenses on operations with financial instruments		(39)	-	-
Other expenses, net		(67)	(30)	(11)
Profit before income tax		1,580	1,794	2,729
Income tax expense	17	(343)	(453)	(486)
Profit for the year		1,237	1,341	2,243
Profit is attributable to:				
Novolipetsk Steel shareholders		1,236	1,339	2,238
Non-controlling interests		1	2	5
Earnings per share:				
Earnings per share attributable to Novolipetsk Steel shareholders (US dollars)	13	0.2062	0.2234	0.3734
Weighted-average number of shares outstanding: basic and diluted (in thousands)	12(a)	5,993,227	5,993,227	5,993,227

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
Profit for the year		1,237	1,341	2,243
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Hedge reserve of cash flows	22	(205)	-	-
Income tax related to hedge reserve of cash flows	22	41	-	-
Cumulative translation adjustment	2(b)	(839)	644	(1,154)
Total comprehensive income/(loss) for the year		234	1,985	1,089
attributable to:				
Novolipetsk Steel shareholders		236	1,981	1,087
Non-controlling interests		(2)	4	2

		Attributable to Novolipetsk Steel shareholders					
				Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	Total equity
Note	Common stock	Additional paid-in capital					
	Balance at 1 January 2018	221	10	(5,631)	12,029	17	6,646
	Profit for the year	-	-	-	2,238	5	2,243
	Cumulative translation adjustment	-	-	(1,151)	-	(3)	(1,154)
2(b)							
	Total comprehensive income	-	-	(1,151)	2,238	2	1,089
	Acquisition of non-controlling interest	-	-	-	(1)	(3)	(4)
	Dividends to shareholders	-	-	-	(1,896)	(1)	(1,897)
12(b)							
	Balance at 31 December 2018	221	10	(6,782)	12,370	15	5,834
	Profit for the year	-	-	-	1,339	2	1,341
	Cumulative translation adjustment	-	-	642	-	2	644
2(b)							
	Total comprehensive income	-	-	642	1,339	4	1,985
	Disposal of assets to an entity under common control	-	(1)	-	-	-	(1)
	Acquisition of non-controlling interest	-	-	-	-	(2)	(2)
	Dividends to shareholders	-	-	-	(1,869)	-	(1,869)
12(b)							
	Balance at 31 December 2019	221	9	(6,140)	11,840	17	5,947
	Profit for the year	-	-	-	1,236	1	1,237
	Hedge reserve of cash flows net of related income tax	-	-	(164)	-	-	(164)
22							
	Cumulative translation adjustment	-	-	(836)	-	(3)	(839)
2(b)							
	Total comprehensive income	-	-	(1,000)	1,236	(2)	234
	Disposal of assets to an entity under common control	-	(1)	-	-	-	(1)
	Dividends to shareholders	-	-	-	(1,435)	(4)	(1,439)
12(b)							
	Balance at 31 December 2020	221	8	(7,140)	11,641	11	4,741

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
Cash flows from operating activities				
Profit for the year		1,237	1,341	2,243
Adjustments to reconcile profit for the year to net cash provided by operating activities:				
Depreciation and amortisation		574	562	577
Loss on disposals of property, plant and equipment		8	4	7
Losses on investments		-	-	2
Finance income	18	(18)	(18)	(21)
Finance costs	18	90	68	70
Share of results of joint ventures and impairment of investments in joint ventures	4	236	88	243
Income tax expense	17	343	453	486
Impairment of non-current assets	8, 9	5	30	4
Foreign currency exchange loss/(gain), net	19,22	40	6	(33)
Hedging result	22	24	-	-
Expenses on operations with financial instruments		39	-	-
Change in impairment allowance for inventories and credit loss allowance of accounts receivable		4	5	1
Changes in operating assets and liabilities				
(Increase)/decrease in trade and other accounts receivable		(177)	314	(258)
Decrease/(increase) in inventories		117	284	(187)
(Increase)/decrease in other operating assets		(2)	(1)	7
Increase /(decrease) in trade and other accounts payable		46	(132)	177
Cash provided by operations		2,566	3,004	3,318
Income tax paid		(285)	(381)	(577)
Net cash provided by operating activities		2,281	2,623	2,741
Cash flows from investing activities				
Purchases and construction of property, plant and equipment and intangible assets		(1,124)	(1,080)	(680)
Proceeds from sale of property, plant and equipment		15	1	3
Purchases of investments and loans given		(51)	(164)	(91)
Proceeds from repayment of loans given		142	115	-
Placement of bank deposits		(836)	(933)	(305)
Withdrawal of bank deposits		847	777	1,349
Interest received		10	29	22
Contribution to share capital of joint venture	4	(131)	(155)	-
Acquisition of subsidiary, net of cash and cash equivalents acquired		(4)	-	(4)
Acquisition of non-controlling interest		-	(1)	(4)
Net cash (used in)/provided by investing activities		(1,132)	(1,411)	290
Cash flows from financing activities				
Proceeds from borrowings		2,002	1,015	470
Repayment of borrowings		(1,284)	(500)	(643)
Payments on leases		(20)	(14)	-
Interest paid		(64)	(49)	(56)
Payments from settlement of derivative financial instruments		(16)	-	-
Dividends paid to Novolipetsk Steel shareholders		(1,637)	(2,120)	(1,888)
Dividends paid to non-controlling interests		(1)	-	(2)
Net cash used in financing activities		(1,020)	(1,668)	(2,119)
Net increase/(decrease) in cash and cash equivalents		129	(456)	912
Effect of exchange rate changes on cash and cash equivalents		-	(10)	(34)
Cash and cash equivalents at the beginning of the year	3	713	1,179	301
Cash and cash equivalents at the end of the year	3	842	713	1,179
Supplemental disclosures of cash flow information:				
Non-cash investing activities:				
Conversion of debt to equity	4	-	-	210

1 Background

Novolipetsk Steel (the “Parent Company” or “NLMK”) and its subsidiaries (together – the “Group”) is one of the world’s leading steelmakers with facilities that allow it to operate an integrated steel production cycle. The Parent Company is a public joint stock company in accordance with the Civil Code of the Russian Federation. The Parent Company was originally established as a State owned enterprise in 1934 and was privatised in the form of an open joint stock company on 28 January 1993. On 29 December 2015, the legal form of the Parent Company was changed to public joint stock company due to changes in legislation of the Russian Federation.

The Group is a vertically integrated steel company and the largest steel producer in Russia. The Group also operates in the mining segment (Note 21).

The Group’s main operations are in the Russian Federation, the European Union and the USA and are subject to the legislative requirements of the respective state and regional authorities. The Parent Company’s registered office is located at 2, Metallurgov sq., 398040, Lipetsk, Russian Federation.

As at 31 December 2020, the Parent Company’s major shareholder with 79.25% (81.40% as at 31 December 2019 and 84.03% as at 31 December 2018) ownership interest is Fletcher Group Holdings Limited, which is beneficially owned by Mr. Vladimir Lisin.

The major companies of the Group by reportable segment (see Note 21) are:

Activity	Country of incorporation	Share at 31 December 2020	Share at 31 December 2019	Share at 31 December 2018	
Russian flat products					
LLC VIZ-Steel	Production of steel	Russia	100.00%	100.00%	100.00%
JSC Altai-Koks	Production of blast furnace coke	Russia	100.00%	100.00%	100.00%
NLMK Trading S.A. (formerly – Novex Trading (Swiss) S.A.)	Trading	Switzerland	100.00%	100.00%	100.00%
NLMK DanSteel and Plates Distribution Network					
NLMK DanSteel A/S	Production of steel	Denmark	100.00%	100.00%	100.00%
NLMK USA					
NLMK Indiana LLC	Production of steel	USA	100.00%	100.00%	100.00%
NLMK Pennsylvania LLC	Production of steel	USA	100.00%	100.00%	100.00%
Russian long products					
JSC NLMK-Ural	Production of steel and long products	Russia	92.59%	92.59%	92.59%
LLC NLMK-Metalware	Production of metalware	Russia	100.00%	100.00%	100.00%
LLC NLMK-Kaluga	Production of long products	Russia	100.00%	100.00%	100.00%
LLC Vtorchermet NLMK	Processing of metal	Russia	100.00%	100.00%	100.00%
Mining					
JSC Stoilensky GOK	Mining, processing and pelletising of iron-ore	Russia	100.00%	100.00%	100.00%

1 Background (continued)

Among joint ventures the major is:

Activity	Country of incorporation	Share at 31 December 2020	Share at 31 December 2019	Share at 31 December 2018
NLMK Belgium Holdings S.A. Holding company*	Belgium	49.00%	49.00%	49.00%

*NLMK Belgium Holdings S.A. is owned jointly by the Group and Societe Wallonne de Gestion et de Participations S. A. (SOGEPA), a Belgian state company (Note 4). It comprises strip and plate manufacturers located in Belgium, France and Italy.

2 Basis of preparation of the consolidated financial statements

(a) Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except as described in the principal accounting policies applied in the preparation of these consolidated financial statements, as set out in Note 25. These policies have been consistently applied to all the periods presented in these consolidated financial statements except for new standards adopted as set out in Note 27. Figures for three reporting periods are presented for users' convenience.

(b) Functional and reporting currency

The functional currency of all of the Group's Russian entities is considered to be the Russian ruble. The functional currency of the majority of the foreign subsidiaries is their local currency. The Group uses US dollars as the presentation currency of these consolidated financial statements. All amounts in the consolidated financial statements are rounded to the nearest million unless otherwise stated.

The results of operations and financial position of each Group entity are translated into the presentation currency as follows:

- assets and liabilities in the statement of financial position are translated at the closing rate at the end of the respective reporting period;
- income and expenses are translated at average exchange rates for each month (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- components of equity are translated at the historical rate;
- all resulting exchange differences are recognised in other comprehensive income.

Items of consolidated statement of cash flows are translated at average exchange rates for each month (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case proceeds and disposals are translated at the dates of the transactions).

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from accumulated other comprehensive income/loss to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

2 Basis of preparation of the consolidated financial statements (continued)

The Central Bank of the Russian Federation's Russian ruble to the main foreign currencies closing rates of exchange as of the reporting dates and the period weighted average exchange rates for corresponding reporting periods are indicated below.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Russian ruble to US dollar			
For the year ended 31 December	72.1464	64.7362	62.7078
As at 31 December	73.8757	61.9057	69.4706
Russian ruble to Euro			
For the year ended 31 December	82.4488	72.5021	73.9546
As at 31 December	90.6824	69.3406	79.4605

3 Cash and cash equivalents

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>	<u>As at 31 December 2018</u>
Cash	441	388	526
Deposits	384	296	627
Other cash equivalents	17	29	26
	<u>842</u>	<u>713</u>	<u>1,179</u>

4 Investments in joint ventures

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>	<u>As at 31 December 2018</u>
NLMK Belgium Holdings S.A. ("NBH")	121	213	149
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	10	10	10
	<u>131</u>	<u>223</u>	<u>159</u>

The table below summarises the movements in the carrying amount of the Group's investments in joint ventures.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
As at 1 January	<u>223</u>	<u>159</u>	<u>205</u>
Share of net loss	(81)	(101)	(120)
Contribution into share capital	131	155	210
Impairment of investments	(120)	(31)	(87)
Disposal of 2% stake in NBH	-	-	(7)
Share of change in unrealised profit in inventory	(35)	44	(36)
Share of change in other comprehensive income	(1)	(1)	(2)
Translation adjustment	14	(2)	(4)
As at 31 December	<u>131</u>	<u>223</u>	<u>159</u>

4 Investments in joint ventures (continued)

Summarised consolidated financial information for NBH before impairment losses is as follows:

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Current assets	693	767	969
Non-current assets	673	551	562
Total assets	1,366	1,318	1,531
Current liabilities	(635)	(654)	(684)
Non-current liabilities	(539)	(507)	(673)
Total liabilities	(1,174)	(1,161)	(1,357)
Equity	192	157	174
	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	1,374	1,562	1,837
Net loss	(167)	(207)	(242)

NBH cash and cash equivalents as at 31 December 2020, 2019 and 2018 amounted to \$32, \$25 and \$1, respectively.

NBH financial liabilities excluding trade and other accounts payable as at 31 December 2020, 2019 and 2018 amounted to \$510, \$649 and \$690, respectively, and are included in current and non-current liabilities.

Reconciliation of net assets of NBH, calculated in accordance with its consolidated financial statements, to the carrying amount of the investment is below.

	2020	2019	2018
Net assets as at 1 January	23	33	19
Net loss for the year	(161)	(202)	(197)
Contribution into share capital	185	195	210
Acquisition of treasury shares	-	-	(5)
Other comprehensive income	(1)	(2)	1
Translation adjustment	3	(1)	5
Net assets as at 31 December	49	23	33
PP&E valuation difference	143	134	141
Adjusted net assets as at 31 December	192	157	174
As at 31 December:			
Share in net assets	94	77	85
Excess of fair value of investment in NBH as at the deconsolidation date	100	100	100
Accumulated share of the other investor in contributions into share capital	416	376	316
Accumulated impairment of investments	(469)	(349)	(318)
Share of unrealised profit in inventory	(61)	(26)	(70)
Cumulative translation adjustment	41	35	36
Investments in NBH	121	213	149

The other investor in NBH is SOGEPA, a Belgian state-owned company, controlling the stake of 49.0% as of 31 December 2020, 2019 and 2018.

4 Investments in joint ventures (continued)

In October 2019, the Group and SOGEPA have agreed to jointly support NBH bank financing via shareholder guarantees on a parity basis and to invest in the charter capital of NBH for the execution of the Group's Strategy 2022 investment projects EUR 35 million, EUR 50 million and EUR 15 million in 2019, 2020 and 2021, respectively, each.

In December 2018, the Group converted existing loans to NBH into share capital in the amount of \$210.

Information about the Group's operations with NBH and investment impairment testing is disclosed in Notes 23 and 8, respectively.

5 Financial investments

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Short-term financial investments			
Bank deposits (Note 22(c))	149	157	5
Loans to related parties (Note 23(c))	41	128	14
Other short-term financial investments	1	2	-
	<u>191</u>	<u>287</u>	<u>19</u>
Long-term financial investments			
Loans to related parties (Note 23(c))	6	5	85
Bank deposits (Note 22(c))	1	-	-
	<u>7</u>	<u>5</u>	<u>85</u>
	<u>198</u>	<u>292</u>	<u>104</u>

The carrying amounts of financial investments approximate their fair values.

6 Trade and other accounts receivable

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Financial assets			
Trade accounts receivable	834	818	1,099
Credit loss allowance of trade accounts receivable	(14)	(18)	(21)
Other accounts receivable	147	33	30
Credit loss allowance of other accounts receivable	(22)	(23)	(17)
	<u>945</u>	<u>810</u>	<u>1,091</u>
Non-financial assets			
Advances given to suppliers	79	70	76
Allowance for impairment of advances given to suppliers	(9)	(3)	(3)
VAT and other taxes receivable	132	168	161
Accounts receivable from employees	1	2	1
	<u>203</u>	<u>237</u>	<u>235</u>
	<u>1,148</u>	<u>1,047</u>	<u>1,326</u>

The carrying amounts of trade and other accounts receivable approximate their fair values.

6 Trade and other accounts receivable (continued)

As at 31 December 2020, 2019 and 2018, accounts receivable with a carrying value of \$119, \$133 and \$173, respectively, served as collateral for certain borrowings (Note 11).

Movements in the credit loss allowance of financial receivables are as follows:

	2020	2019	2018
As at 1 January	(41)	(38)	(43)
Credit loss allowance recognised	(5)	(7)	(8)
Accounts receivable written-off	3	2	-
Credit loss allowance reversed	3	5	7
Translation adjustment	4	(3)	6
As at 31 December	(36)	(41)	(38)

7 Inventories

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Raw materials	771	927	859
Work in process	298	383	504
Finished goods	350	384	501
	1,419	1,694	1,864
Impairment allowance	(46)	(60)	(48)
	1,373	1,634	1,816

Product type "Slabs" is represented by semi-finished products of own production or purchased from third parties, which the Group plans to process further or sell to third parties without processing. Depending on the origin and usage plans, this type of product is distributed between "Raw materials", "Work in process" and "Finished goods" categories as follows:

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Raw materials	82	219	97
Work in process	108	141	249
Finished goods	42	42	65

As at 31 December 2020, 2019 and 2018 inventories with a carrying value of \$287, \$460 and \$472, respectively, served as collateral for certain borrowings (Note 11).

Cost of raw materials and acquired semi-finished goods in cost of production for the years ended 31 December 2020, 2019 and 2018 amounted to \$3,939, \$4,835 and \$5,521, respectively. Cost of fuel and energy resources in cost of production for the years ended 31 December 2020, 2019 and 2018 amounted to \$540, \$607 and \$632, respectively.

In November 2020 the Group has signed settlement agreement with the United States Government and will receive refund of paid steel tariffs and accrued interests, enacted by Department of Commerce under Section 232 of the USA Trade Expansion Act. Cost of sales for the year ended 31 December 2020 was reduced by \$97.

8 Property, plant and equipment

	Land	Buildings	Land and buildings improvements	Machinery and equipment	Vehicles	Construction in progress	Total
Cost at 1 January 2018	128	2,057	2,328	6,533	279	855	12,180
Accumulated depreciation and impairment	-	(783)	(1,442)	(4,218)	(188)	-	(6,631)
Net book value at 1 January 2018	128	1,274	886	2,315	91	855	5,549
Additions	-	-	-	-	-	731	731
Disposals	-	(1)	(1)	(3)	-	(4)	(9)
Impairment	-	-	-	-	-	(4)	(4)
Transfers	5	55	37	201	43	(341)	-
Reclassification to intangible assets (Note 9)	-	-	-	-	-	(24)	(24)
Depreciation charge	-	(47)	(76)	(424)	(16)	-	(563)
Translation adjustment	(23)	(207)	(147)	(321)	(17)	(167)	(882)
Cost at 31 December 2018	110	1,774	1,956	5,701	266	1,050	10,857
Accumulated depreciation and impairment	-	(700)	(1,257)	(3,933)	(165)	(4)	(6,059)
Net book value at 31 December 2018	110	1,074	699	1,768	101	1,046	4,798
Adjustment on adoption of IFRS 16	22	42	2	13	-	-	79
Net book value at 1 January 2019	132	1,116	701	1,781	101	1,046	4,877
Additions	-	6	-	3	-	1,158	1,167
Disposals	(3)	-	(2)	(4)	(1)	-	(10)
Impairment	-	-	-	(4)	-	(4)	(8)
Transfers	1	53	88	657	75	(874)	-
Depreciation charge	-	(56)	(73)	(391)	(25)	-	(545)
Translation adjustment	13	128	85	179	16	137	558
Cost at 31 December 2019	143	2,081	2,263	6,880	370	1,472	13,209
Accumulated depreciation and impairment	-	(834)	(1,464)	(4,659)	(204)	(9)	(7,170)
Net book value at 31 December 2019	143	1,247	799	2,221	166	1,463	6,039

8 Property, plant and equipment (continued)

	Land	Buildings	Land and buildings improvements	Machinery and equipment	Vehicles	Construction in progress	Total
Including:							
Right-of-use assets							
Cost at 31 December 2019	19	53	1	16	1	-	90
Accumulated depreciation	-	(8)	-	(3)	-	-	(11)
Net book value at 31 December 2019	19	45	1	13	1	-	79
Additions	5	1	-	1	-	1,087	1,094
Disposals	-	(1)	-	(14)	(1)	(3)	(19)
Impairment	-	-	-	-	-	(5)	(5)
Transfers	-	62	302	642	48	(1,054)	-
Depreciation charge	-	(57)	(84)	(388)	(28)	-	(557)
Translation adjustment	(20)	(189)	(138)	(302)	(29)	(215)	(893)
Total property, plant and equipment							
Cost at 31 December 2020	128	1,826	2,168	6,487	351	1,285	12,245
Accumulated depreciation and impairment	-	(763)	(1,289)	(4,327)	(195)	(12)	(6,586)
Net book value at 31 December 2020	128	1,063	879	2,160	156	1,273	5,659
Including:							
Right-of-use assets							
Cost at 31 December 2020	19	47	1	18	1	-	86
Accumulated depreciation	-	(13)	-	(7)	-	-	(20)
Net book value at 31 December 2020	19	34	1	11	1	-	66

The amount of borrowing costs capitalised is \$32, \$59 and \$36 for the years ended 31 December 2020, 2019 and 2018, respectively. The capitalisation rate was 3.2%, 5.5% and 6.5% in 2020, 2019 and 2018, respectively.

8 Property, plant and equipment (continued)

The Group management made an analysis of impairment indicators of the Group's assets as well as indicators of potential reversal of an impairment loss recognized in prior periods as at 30 September 2020. Against the background of the spread of coronavirus infection (COVID-19) heightened volatility accompanied by the sales volumes and prices decline on the market of certain finished products and raw materials triggered impairment assessment of some of the Group's cash generating units, which required the reassessment of the recoverable amounts using the income approach based primarily on Level 3 inputs as at 31 December 2020. Goodwill was also tested for impairment as of the same date. No indicators that an impairment loss recognized in prior periods may no longer exist or may have decreased have been identified. Testing for impairment in the comparative periods was also caused by similar factors and was conducted as of 31 December 2019 and 2018.

For the purpose of the impairment test, the Group management used a forecast of cash flows for five years and normalised cash flows for a post-forecast period.

The table below summarises CGUs and types of assets, subject to determination of the recoverable amount as of 31 December 2020 (for JSC NLMK-Ural and LLC NLMK-Metalware as of 30 June 2020), major assumptions and their sensitivity used in the impairment models. Sales price is estimated using an average annual growth rate, over the 5-year forecast period (31 December 2019: 5-year; 31 December 2018: 5-year) based on current industry trends and including long-term inflation forecasts for each territory. Sales volume is estimated using an average annual growth rate over the same forecast period based on past performance and management's expectations of market development. Discount rate reflects specific risks relating to the relevant segments and the countries in which they operate. Sensitivity in the table below was determined as a percentage of changes of corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their carrying values (in respect of NLMK Belgium Holdings S.A. - carrying value prior to current year impairment loss). As of 30 June 2020 impairment testing showed that recoverable amount of investment (value in use) in NLMK Belgium Holdings S.A. before impairment recognised was below its carrying amount by \$120.

Recoverable amount for CGU NLMK has been determined as fair value less costs to sell. As a result of testing performed recoverable amount is higher than carrying amount and possible changes in assumptions do not lead to impairment recognition.

CGU	Asset type	Discount rate, %	Product types	Average sale price*, \$ per tonne (FCA)	Sensitivity, % of change		
					Sales Price	Sales volume	Discount rate
NLMK Belgium Holdings S.A. Investment		7.7%	Flat products and plate	650	-0.4%	-2.7%	0.5 p.p.
NLMK Pennsylvania LLC	Property, plant and equipment	9.8%	Flat products	768	-1.4%	-5.6%	0.8 p.p.
NLMK Indiana LLC	Property, plant and equipment	9.7%	Plate	641	-0.7%	-6.4%	1.5 p.p.
NLMK Indiana LLC	Goodwill	9.7%	Plate	641	-0.4%	-3.3%	0.7 p.p.
JSC Altai-Koks	Goodwill	14.1%	Coke, chemical products	179	-57.0%	-47.9%	70.1 p.p.
LLC VIZ-Steel	Property, plant and equipment	13.9%	Flat products	1,455	-40.0%	-9.2%	14.8 p.p.
LLC VIZ-Steel	Goodwill	13.9%	Flat products	1,455	-38.5%	-8.8%	13.4 p.p.
JSC NLMK-Ural	Property, plant and equipment	13.6%	Long-products and semi-finished goods	453	-0.2%	-1.0%	0.3 p.p.
LLC NLMK-Metalware	Property, plant and equipment	13.4%	Metalware	615	-6.5%	-32.9%	39.6 p.p.
NLMK DanSteel A/S	Property, plant and equipment	8.1%	Plate	687	-2.5%	-7.4%	3.7 p.p.

* Weighted average prices based on the forecast product mix, averaged for the period from 2021 to 2025.

8 Property, plant and equipment (continued)

The table below summarises CGUs and types of assets, subject to determination of the recoverable amount as of 31 December 2019, major assumptions and their sensitivity used in the impairment models. Sales price is estimated using an average annual growth rate, over the 5-year forecast period (31 December 2018: 5-year) based on current industry trends and including long-term inflation forecasts for each territory. Sales volume is estimated using an average annual growth rate over the same forecast period based on past performance and management's expectations of market development. Discount rate reflects specific risks relating to the relevant segments and the countries in which they operate. Sensitivity in the table below was determined as a percentage of changes of corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their carrying values (in respect of NLMK Belgium Holdings S.A. - carrying value prior to current year impairment loss). As of 31 December 2019 impairment testing showed that recoverable amount of investment (value in use) in NLMK Belgium Holdings S.A. before impairment recognised was below its carrying amount by \$31.

CGU	Asset type	Discount rate, %	Product types	Average sale price*, \$ per tonne (FCA)	Sensitivity, % of change		
					Sales Price	Sales volume	Discount rate
NLMK Belgium Holdings S.A. Investment		7.5%	Flat products and plate	622	0.3%	2.3%	-0.3 p.p.
NLMK Pennsylvania LLC	Property, plant and equipment	9.8%	Flat products	737	-4.0%	-31.4%	6.4 p.p.
NLMK Indiana LLC	Property, plant and equipment	9.7%	Plate	582	-0.5%	-6.1%	1.3 p.p.
NLMK Indiana LLC	Goodwill	9.7%	Plate	582	-0.4%	-4.4%	0.9 p.p.
JSC Altai-Koks	Property, plant and equipment	12.9%	Coke, chemical products	147	-47.2%	-34.0%	36.6 p.p.
JSC Altai-Koks	Goodwill	12.9%	Coke, chemical products	147	-38.6%	-27.8%	32.6 p.p.
LLC VIZ-Steel	Property, plant and equipment	13.8%	Flat products	1,286	-4.2%	-22.3%	5.8 p.p.
LLC VIZ-Steel	Goodwill	13.8%	Flat products	1,286	-3.5%	-18.7%	4.4 p.p.
LLC NLMK-Kaluga	Property, plant and equipment	13.6%	Long-products and semi-finished goods	421	-0.6%	-3.0%	0.5 p.p.
NLMK DanSteel A/S	Property, plant and equipment	8.1%	Plate	649	-0.1%	-0.3%	0.1 p.p.

* Weighted average prices based on the forecast product mix, averaged for the period from 2020 to 2024.

8 Property, plant and equipment (continued)

The table below summarises CGUs and types of assets, subject to determination of the recoverable amount as of 31 December 2018, major assumptions and their sensitivity used in the impairment models. Prices for steel products in this estimate were determined based on forecasts of investment banks' analysts. Sensitivity in the table below was determined as a percent of changes of corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their carrying values (in respect of NLMK Belgium Holdings S.A. - carrying value prior to current year impairment loss). As of 31 December 2018 impairment testing showed that recoverable amount of investment (value in use) in NLMK Belgium Holdings S.A. before impairment recognised was below its carrying amount by \$87.

CGU	Asset type	Discount rate, %	Product types	Average sale price*, \$ per tonne (FCA)	Sensitivity, % of change		
					Sales Price	Sales volume	Discount rate
NLMK Belgium Holdings S.A. Investment		7.6%	Flat products and plate	642	0.7%	6.9%	-0.8 p.p.
JSC Altai-Koks	Property, plant and equipment	13.0%	Coke, chemical products	187	-15.4%	-10.6%	13.5 p.p.
JSC Altai-Koks	Goodwill	13.0%	Coke, chemical products	187	-2.4%	-1.6%	1.5 p.p.
NLMK DanSteel A/S	Property, plant and equipment	7.8%	Plate	674	-0.7%	-3.6%	0.8 p.p.

* Weighted average prices based on the forecast product mix, averaged for the period from 2019 to 2023.

9 Intangible assets

	Goodwill	Mineral rights	Industrial intellectual property	Beneficial lease interest	Total
Cost at 1 January 2018	279	351	53	9	692
Accumulated amortisation and impairment	(14)	(234)	(14)	(1)	(263)
Net book value at 1 January 2018	265	117	39	8	429
Additions	-	1	18	-	19
Reclassification from property, plant and equipment (Note 8)	-	24	-	-	24
Amortisation charge	-	(4)	(10)	-	(14)
Translation adjustment	(41)	(21)	(7)	-	(69)
Cost at 31 December 2018	238	296	57	9	600
Accumulated amortisation and impairment	(14)	(179)	(17)	(1)	(211)
Net book value at 31 December 2018	224	117	40	8	389
Adjustment on adoption of IFRS 16	-	-	-	(8)	(8)
Net book value at 1 January 2019	224	117	40	-	381
Additions	-	1	24	-	25
Impairment	-	(22)	-	-	(22)
Amortisation charge	-	(3)	(14)	-	(17)
Translation adjustment	24	14	5	-	43
Cost at 31 December 2019	262	311	86	-	659
Accumulated amortisation and impairment	(14)	(204)	(31)	-	(249)
Net book value at 31 December 2019	248	107	55	-	410
Additions	-	1	44	-	45
Disposals	-	-	(3)	-	(3)
Amortisation charge	-	(3)	(14)	-	(17)
Translation adjustment	(36)	(16)	(12)	-	(64)
Cost at 31 December 2020	226	263	100	-	589
Accumulated amortisation	(14)	(174)	(30)	-	(218)
Net book value at 31 December 2020	212	89	70	-	371
Including:					
Right-of-use assets					
Cost at 31 December 2020	-	-	17	-	17
Accumulated amortisation	-	-	(2)	-	(2)
Net book value at 31 December 2020	-	-	15	-	15

9 Intangible assets (continued)

Mineral rights include a license for iron ore and non-metallic minerals mining of Stoilensky iron-ore deposit in Belgorod Region expiring in 2040, with the carrying value of \$59, \$73 and \$68 as at 31 December 2020, 2019 and 2018, respectively.

In October 2019, the Group decided to stop coal exploration works in the Usinsky mine field area No. 3 and returned an exploration and extraction license expiring in 2031 to the government. As a result, impairment charge of \$22 was recognized which equals the full amount of the exploration asset carrying value.

Goodwill arising on acquisitions was allocated to the appropriate business segments in which the respective acquisitions took place.

Allocation of net book value of goodwill to each segment is as follows:

	<u>As at</u> <u>31 December 2020</u>	<u>As at</u> <u>31 December 2019</u>	<u>As at</u> <u>31 December 2018</u>
Russian flat products	137	163	146
NLMK USA	21	21	21
Russian long products	3	3	3
Mining	51	61	54
	<u>212</u>	<u>248</u>	<u>224</u>

Goodwill impairment testing

The Group tested goodwill for impairment as at 31 December 2020, 2019 and 2018. For the purpose of annual impairment testing of goodwill related to CGU JSC Stoilensky GOK as at 31 December 2020, management decided to use the previous detailed calculation of this CGU recoverable amount as there were no significant changes in the underlying business. The recoverable amount has been determined as value in use of the respective asset. For the purpose of this impairment testing (excluding CGU JSC Stoilensky GOK), the Group used the same assumptions and estimates as for other assets, as disclosed in Note 8. Impairment testing showed no impairment of goodwill as at 31 December 2020, 2019 and 2018.

10 Trade and other accounts payable

	<u>As at</u> <u>31 December 2020</u>	<u>As at</u> <u>31 December 2019</u>	<u>As at</u> <u>31 December 2018</u>
Financial liabilities			
Trade accounts payable	429	558	584
Accounts payable for purchases of property, plant and equipment	159	184	121
Other accounts payable	27	29	26
	<u>615</u>	<u>771</u>	<u>731</u>
Non-financial liabilities			
Accounts payable and accrued liabilities to employees	144	149	177
Advances received	175	103	120
Taxes payable other than income tax	131	101	94
	<u>450</u>	<u>353</u>	<u>391</u>
	<u>1,065</u>	<u>1,124</u>	<u>1,122</u>

The carrying amounts of trade and other accounts payable approximate their fair values.

In 2020 and 2019 the Group recognised revenue equal to the amount of contracts liability included into advances received as at the beginning of the year.

11 Borrowings

Rates*	Currency	Maturity*	As at	As at	As at
			31 December 2020	31 December 2019	31 December 2018
Bonds					
From 4.00% to 4.70%	USD	2023-2026	1,709	1,709	1,354
Loans					
From EURIBOR+0.85% to EURIBOR+1.30%	EUR	2021-2024	1,065	784	562
From LIBOR +1.20% to LIBOR +1.50%	USD	2021	258	85	159
0.94%	EUR	2022	123	-	-
0.95%	EUR	2022	245	-	-
Leases					
		2021-2089	86	78	-
			3,486	2,656	2,075
Less: short-term loans and current maturities of long-term loans, bonds and leases			(1,054)	(468)	(398)
Long-term borrowings			2,432	2,188	1,677

* Rates and maturity as of 31 December 2020

The carrying amounts and fair value of long-term bonds are as follows:

	As at		As at		As at	
	31 December 2020		31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	1,709	1,864	1,709	1,823	1,209	1,159

The fair value of short-term borrowings equals their carrying amount. The fair values of long-term borrowings approximate their carrying amount. The fair values of bonds are based on market price and are within level 1 of the fair value hierarchy.

The Group has complied with the financial and non-financial covenants of its borrowing facilities during the years ended 31 December 2020, 2019 and 2018.

Bonds and bonds' coupons as at 31 December 2020 were designated as hedging instrument with carrying amount and fair value of \$1,287 and \$1,386, respectively (Note 22).

The long-term borrowings mature as follows:

	As at	As at	As at
	31 December 2020	31 December 2019	31 December 2018
1-2 years	579	410	133
2-5 years	1,327	1,245	1,044
Over 5 years	526	533	500
	2,432	2,188	1,677

Collateral

As at 31 December 2020, 2019 and 2018, the loan facilities were secured by inventories and accounts receivable with the total carrying value of \$406, \$593 and \$645, respectively (Notes 6, 7).

11 Borrowings (continued)

Net debt reconciliation

	Short-term borrowings	Long-term borrowings	Cash and cash equivalents	Short-term bank deposits	Net debt
Balance at 1 January 2018	(380)	(1,901)	301	1,057	(923)
Cash flows	55	199	840	(1,055)	39
Interest accrued	(77)	-	-	12	(65)
Foreign exchange difference	(19)	(246)	72	62	(131)
Translation adjustment	23	271	(34)	(71)	189
Balance at 31 December 2018	(398)	(1,677)	1,179	5	(891)
Cash flows	17	(436)	(456)	143	(732)
Interest accrued	(81)	-	-	13	(68)
Foreign exchange difference	23	184	(94)	(17)	96
Recognition on adoption of IFRS 16	(8)	(71)	-	-	(79)
Leasing recognised	-	(15)	-	-	(15)
Translation adjustment	(21)	(173)	84	13	(97)
Balance at 31 December 2019	(468)	(2,188)	713	157	(1,786)
Cash flows	(424)	(178)	129	(14)	(487)
Interest accrued	(100)	-	-	7	(93)
Foreign exchange difference	(42)	(342)	59	5	(320)
Leasing recognised	(12)	(17)	-	-	(29)
Other financial expenses	-	(7)	-	-	(7)
Translation adjustment	(8)	300	(59)	(6)	227
Balance at 31 December 2020	(1,054)	(2,432)	842	149	(2,495)

12 Shareholders' equity

(a) Shares

As at 31 December 2020, 2019 and 2018, the Parent Company's share capital consisted of 5,993,227,240 issued common shares, with a par value of 1 Russian ruble each. For each common share held, the stockholder has the right to one vote at the stockholders' meetings.

(b) Dividends

Dividends are paid on common shares at the recommendation of the Board of Directors and approval at a General Shareholders Meeting, subject to certain limitations as determined by the Russian legislation. Profits available for distribution to the shareholders in respect of any reporting period are determined by reference to the statutory financial statements of the Parent Company. As at 31 December 2020, 2019 and 2018, the retained earnings of the Parent Company, available for distribution in accordance with the legislative requirements of the Russian Federation, amounted to \$3,322, \$4,671 and \$4,689, converted into US dollars using the exchange rates at 31 December 2020, 2019 and 2018, respectively.

According to the Group's dividend policy, the Group pays dividends on a quarterly basis as follows:

- If Net Debt/EBITDA is below 1.0x, the payout amount shall be equivalent to or above 100% of free cash flow, based on the Company's IFRS Consolidated Financial Statements for the reporting period;
- If Net Debt/EBITDA is above 1.0x, the payout amount shall be equivalent to or above 50% of free cash flow, based on the Company's IFRS Consolidated Financial Statements for the reporting period.

12 Shareholders' equity (continued)

Dividends, declared by the Parent Company and translated to US dollars at the historical rate as of the announcement date, are as in the table below.

	Declaration period	2020		2019		2018	
		Per share*	Total amount	Per share*	Total amount	Per share*	Total amount
For the 4 th quarter of previous year	April	3.12	263	5.80	543	3.36	326
For the 1 st quarter of current year	June	3.21	275	7.34	674	5.73	556
For the 2 nd quarter of current year	September	4.75	369	3.68	343	5.24	477
For the 3 rd quarter of current year	December	6.43	528	3.22	309	6.04	537
			1,435		1,869		1,896

* Dividends per share are shown in Russian rubles.

(c) Capital management

The Group's objectives when managing capital are to safeguard financial stability and a target return for the shareholders, as well as the reduction of cost of capital and optimisation of its structure. To achieve these objectives, the Group may revise its investment program, borrow new or repay existing loans, offer equity or debt instruments on capital markets.

When managing capital, the Group uses the following indicators:

- the return on invested capital ratio, which is defined as operating profit before share of results of joint ventures and impairment of investments in joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment less income tax divided by capital employed for the last twelve months, should exceed cost of capital;
- the net debt to EBITDA ratio, which is defined as total debt less cash and cash equivalents and short-term bank deposits divided by operating profit before share of results of joint ventures and impairment of investments in joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment less depreciation and amortization for the last twelve months;
- free cash flow, which is defined as net cash provided by operating activities less net interest paid less capital expenditures, should be positive.

There were no changes in the Group's approach to capital management during the reporting period.

13 Earnings per share

	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
Profit for the year attributable to the NLMK shareholders (millions of US dollars)	1,236	1,339	2,238
Weighted average number of shares	5,993,227,240	5,993,227,240	5,993,227,240
Basic and diluted earnings per share (US dollars)	0.2062	0.2234	0.3734

Basic and diluted net earnings per share is calculated by dividing profit for the year attributable to the NLMK shareholders by the weighted average number of common shares outstanding during the reporting period. NLMK does not have potentially dilutive financial instruments during the years ended 31 December 2020, 2019 and 2018.

14 Revenue

(a) Revenue by type

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>
Revenue from sale of goods			
Flat products	4,819	5,804	6,416
Pig iron, slabs and billets	2,684	2,628	3,477
Long products and metalware	990	1,231	1,268
Coke and other chemical products	197	295	307
Iron ore and sintering ore	69	48	-
Scrap	54	75	86
Other products	136	178	194
Total revenue from sale of goods	<u>8,949</u>	<u>10,259</u>	<u>11,748</u>
Revenue from transportation services	296	295	298
	<u>9,245</u>	<u>10,554</u>	<u>12,046</u>

(b) Revenue by geographical area

The allocation of total revenue by geographical area is based on the location of end customers who purchased the Group's products. The Group's total revenue from external customers by geographical area is as follows:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>
Russia	3,820	4,337	4,051
European Union	1,562	1,917	2,268
North America	1,426	1,948	2,556
Middle East, including Turkey	1,033	1,169	1,375
Asia and Oceania	780	244	489
CIS	249	405	405
Central and South America	210	285	557
Other regions	165	249	345
	<u>9,245</u>	<u>10,554</u>	<u>12,046</u>

The Group does not have customers with a share of more than 10% of the total revenue in 2020 and 2019, except NBH group companies in 2018 (Note 23).

15 Labour costs

The Group's labour costs, including social security costs, which are included in the corresponding lines of the consolidated statement of profit or loss, were as indicated below.

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>
Cost of sales	696	750	720
General and administrative expenses	182	191	230
Selling expenses	31	29	29
	<u>909</u>	<u>970</u>	<u>979</u>

Remuneration of the key management personnel that comprises payments to members of the Management Board and the Board of Directors of the Parent Company, is recorded within general and administrative expenses and includes annual compensation and performance bonus contingent on the Group's results for the reporting year.

Total remuneration of the key management personnel, including social security costs amounted to \$14, \$17 and \$38 in 2020, 2019 and 2018, respectively. As at 31 December 2020, 2019 and 2018 accrued liabilities to key management personnel related to the long-term incentive plan amounted to nil, nil and \$25, respectively.

16 Taxes other than income tax

Allocation of taxes other than income tax to the functional items of consolidated statement of profit or loss is indicated below.

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>
Cost of sales	59	57	76
General and administrative expenses	4	3	4
Other operating expenses	1	6	8
	<u>64</u>	<u>66</u>	<u>88</u>

17 Income tax

Income tax charge comprises the following:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>
Current income tax expense	(308)	(379)	(574)
Deferred income tax benefit/(expense)	6	(74)	88
Income tax related to hedge reserve of cash flows	(41)	-	-
Total income tax expense	<u>(343)</u>	<u>(453)</u>	<u>(486)</u>

The corporate income tax rate applicable to the Group entities located in Russia, is predominantly 20%. The corporate income tax rate applicable to income of foreign subsidiaries ranges from 11% to 30%.

17 Income tax (continued)

Profit before income tax is reconciled to the income tax expense as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
Profit before income tax	1,580	1,794	2,729
Income tax at rate 20%	(316)	(359)	(546)
Change in income tax:			
- tax effect of non-deductible income/(expenses)	3	(15)	-
- non-taxable translation adjustments	4	(1)	7
- effect of different tax rates	22	9	27
- unrecognized deferred tax asset on investments in joint ventures	(59)	(26)	(71)
- unrecognized tax loss carry forward for the year	(10)	(27)	(8)
- utilisation of previously unrecognised tax loss carry forward	13	1	56
- effect of tax on intercompany dividends	-	(1)	(6)
- impairment of previously recognised deferred tax assets	-	(34)	(15)
- recognition of previously unrecognised tax loss carry forward	-	-	70
Total income tax expense	(343)	(453)	(486)

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities, are presented below:

	As at 31 December 2020	(Charged)/credited to profit or loss	Translation adjustment	As at 1 January 2020
Deferred tax assets				
Trade and other accounts payable	26	8	(3)	21
Trade and other accounts receivable	13	4	(2)	11
Inventories	18	5	-	13
Tax losses carried forward	39	(6)	-	45
Borrowings	13	3	-	10
Other long-term liabilities	10	10	-	-
	119	24	(5)	100
Deferred tax liabilities				
Property, plant and equipment	(348)	(14)	62	(396)
Other intangible assets	(11)	(4)	1	(8)
	(359)	(18)	63	(404)
Total deferred tax liability, net	(240)	6	58	(304)

17 Income tax (continued)

	As at 31 December 2019	(Charged)/credited to profit or loss	Translation adjustment	As at 1 January 2019
Deferred tax assets				
Trade and other accounts payable	21	(9)	2	28
Trade and other accounts receivable	11	1	1	9
Inventories	13	(10)	-	23
Tax losses carried forward	45	(42)	-	87
Borrowings	10	10	-	-
	100	(50)	3	147
Deferred tax liabilities				
Property, plant and equipment	(396)	(27)	(38)	(331)
Other intangible assets	(8)	3	(1)	(10)
	(404)	(24)	(39)	(341)
Total deferred tax liability, net	(304)	(74)	(36)	(194)
	As at 31 December 2018	(Charged)/credited to profit or loss	Translation adjustment	As at 1 January 2018
Deferred tax assets				
Trade and other accounts payable	28	11	(4)	21
Trade and other accounts receivable	9	(2)	(3)	14
Inventories	23	6	(6)	23
Tax losses carried forward	87	56	1	30
	147	71	(12)	88
Deferred tax liabilities				
Property, plant and equipment	(331)	20	59	(410)
Other intangible assets	(10)	(3)	4	(11)
	(341)	17	63	(421)
Total deferred tax liability, net	(194)	88	51	(333)

The amount of tax loss carry-forwards that can be utilised each year is limited under the Group's different tax jurisdictions. The Group regularly evaluates assumptions underlying its assessment of the realisability of its deferred tax assets and makes adjustments to the extent necessary. In assessing the probability that future taxable profit against which the Group can utilise the potential benefit of the tax loss carry forwards will be available, management considers the current situation and the future economic benefits outlined in specific business plans for each subsidiary. Deferred tax assets are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

17 Income tax (continued)

The table below summarises unused cumulative tax losses for which no deferred tax assets has been recognised, with a breakdown by the expiry dates.

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
From 10 to 20 years	180	256	-
No expiration	1,468	1,407	1,393
Total	1,648	1,663	1,393

The unused tax losses were incurred mostly by Group subsidiaries located in Europe and USA.

The Group has not recorded a deferred tax liability in respect of temporary differences of \$1,441, \$1,417 and \$1,728 for the years ended 31 December 2020, 2019 and 2018, respectively, associated with investments in subsidiaries and joint ventures as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In accordance with the statutory legislation, the Group's entities in Russia (major entities, including NLMK) and USA were integrated in two separate consolidated groups of taxpayers for the purpose of assessment and payment of corporate income tax in line with the combined financial result of business operations. The Group's entities that are not part of the consolidated groups of taxpayers assess their income taxes individually.

As at 31 December 2020, 2019 and 2018, the Group analysed its tax positions for uncertainties affecting recognition and measurement thereof. Following the analysis, the Group believes that all deductible tax positions which form the basis for income tax returns of the Group companies, are recognised and measured in accordance with the applicable tax legislation.

18 Finance income and costs

	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest income on bank accounts and bank deposits	7	13	12
Other finance income	11	5	9
Total finance income	18	18	21
Interest expense on borrowings	(100)	(81)	(77)
Capitalised interest	32	33	21
Other finance costs	(22)	(20)	(14)
Total finance costs	(90)	(68)	(70)

19 Foreign exchange differences

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>
Foreign exchange gain/(loss) on cash and cash equivalents	59	(94)	72
Foreign exchange gain/(loss) on financial investments	74	(139)	245
Foreign exchange (loss)/gain on debt financing	(171)	242	(250)
Foreign exchange loss on other assets and liabilities	(2)	(15)	(34)
	<u>(40)</u>	<u>(6)</u>	<u>33</u>

Starting from February 3, 2020 the Group adopted hedge accounting of cash flows in accordance with IFRS 9 "Financial instruments" (Note 22).

20 Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>	<u>As at 31 December 2018</u>
Within 1 year	-	-	15
From 1 to 5 years	-	-	50
After 5 years	-	-	228
Total commitments for minimum lease payments	<u>-</u>	<u>-</u>	<u>293</u>

In 2018 total rental expenses relating to operating leases were \$17.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

21 Segment information

The Group management examines the Group's performance both from a product and geographic perspective and has identified six reportable segments of its business: Mining, Russian flat products, Russian long products, NLMK USA, NLMK DanSteel and Plates Distribution Network, and Investments in NBH. Each of these segments represents a combination of subsidiaries (except for Investments in NBH – see Note 4), offers its own products, has a separate management team and is managed separately with relevant results reviewed on a monthly basis by the Group's Management Board which is the Chief Operating Decision Maker as defined by IFRS 8 Segment Reporting.

The Group management determines pricing for intersegmental sales, as if the sales were to third parties. The revenue from external parties is measured in the same way as in the consolidated statement of profit or loss. The Group management evaluates performance of each segment based on segment revenues, gross profit, operating profit before share of results of joint ventures and impairment of investments in joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment, profit for the year and amount of total assets and total liabilities.

Elimination of intersegmental operations and balances represents elimination of intercompany dividends paid to Russian flat products segment by other segments and presented within "Profit for the year" line together with other intercompany elimination adjustments, including elimination of NBH's liabilities to the Group companies (Note 23). NBH deconsolidation adjustments include elimination of NBH's sales, recognition of the Group's sales to NBH and elimination of unrealised profits (Notes 4, 23), elimination of NBH's assets and liabilities and recognition of the investment in joint venture (Note 4), recognition of impairment and share of NBH's loss, and other consolidation adjustments.

21 Segment information (continued)

Information on the segments' profit or loss for the year ended 31 December 2020 and their assets and liabilities as of this date is as follows:

	Mining	Russian flat products	Russian long products	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Elimination of intersegmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	92	5,600	1,171	1,086	399	1,325	-	(428)	9,245
Intersegment revenue	1,307	1,188	368	-	1	49	(2,864)	(49)	-
Cost of sales	(355)	(4,775)	(1,343)	(1,007)	(359)	(1,361)	2,850	430	(5,920)
Gross profit	1,044	2,013	196	79	41	13	(14)	(47)	3,325
Operating profit/(loss)*	957	1,076	49	19	(16)	(154)	21	119	2,071
Net finance income/(costs)	1	(73)	-	3	(3)	(13)	-	13	(72)
Income tax (expense)/benefit	(188)	(152)	(7)	3	(1)	-	2	-	(343)
Profit/(loss) for the year	760	1,260	28	24	(23)	(167)	(541)	(104)	1,237
Segment assets	1,738	6,957	940	749	428	1,366	(1,153)	(1,163)	9,862
Segment liabilities	(264)	(4,942)	(398)	(150)	(315)	(1,174)	1,291	831	(5,121)
Depreciation and amortization	(107)	(354)	(44)	(57)	(12)	(61)	-	61	(574)
Capital expenditures	(202)	(806)	(38)	(49)	(44)	(274)	-	274	(1,139)

* Operating profit/(loss) before share of results of joint ventures and impairment of investments in joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment.

21 Segment information (continued)

Information on the segments' profit or loss for the year ended 31 December 2019 and their assets and liabilities as of this date is as follows:

	Mining	Russian flat products	Russian long products	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Elimination of intersegmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	77	5,897	1,428	1,715	490	1,502	-	(555)	10,554
Intersegment revenue	1,238	1,430	329	-	1	60	(2,998)	(60)	-
Cost of sales	(381)	(5,239)	(1,554)	(1,728)	(435)	(1,568)	2,938	664	(7,303)
Gross profit/(loss)	934	2,088	203	(13)	56	(6)	(60)	49	3,251
Operating profit/(loss)*	864	1,160	39	(95)	(3)	(197)	(7)	241	2,002
Net finance income/(costs)	15	(55)	-	(8)	(2)	(12)	-	12	(50)
Income tax (expense)/benefit	(161)	(239)	(8)	(31)	(1)	4	(13)	(4)	(453)
Profit/(loss) for the year	661	1,941	15	(128)	(6)	(207)	(1,097)	162	1,341
Segment assets	2,120	7,483	1,160	840	371	1,318	(1,752)	(1,056)	10,484
Segment liabilities	(607)	(4,567)	(437)	(314)	(258)	(1,161)	2,028	779	(4,537)
Depreciation and amortization	(113)	(330)	(50)	(58)	(11)	(63)	-	63	(562)
Capital expenditures	(218)	(854)	(50)	(37)	(33)	(118)	-	118	(1,192)

* Operating profit/(loss) before share of results of joint ventures and impairment of investments in joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment.

21 Segment information (continued)

Information on the segments' profit or loss for the year ended 31 December 2018 and their assets and liabilities as of this date is as follows:

	Mining	Russian flat products	Russian long products	NLMK USA	NLMK DanSteel and Plates Distribution Network	Investments in NBH	Elimination of intersegmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	22	6,327	1,720	2,134	513	1,772	-	(442)	12,046
Intersegment revenue	1,189	2,416	432	-	1	65	(4,038)	(65)	-
Cost of sales	(381)	(5,672)	(1,779)	(1,863)	(475)	(1,812)	3,856	446	(7,680)
Gross profit	830	3,071	373	271	39	25	(182)	(61)	4,366
Operating profit/(loss)*	771	2,005	161	196	(26)	(162)	(59)	126	3,012
Net finance income/(costs)	19	(49)	(6)	(9)	(4)	(12)	-	12	(49)
Income tax (expense)/benefit	(179)	(355)	(25)	69	(4)	19	8	(19)	(486)
Profit/(loss) for the year	706	1,875	155	255	(34)	(242)	(435)	(37)	2,243
Segment assets	2,081	6,822	1,150	1,019	373	1,531	(1,748)	(1,284)	9,944
Segment liabilities	(412)	(4,262)	(450)	(350)	(251)	(1,357)	2,126	846	(4,110)
Depreciation and amortization	(117)	(334)	(60)	(57)	(9)	(75)	-	75	(577)
Capital expenditures	(137)	(520)	(36)	(20)	(37)	(116)	-	116	(750)

* Operating profit/(loss) before share of results of joint ventures and impairment of investments in joint ventures, impairment of non-current assets and loss on disposals of property, plant and equipment.

21 Segment information (continued)

Geographically, all significant assets, production and administrative facilities of the Group are located in Russia, USA and Europe. The following is a summary of non-current assets other than financial instruments, investments in joint ventures and deferred tax assets by location:

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Russian Federation	5,503	5,975	4,731
USA	287	298	310
Denmark	220	169	145
Other	25	18	12
	<u>6,035</u>	<u>6,460</u>	<u>5,198</u>

22 Risks and uncertainties

(a) Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 24(f)).

The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. This environment may have a significant impact on the Group's operations and financial position and the future effects of the current economic situation are difficult to predict therefore management's current expectations and estimates could differ from actual results. Management is taking necessary measures to ensure sustainability of the Group's operations.

The major financial risks inherent to the Group's operations are those related to market risk, credit risk and liquidity risk. The objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk of changes in market interest rates relates primarily to the Group's long-term borrowings with variable interest rates. To manage this risk, the Group continuously monitors interest rate movements. The Group reduces its exposure to this risk by having a balanced portfolio of fixed and variable rate borrowings.

22 Risks and uncertainties (continued)

The interest rate risk profile of the Group is follows:

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Fixed rate instruments			
Financial assets			
- cash and cash equivalents (Note 3)	842	713	1,179
- financial investments (Note 5)	198	292	104
- trade and other accounts receivable less credit loss allowance (Note 6)	945	810	1,091
	1,985	1,815	2,374
Financial liabilities			
- trade and other accounts payable (Note 10)	(615)	(771)	(731)
- dividends payable	(109)	(318)	(525)
- borrowings (Note 11)	(2,163)	(1,787)	(1,354)
	(2,887)	(2,876)	(2,610)
Variable rate instruments			
Financial liabilities			
- borrowings (Note 11)	(1,323)	(869)	(721)
	(1,323)	(869)	(721)

A change of 100 basis points in interest rates for variable rate instruments would not have significantly affected profit for the year and equity.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The export-oriented companies of the Group are exposed to foreign currency risks. To minimise foreign currency risks, the export program is designed taking into account potential (forecast) major foreign currencies' exchange fluctuations. The Group diversifies its revenues in different currencies. In its export contracts, the Group controls the balance of currency positions: payments in foreign currency are settled with export revenues in the same currency.

Management of foreign currency risk related to changes in cash flows of future receipts in foreign currency

The Group is exposed to foreign currency risk related to the revenue expected to be received nominated in foreign currencies, mainly in US dollars. To hedge the foreign currency risk exposure on revenue expected to be received in foreign currency the Group attracts borrowings in the same foreign currency.

On February 3, 2020 the Group designated the portion of US dollars nominated borrowings as hedging instrument of the expected highly probable US dollars nominated revenue in accordance with IFRS 9 "Financial instruments".

On February 3, 2020 a portion of future monthly revenues expected to be received in US dollars over the period from February 2020 through May 2026 was designated as a hedged item. The Group's bonds and bonds' coupons nominated in US dollars were designated as hedging instrument (Note 11).

The nominal amounts of the hedged item and the hedging instrument are equal. To the extent that a change in the foreign currency rate impacts on the value of the hedging instrument, the effects are recognized in other comprehensive income or loss and further reclassified to profit or loss in the same period in which the hedged revenue is recognised.

22 Risks and uncertainties (continued)

The management strategy of foreign currency risk related to volatility of future cash inflows in foreign currency is to hedge revenue expected to be received in the amount of the net monetary position in US dollars. The amount of hedged revenue aligns the amount of payments on bonds and bonds' coupons. The Group expects that the hedging relationships are effective since the future cash outflows on bonds and bonds' coupons payments match the future cash inflows on the hedged portion of revenue. Ineffectiveness may occur as hedged items and hedge instruments have different maturity dates.

Information on the amounts of currency differences on hedging instrument recognized in other comprehensive loss is as follows:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>
Hedge reserve of cash flows	(229)	-	-
Hedging result	24	-	-
Income tax related to hedge reserve of cash flows	<u>41</u>	<u>-</u>	<u>-</u>
	<u>(164)</u>	<u>-</u>	<u>-</u>

A schedule of the expected reclassification of the accumulated effects from the remeasurement of hedging instrument recognized in other comprehensive loss to profit or loss as of December 31, 2020 is as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
Reclassifications	(29)	(29)	(30)	(55)	(41)	(20)	(5)	(209)
Income tax	<u>6</u>	<u>6</u>	<u>6</u>	<u>11</u>	<u>8</u>	<u>4</u>	<u>1</u>	<u>42</u>
	<u>(23)</u>	<u>(23)</u>	<u>(24)</u>	<u>(44)</u>	<u>(33)</u>	<u>(16)</u>	<u>(4)</u>	<u>(167)</u>

The net foreign currency position presented below is calculated in respect of major currencies by items of consolidated statement of financial position as the difference between financial assets and financial liabilities denominated in a currency other than the functional currency of each entity at 31 December 2020.

	<u>US dollar</u>	<u>Euro</u>	<u>Hong Kong dollar</u>	<u>Swiss franc</u>
Cash and cash equivalents	409	139	112	-
Trade and other accounts receivable	7	401	-	-
Financial investments	-	139	50	-
Trade and other accounts payable	(49)	(345)	-	-
Borrowings	(1,709)	(1,433)	-	-
Cash flow hedge	<u>1,287</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net foreign currency position	<u>(55)</u>	<u>(1,099)</u>	<u>162</u>	<u>-</u>

22 Risks and uncertainties (continued)

The net foreign currency position presented below is calculated in respect of major currencies by items of consolidated statement of financial position as the difference between financial assets and financial liabilities denominated in a currency other than the functional currency of each entity at 31 December 2019.

	US dollar	Euro	Hong Kong dollar	Swiss franc
Cash and cash equivalents	115	304	1	1
Trade and other accounts receivable	4	349	-	-
Financial investments	-	133	154	-
Trade and other accounts payable	(82)	(324)	-	-
Borrowings	(1,709)	(784)	-	-
Net foreign currency position	(1,672)	(322)	155	1

The net foreign currency position presented below is calculated in respect of major currencies by items of consolidated statement of financial position as the difference between financial assets and financial liabilities denominated in a currency other than the functional currency of each entity at 31 December 2018.

	US dollar	Euro	Hong Kong dollar	Swiss franc
Cash and cash equivalents	84	480	309	24
Trade and other accounts receivable	1	536	1	-
Financial investments	-	99	-	-
Trade and other accounts payable	(56)	(186)	-	-
Borrowings	(1,355)	(562)	-	-
Net foreign currency position	(1,326)	367	310	24

Sensitivity analysis

Sensitivity is calculated by multiplying a net foreign currency position of a corresponding currency by percentage of currency rates changes.

A 25 percent strengthening of the following currencies against the functional currency as at 31 December 2020, 2019 and 2018 would have increased/(decreased) equity by the amounts shown below, however effect on profit for the year would be different, and would amount to \$230 loss, \$376 loss and \$29 loss, respectively, due to foreign exchange effects from intercompany operations (Note 19) and applying of hedge accounting.

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
US dollar	(336)	(418)	(332)
Euro	(275)	(81)	92
Hong Kong dollar	41	39	78
Swiss franc	-	-	6

A 25 percent weakening of these currencies against the functional currency as at 31 December 2020, 2019 and 2018 would have had an equal but opposite effect to the amounts shown above, provided all other variables remain constant. Income tax was not recalculated on the possible reasonable change in exchange rates for the purpose of this sensitivity analysis.

22 Risks and uncertainties (continued)

Commodity price risk

Commodity price risk is the risk arising from possible changes in price of raw materials and metal products, and their impact on the Group's future performance and the Group's operational results.

The Group minimises its risks related to metal prices by having a wide range of geographical zones for sales, which allows the Group to respond quickly to negative changes in the situation on its existing markets on the basis of an analysis of the existing and prospective sales markets.

One of the commodity price risk management instruments is vertical integration. A high degree of vertical integration allows cost control and effective management of the entire process of production: from mining of raw materials and generation of electric and heat energy to production, processing and distribution of metal products.

To mitigate the corresponding risks the Group also uses formula pricing tied to price indices for steel products when contracting raw and auxiliary materials.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the Group. The Group is exposed to credit risk from its operating activities (primarily for outstanding receivables from customers) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

The Group controls the levels of credit risk it undertakes by assessing the degree of risk for each counterparty or groups of parties. In order to minimise credit risk, management developed and maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. A default on a financial asset is when the counterparty fails to make contractual payments within 30 days of when they fall due. The Group's credit risk grading framework comprises six categories:

- AAA – investments grade which correspond to international agencies ratings from AAA till BB+;
- A – low risk non-investments grade which correspond to international agencies ratings BB and BB-;
- B – moderate risk non-investments grade which correspond to international agencies ratings B+ and B;
- C – high risk non-investments grade which correspond to international agencies rating B-;
- D – critical risk non-investments grade which correspond to international agencies ratings from CCC till D;
- NR – not rated category used for related parties or secured debts.

The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Payment report, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies.

22 Risks and uncertainties (continued)

The Group monitors all financial assets, loans issued and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month estimated credit loss.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment.

The Group analyses all data collected using statistical models and estimates the remaining lifetime probability of default exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment and interest rates. Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of expected credit loss. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The base case scenario is the most likely outcome. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities. The Group applies probabilities to the forecast scenarios identified and calculate probability-weighted expected credit loss by running each scenario through the relevant expected credit loss model and multiplying it by the appropriate scenario weighting. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The Group holds collateral to mitigate credit risk associated with trade accounts receivable by reducing expected credit loss in case of default. The main types of collateral are bank coverage and credit insurance. There was no change in the Group's collateral policy during the year.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years.

The measurement of expected credit loss is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis. In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis.

22 Risks and uncertainties (continued)

The Group's maximum exposure to credit risk by class of assets reflected in the carrying amounts of financial assets on the consolidated statement of financial position is as follows:

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Cash and cash equivalents (Note 3)	842	713	1,179
Trade and other accounts receivable (Note 6)	945	810	1,091
Financial investments (Note 5)	198	292	104
Total on-balance sheet exposure	1,985	1,815	2,374
Financial guarantees issued (Note 23(d))	283	331	309
	2,268	2,146	2,683

Credit risk related to investment in the charter capital of NBH is disclosed in Note 4.

Analysis of trade accounts receivable, net of credit loss allowance, by credit quality, based on internal credit ratings is as follows:

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
AAA	23	28	19
A	80	53	25
B	89	49	41
C	51	39	18
D	12	1	2
NR, including:			
- NBH group companies	297	249	411
- Credit insurance (AA international agencies' credit ratings)	169	254	284
- Bank coverage (A- and above international agencies' credit ratings)	72	55	202
- Not covered	27	72	76
	820	800	1,078

Analysis by credit quality, based on international agencies' credit rating, of bank balances and bank deposits is as follows:

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Bank balances and term deposits			
AAA-BBB	835	706	1,173
BB-B	5	5	4
Unrated and cash on hand	2	2	2
	842	713	1,179
Short-term and long-term bank deposits			
AAA-BBB	148	157	5
BB-B	2	-	-
	150	157	5

22 Risks and uncertainties (continued)

As at 31 December 2020, ageing of trade and other receivables is as follows:

	Trade and other receivables		
	Gross amount	Credit loss allowance	Net of allowance
Not past due	919	(14)	905
Past due, including:			
- up to 1 month	34	-	34
- from 1 to 3 months	3	-	3
- from 3 to 12 months	4	(2)	2
- over 12 months	21	(20)	1
Total	981	(36)	945

As at 31 December 2019, ageing of trade and other receivables is as follows:

	Trade and other receivables		
	Gross amount	Credit loss allowance	Net of allowance
Not past due	773	(15)	758
Past due, including:			
- up to 1 month	42	-	42
- from 1 to 3 months	6	-	6
- from 3 to 12 months	5	(1)	4
- over 12 months	25	(25)	-
Total	851	(41)	810

As at 31 December 2018, ageing of trade and other receivables is as follows:

	Trade and other receivables		
	Gross amount	Credit loss allowance	Net of allowance
Not past due	995	(10)	985
Past due, including:			
- up to 1 month	93	-	93
- from 1 to 3 months	6	-	6
- from 3 to 12 months	8	(2)	6
- over 12 months	27	(26)	1
Total	1,129	(38)	1,091

22 Risks and uncertainties (continued)

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources.

The Group monitors its risk to a shortage of funds using a regular cash flow forecast. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases. To provide for sufficient cash balances required for settlement of its obligations in time the Group uses detailed budgeting and cash flow forecasting instruments.

The table below analyses the Group's short-term and long-term borrowings and leases by their remaining corresponding contractual maturity. The amounts disclosed in the maturity table are the undiscounted cash outflows.

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Less than 1 year	1,134	545	296
From 1 to 2 years	662	491	193
From 2 to 5 years	1,464	1,432	1,342
Over 5 years	672	708	520
Total borrowings	3,932	3,176	2,351

Liquidity risk related to investment in the charter capital of NBH and financial guarantees issued, is disclosed in Notes 4 and 23(d), respectively.

As at 31 December 2020, 2019 and 2018, the Group does not have significant trade and other accounts payable with maturity over one year and its carrying amount approximates its fair value.

(e) Insurance

To minimize risks the Group concludes insurance policies which cover property damages and business interruptions, construction and erection all risks, freightage, auto insurance and commercial (trade) credits. In respect of legislation requirements, the Group purchases compulsory motor third party liability insurance, insurance of civil liability of organizations operating hazardous facilities. The Group also buys civil liability insurance of the members of self-regulatory organizations, directors and officers liability insurance, voluntary health insurance and accident insurance for employees of the Group.

23 Related party transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial or operational decisions as defined by IAS 24, Related Party Disclosures. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group carries out operations with related parties on an arm's length basis.

23 Related party transactions (continued)

(a) Sales to and purchases from related parties

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>	<u>For the year ended 31 December 2018</u>
Sales			
NBH group companies	897	947	1,330
Companies of Freight One Group and other transport companies under the common control of beneficial owner	2	2	2
Other related parties	<u>4</u>	<u>6</u>	<u>1</u>
Purchases			
Companies of Freight One Group and other transport companies under the common control of beneficial owner	376	384	410
NBH group companies	49	60	65
Other related parties	<u>26</u>	<u>18</u>	<u>5</u>

NBH group companies together are the major customer of the Group. Sales to NBH group are performed by the Russian flat products segment and represent 9.7%, 9.0% and 11.0% of the total sales of the Group for the years ended 31 December 2020, 2019 and 2018, respectively.

(b) Accounts receivable from and accounts payable to related parties

	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>	<u>As at 31 December 2018</u>
Accounts receivable and advances given			
NBH group companies	298	249	412
Companies of Freight One Group and other transport companies under the common control of beneficial owner	<u>32</u>	<u>26</u>	<u>32</u>
Accounts payable			
NBH group companies	22	28	31
Companies of Freight One Group and other transport companies under the common control of beneficial owner	<u>11</u>	<u>5</u>	<u>6</u>

(c) Financial transactions

As at 31 December 2020, 2019 and 2018 loans issued to NBH group companies amounted to \$47, \$133 and \$99 and maturing 31 December 2021, 31 December 2020 and 31 December 2020, respectively (Note 5). When issuing loans to the foreign companies of the Group and joint ventures, interest rate is determined using information on similar external deals subject to the company's internal credit rating.

(d) Financial guarantees issued

As at 31 December 2020, 2019 and 2018, guarantees issued by the Group for borrowings received by NBH group companies amounted to \$283, \$331 and \$309, respectively, which is the maximum potential amount of future payments, payable on demand of the guarantee. No amount has been accrued in these consolidated financial statements for the Group's obligation under these guarantees as the Group assesses the probability of cash outflows related to these guarantees, as low.

23 Related party transactions (continued)

The maturity of the guaranteed obligations is as follows:

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Less than 1 year	107	130	57
From 1 to 2 years	127	-	-
Over 2 years	49	201	252
	<u>283</u>	<u>331</u>	<u>309</u>

(e) Investments transactions

In September 2018, the Group completed the sale of 2% stake in share capital of NBH to Tubes de Haren et Nimy S.A., a subsidiary of NBH, for a cash consideration of \$5, realising a loss of \$2 upon the decrease of carrying value of the investment of \$7. As a result of this transaction, direct ownership of the Group in the share capital of NBH decreased to 49.0%.

24 Commitments and contingencies

(a) Anti-dumping investigations

The Group's export trading activities are subject from time to time to compliance reviews by the regulatory authorities in the importers' jurisdictions. The Group's export sales prices were considered by local governments within several anti-dumping investigation frameworks. The Group takes steps to address negative effects of the current and potential anti-dumping investigations and participates in the settlement efforts coordinated through the Russian authorities. No provision arising from any possible agreements and decisions as a result of anti-dumping investigations has been made in the consolidated financial statements.

(b) Litigation

The Group, in the ordinary course of business, is the subject of, or party to, various pending or threatened legal actions. The Group management believes that any liability resulting from these legal actions will not significantly affect its financial position or results of operations, and no amount has been accrued in the consolidated financial statements.

(c) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised in financial statements immediately. Potential liabilities, which might arise as a result of future changes in existing regulations, civil litigation or legislation, cannot be reasonably estimated. In the current enforcement climate under existing environmental legislation, significant liabilities for management believes that the Group has met the Government's federal and regional requirements concerning environmental matters, therefore, there are no environmental damage and remediation.

24 Commitments and contingencies (continued)

(d) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to \$881, \$1,157 and \$714 as at 31 December 2020, 2019 and 2018, respectively.

(e) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group's social contributions, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. The Group has transferred certain social operations and assets to local authorities, however, the Group management expects that the Group will continue to fund certain social programs for the foreseeable future. These costs are recorded in the period they are incurred.

(f) Tax contingencies

Management believes that the tax policy of the Group complies with the legislation of the Russian Federation on taxes and related fees.

At the same time, the legislation on taxes and related fees in the Russian Federation is characterised by dynamic development, as well as the possibility of wide discretion by the tax administration on many issues of taxation, which can lead to different interpretations of individual legal norms by taxpayers and regulatory authorities.

Therefore, the risk of expenses cannot be excluded if the tax policy applied by the Group is contested in any part. As a general rule, risk may arise in respect of three calendar years preceding the year in which the decision to conduct the review is made. The amount and probability of risk cannot be estimated with a sufficient degree of reliability, however, they may turn out to be significant from the point of view of the financial situation and/or economic activity of the Group as a whole.

(g) Major terms of loan agreements

Certain of the loan agreements contain covenants that impose restrictions on the purposes for which the loans may be utilised, covenants with respect to disposal of assets, incurrence of additional liabilities, issuance of loans or guarantees, obligations in respect of any future reorganisations procedures or bankruptcy of the borrowers, and also require that the borrowers maintain pledged assets to their current value and conditions. In addition, these agreements contain covenants with respect to compliance with certain financial ratios, clauses in relation to performance of the borrowers, including cross-default provisions, as well as to legal claims in excess of certain amount, where reasonable expectations of a negative outcome exist, and covenants triggered by any failure of the borrower to fulfill contractual obligations. The Group companies were in compliance with all debt covenants as at 31 December 2020, 2019 and 2018.

(h) Assessment of the coronavirus impact on the Group

In 2020, the COVID-19 pandemic had significant impact on business activity, that initially led to weakening of demand for steel in traditional sales markets and a temporary drop in steel product prices which however started to recover gradually in second half 2020. In order to keep capacity utilization rates high the Group made changes to regional sales structure and diversified product mix. Production and supply chains of the Group were not significantly impacted by the COVID-19 pandemic.

At the date of issuing these consolidated financial statements the situation with the spread of coronavirus infection (COVID-19) is still evolving. The Group benefits from a strong financial position, with low leverage and significant liquidity. As at 31 December 2020 the Group has liquid resources of \$991 comprising cash and cash equivalents as well as a committed and unutilised credit facilities amounting to \$1,715 which significantly exceeds repayment of borrowings in 2021 disclosed in Note 22 (d).

The Group management made an analysis of impairment indicators of the Group's assets considering impact of macroeconomic situation and impairment testing for some of the Group cash generating units (Note 8). No significant increase of expected credit losses or cases of significant debtor defaults have been identified. Management closely monitors the development of the situation and takes necessary measures to mitigate negative effects.

25 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The Group from one reporting period to another has consistently applied these accounting policies.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are those entities that the Group controls because the Group has (a) power over the investees (that is, it can direct relevant activities of the investees that significantly affect their returns); (b) exposure, or rights, to variable returns from its involvement with the investees; and (c) the ability to use its power over the investees to affect the amount of investor returns.

Subsidiaries are consolidated when the Group obtains control over an investee and terminates when the Group ceases to have control over the investee.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests, which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Parent Company's equity.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of an acquiree from the aggregate of: the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree, and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews the appropriateness of their measurement.

Consideration transferred for an acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition-related costs such as fees for advisory, legal, valuation and similar professional services. Transaction costs related to an acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of a business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

25 Significant accounting policies (continued)

All intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Parent Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Joint ventures

Joint ventures are entities over which the Group has joint control over financial or operating policies. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint ventures are initially recognised at cost (fair value of the consideration transferred). The Group uses the equity method of accounting to subsequent measurement for an investment in joint ventures.

Dividends received from joint ventures reduce the carrying value of the investment in joint ventures. The Group's share of profits or losses of joint ventures after acquisition is recorded in the consolidated statement of profit or loss for the year as share of financial result of joint ventures. The Group's share in the change of other comprehensive income after the acquisition is recorded within other comprehensive income as a separate line item. All other changes in the Group's share of the carrying amount of net assets of the joint ventures are recognised in profit or loss within the share of financial results of the joint ventures, or consolidated statement of changes in equity depending on the substance of the change.

However, when the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless this is required by law or it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses arising from transactions between the Group and its joint ventures are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

In the consolidated statement of financial position, the Group's share in the joint venture is presented at the carrying amount inclusive of goodwill at the acquisition date and the Group's share of post-acquisition profits and losses net of impairment loss.

In the consolidated statement of profit or loss the amount of impairment of investments in joint ventures is included in the line "Share of results of joint ventures and impairment of investments in joint ventures".

Disposals of subsidiaries and joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value as at the date of ceasing control or significant influence, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income, in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

At the date when the Group's control ceases, it de-recognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position and recognises profit or loss connected with the loss of control attributable to the former controlling stake.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Cash and cash equivalents

Cash and cash equivalents include cash balances in hand, cash on current accounts with banks, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

25 Significant accounting policies (continued)

(c) Value added tax (VAT)

Output value added tax arising upon the sale of goods (performance of work, provision of services) is payable to the tax authorities on the earlier of: (a) collection of receivables from customers; or (b) delivery of goods (work, services) or property rights to customers. VAT is excluded from revenue.

Input VAT on goods and services purchased (received) is generally recoverable against output VAT upon receipt of the VAT invoice. VAT related to sales / purchases and services provision / receipt payments to the budget which has not been settled with at the balance sheet date (deferred VAT) is recognised in the consolidated statement of financial position on a gross basis and disclosed separately within current assets and current liabilities.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debt, including VAT.

(d) Inventories

Inventories are recorded at the lower of cost and net realisable value (the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses).

Inventories include raw materials designated for use in the production process, finished goods, work in progress and goods for resale.

Release to production or any other write-down of inventories is carried at the weighted average cost.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Other costs are included in the cost of inventories only to the extent they were incurred to provide for the current location and condition of inventories.

When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories, including obsolete inventories written down, shall be recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(e) Property, plant and equipment (PP&E)

Measurement at recognition

Property, plant and equipment are initially stated at cost (historical cost model). The PP&E cost includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the relevant entity's management;
- the initial estimate of the cost of subsequent dismantling and removal of a fixed asset, and restoring the site on which it was located, the obligation for which the relevant entity incurs either when the item is acquired or as a consequence of having used the item during a specific period for purposes other than to produce inventories during that period.

The value of property, plant and equipment built using an entity's own resources includes the cost of materials and labour, and the relevant portion of production overhead costs directly attributable to the construction of the PP&E.

Borrowing costs directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to prepare for use or sale are included in the cost of this asset.

25 Significant accounting policies (continued)

Recognition of costs in the carrying amount of a property, plant and equipment item ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management of the relevant entity.

Subsequent measurement

Property, plant and equipment items are carried at cost less accumulated depreciation and recognised impairment losses.

Subsequent expenditures

The costs of minor repairs and maintenance are expensed when incurred. The costs of regular replacement of large components of property, plant and equipment items are recognised in the carrying amount of the relevant asset when incurred subject to recognition criteria. The carrying amount of the parts being replaced is de-recognised.

When a large-scale technical inspection is conducted, related costs are recognised in the carrying amount of a fixed asset as replacement of previous technical inspection subject to recognition criteria. Any costs related to the previous technical inspection that remain in the carrying value shall be de-recognised.

Other subsequent expenditures are capitalised only when they increase the future economic benefits embodied in these assets.

All other expenses are treated as costs in the consolidated statement of profit or loss in the reporting period as incurred.

Property, plant and equipment line of the consolidated statement of financial position also includes capital construction and machinery, and equipment to be installed.

If PP&E items include major units with different useful lives, then each individual unit of the related asset is accounted for separately.

Borrowing costs

Borrowing costs are capitalised from the date of capitalisation and up to the date when the assets are substantially ready for utilisation or sale.

The commencement date for capitalisation is when the Group (a) incurs expenditures for the qualifying asset; (b) incurs borrowing costs; and (c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

When funds borrowed for common purposes are used to purchase an asset, capitalised borrowing costs are determined through multiplying the capitalisation rate by expenses related to the asset.

Interest payments capitalised under IAS 23 are classified in consolidated statement of cash flows in a manner that is consistent with the classification of the underlying asset on which the interest is capitalised.

All other borrowing costs are attributed to expenses in the reporting period when incurred and recorded in the consolidated statement of profit or loss in the "Finance costs" line.

Mineral rights

Exploration and evaluation assets are carried at original cost and classified consistently within tangible or intangible assets depending on their nature. Mineral rights acquired as a result of a business combination are measured at fair value at the acquisition date. Other mineral rights and licenses are recorded at cost. Mineral rights are amortised using the straight-line basis over the license term given approximately even production output during the license period.

25 Significant accounting policies (continued)

Right-of-use assets

The Group leases various land, buildings, equipment and transport. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis and accounted within Property, plant and equipment.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Depreciation

Depreciation is charged on a straight-line basis over the estimated remaining useful lives of the individual assets through an even write-down of historical cost to their net book value. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation commences from the time an asset is available for use, i.e. when the location and condition provide for its operation in line with the Group management's intentions.

Depreciation is not charged on assets to be disposed of and on land. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the consumption of benefits to be derived from it.

The range of estimated useful lives of different asset categories is as follows:

Buildings and land and buildings improvements	10 – 70 years
Machinery and equipment	2 – 30 years
Vehicles	5 – 25 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

If the cost of land includes the costs of site dismantlement, removal of PP&E items and restoration expenses, that portion of the land asset is depreciated over the period of consumption of benefits obtained by incurring those costs.

Impairment of PP&E is outlined in section (h) "Impairment of non-current assets".

25 Significant accounting policies (continued)

(f) Leases

Applicable for the reporting periods starting 1 January 2019

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Applicable for the reporting periods earlier 1 January 2019

Leasing transactions are classified according to the relevant lease agreements, which specify the risks and rewards associated with the leased property and distributed between the lessor and lessee. Lease agreements are classified as financial leases or operating leases.

In a financial lease, the Group receives the major portion of economic benefits and risks associated with the ownership of the asset. At the commencement of the lease term, the leased asset is recognised in the consolidated statement of financial position at the lower of fair value or discounted value of future minimum lease payments. The corresponding rental obligations are included in borrowings. Interest expenses within lease payments are charged to profit or loss over the lease term using the effective interest method.

Accounting policies for depreciation of leased assets are consistent with the accounting policies applicable to owned depreciable assets.

25 Significant accounting policies (continued)

A lease is classified as an operating lease if it does not imply transferring the major portion of risks and rewards associated with the ownership of the asset. Payments made under operating leases are recorded as an expense on a straight-line basis over the lease term.

(g) Goodwill and intangible assets

Goodwill is the difference between:

- the comprehensive fair value of the consideration transferred on the acquisition date and non-controlling interest, and, where the entity is acquired in instalments, the acquisition date fair value of the non-controlling interest previously held by the buyer in the acquired entity; and
- the share of net fair value of identifiable assets acquired and liabilities assumed.

The excess of the share of net fair value of identifiable assets bought and obligations assumed by the Group over the consideration transferred and the fair value of non-controlling interest at the acquisition date previously owned by the buyer in the acquired entity, represents income from a profitable acquisition. Income is recognised in the consolidated statement of profit or loss at the acquisition date.

Goodwill on joint ventures is included in the carrying amount of investments in these entities.

When interest in the previously acquired entity increases (within non-controlling interest) goodwill is not recognised. The difference between the acquired share of net assets and consideration transferred is recognised in equity.

Goodwill is measured at historical cost and subsequently stated less accumulated impairment losses.

Impairment of goodwill

The goodwill is not amortised but tested for impairment at least annually and whenever there are indications that goodwill may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination. The evaluation of impairment for cash-generating units, among which goodwill was distributed, is performed once a year or more often, when there are indicators of impairment of such CGUs.

If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to any other assets of the CGU pro-rata to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Disposal of goodwill

If goodwill is a part of the cash-generating unit, and a part of the unit is disposed of, the goodwill pertaining to that part of disposed operations is included in the carrying amount of that operation when profit or loss on its disposal is determined. In such circumstances, the goodwill disposed of is generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Intangible assets

Intangible assets are initially recognised at cost.

The cost of a separately acquired intangible asset comprises:

- its purchase price, including non-refundable purchase taxes, after deducting trade discounts and rebates;
- directly attributable cost of preparing the asset for its intended use.

If an intangible asset is acquired as a result of a business combination, the cost of the intangible asset equals its fair value at the acquisition date.

25 Significant accounting policies (continued)

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense over the entire period of credit unless it is capitalised in accordance with IAS 23, "Borrowing Costs".

If an intangible asset is an integral part of a fixed asset to which it belongs, then it is recorded as part of that asset.

After the initial recognition of intangibles, they are carried at cost less sum of accumulated amortisation and accumulated impairment loss. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Amortisation

Intangible assets with a definite useful life are amortised using the straight-line method over the shorter of: the useful life or legal rights thereto.

The range of estimated useful lives of different asset categories is as follows:

- | | |
|------------------------------------|-------------|
| • Mineral rights | 20-36 years |
| • Industrial intellectual property | 1-10 years |

(h) Impairment of non-current assets

At each reporting date, the Group determines if there are any objective indications of potential impairment of an individual asset or group of assets.

Intangible assets with indefinite useful lives are tested for impairment at least once a year and if their carrying amount impairment indicators are identified.

Recoverable value measurement

If any such impairment indicators exist, then the asset's recoverable amount is estimated. In the event of impairment, the value of the asset is written down to its recoverable value, which represents the higher of: the fair value less costs to sell or the value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset or payable on the transfer of a liability at the evaluation date, in an arm's length transaction between knowledgeable, willing parties, less any direct costs related to the sale or transfer.

Value in use is the present value of estimated future cash flows from expected continuous use of an asset and its disposal at the end of its useful life.

In assessing value-in-use, the anticipated future cash proceeds are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units), which in most cases are determined as individual subsidiaries of the Group. Estimated cash flows are adjusted in line with the risk of specific conditions at sites and discounted at the rate based on the weighted average cost of capital. With regard to assets that do not generate cash regardless of cash flows generated by other assets, the recoverable amounts are based on the cash-generating unit to which such assets relate.

25 Significant accounting policies (continued)

Impairment loss

The asset's carrying amount is written down to its estimated recoverable value, and loss is included in the consolidated statement of profit or loss for the period. Impairment loss is reversed if there are indications that the assets' impairment losses (other than goodwill) recognised in previous periods no longer exist or have been reduced, and if any consequent increase in the recoverable value can be objectively linked to the event that took place after the impairment loss recognition. Impairment loss is reversed only to the extent that the carrying amount of an asset does not exceed its carrying amount that would be established (less amortisation) if the asset impairment loss had not been recognised. An impairment loss is reversed for the relevant asset immediately through consolidated statement of profit or loss.

(i) Provisions for liabilities and charges

Provisions for liabilities and charges are accrued when the Group:

- has present obligations (legal or constructive) as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle such an obligation;
- a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision shall be the best estimate of the expenses required to settle the present obligation at the end of the reporting period. Where the impact of the time factor on the value of money is significant, the provision should equal the present value of the expected cost of settling the liability using the discount rate before taxes. Any increase in the carrying amount of the provision is recorded in the consolidated statement of profit or loss as finance costs.

The nature and estimated value of contingent liabilities and assets (including court proceedings, environmental costs, etc.) are disclosed in notes to the consolidated financial statements where the probability of economic benefits outflow is insignificant.

The creation and release of provision for impaired receivables have been included in impairment losses on financial assets in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off, when there is no legal right to recover cash.

(j) Income taxes

Income tax expense comprises current and deferred tax. The current and deferred taxes are recognised in profit or loss for the period, except for the portion thereof that arises from a business combination or transactions or events that are recognised directly within equity.

Current tax

Current tax liabilities are measured in the amount expected to be paid to (recovered from) the tax authorities, applying the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax assets and liabilities are recognised for the differences between the carrying amount of an asset or liability in the consolidated statement of financial position and their tax base.

25 Significant accounting policies (continued)

Deferred tax is not recognised if temporary differences:

- arise at the goodwill initial recognition;
- arise at the initial recognition (except for business combination) of assets and liabilities that do not impact taxable or accounting profits;
- are associated with investments in subsidiaries where the Group controls the timing of the reversal of these temporary differences, and it is probable that the temporary differences will not be utilised in the foreseeable future.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Estimation of deferred tax assets and liabilities reflects tax implications that would arise depending on the method to be used at the end of the reporting period to recover or settle carrying value of these assets or liabilities.

Deferred tax assets are recognised in respect of the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised.

The carrying amount of deferred tax assets is subject to revision at the end of each reporting period and is decreased to the extent of reduced probability of receiving sufficient taxable income to benefit from utilising the deferred tax assets partially or in full.

Deferred tax assets and liabilities are offset if there is a legal right for the offset of current tax assets and liabilities, and when they relate to income taxes levied by the same tax authority or on the same taxpayer; and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

(k) Dividends payable

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the consolidated financial statements have been authorised for issue are disclosed in the subsequent events note.

25 Significant accounting policies (continued)

(l) Revenue recognition

Revenue from sales of goods and provision of services

Revenue is recognised at a transaction price that represents an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring those goods or services. Revenue from sale of goods and services is recognised when a performance obligation is satisfied, i.e. when control over the goods or services underlying the particular performance obligation is transferred to the customer. If the Group agrees to transport goods to a specified location (typically under contracts based on certain Incoterms types), revenue is split into two performance obligations – sale of goods and rendering of transportation services. Revenue from sale of goods is recognised at a point of time, when control over the goods is transferred to the customer, normally when the goods are shipped and the risks, rewards and legal title are passed. Revenue from rendering of transportation services is recognised over time as the transportation service is provided to the customer. This is determined based on the actual days of transportation relative to the average expected days of transportation. The transaction price is allocated to the rendering of transportation services on an average transportation price per ton basis. Costs related to the rendering of transportation services are included in selling expenses.

Revenue is recorded net of discounts, provisions, value added tax and export duties, and refunds, and after excluding intra-group sales turnover.

No element of financing is deemed present as the sales are made with an average credit term of 60 days, which is consistent with market practice.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income on investments is recognised when the Group becomes entitled to receive the payment.

(m) Segment information

The Group provides separate disclosures on each operating segment that meets the criteria outlined in paragraph 11 of IFRS 8, "Operating Segments".

The Group's organisation comprises six reportable segments:

- the Mining segment, which comprises mining, processing and sales of iron ore, fluxing limestone and metallurgical dolomite, and supplies raw materials to the steel segment and third parties;
- the Russian flat products segment, comprising production and sales of steel products and coke, primarily pig iron, steel slabs, hot rolled steel, cold rolled steel, galvanised cold rolled sheet and cold rolled sheet with polymeric coatings and also electro-technical steel;
- the Russian long products segment, comprising a number of steel-production facilities combined in a single production system beginning from scrap iron collection and recycling to steel-making, production of long products, reinforcing rebar and metalware;
- NLMK USA, comprising production and sales of steel products in the United States;
- NLMK DanSteel and Plates Distribution Network, comprising production and sales of plates in Europe and other regions of the world;
- Investments in NBH, comprising production of hot rolled, cold rolled coils and galvanised and pre-painted steel, and also production of a wide range of plates as well as a number of steel service centers located in the European Union.

The accounting policies of each segment consist with the principles outlined in significant accounting policies.

25 Significant accounting policies (continued)

(n) Financial instruments

Financial assets

The Group's financial assets include cash and cash equivalents, trade and other accounts receivable and short-term financial instruments which are measured at amortised cost.

Debt instruments have the following categories based on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest:

- debt instruments the payments on which represent solely payments of principal and interest and that are intended to collect payments are classified as those to be measured subsequently at amortised cost;
- debt instruments the payments on which represent solely payments of principal and interest and that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets are classified as those to be measured subsequently at fair value through other comprehensive income; and
- other financial assets are measured subsequently at fair value through profit or loss.

The Group does not have equity financial instruments.

To assess the expected credit loss on financial assets measured subsequently at amortised cost the Group uses the expected credit losses model in accordance with a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. The Group assesses expected credit losses using lifetime expected credit losses for cash and cash equivalents, trade and other accounts receivable and short-term financial investments since their terms are less than 12 months.

Initial recognition of financial assets

Financial investments measured subsequently at fair value are initially recorded at fair value. All other financial assets are initially recorded at fair value plus transaction costs.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at the trade date, which is the date when the Group commits to buy or sell a financial asset.

Write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a de-recognition event. Indicators that there is no reasonable expectation of recovery include expiration of statute of limitation.

De-recognition

The Group de-recognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets, or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control in respect of these assets.

Control of an asset is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. If the Group neither transfers nor retains substantially all risks and rewards of ownership of the asset, but retains control over such transferred asset, the Group continues recognition of its share in this asset and the related obligation in the amount of the anticipated consideration.

25 Significant accounting policies (continued)

Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit impaired financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank overdrafts, borrowings and financial guarantee agreements.

Financial liabilities are respectively classified as:

- financial liabilities at fair value through profit or loss;
- borrowings and loans.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trade and financial liabilities designated initially at fair value through profit or loss. Financial liabilities are classified as held for trade if acquired for the purpose of selling in the short term. Income and expense on liabilities held for trade are recognised in the consolidated statement of profit or loss, except for the change of the fair value attributable to the change of own credit risk, which is recognized in other comprehensive income.

Borrowings

After initial recognition, interest-bearing borrowings are carried at amortised cost using the effective interest method. Gains and losses on such financial liabilities are recognised in consolidated statements of profit or loss upon their de-recognition and also as amortisation accrued using the effective interest method.

Initial recognition of financial liabilities

All financial liabilities are initially recorded at fair value less transaction costs incurred (except for financial liabilities at fair value through the consolidated statements of profit or loss).

De-recognition

A financial liability is de-recognised from the consolidated statement of financial position if it was settled, cancelled or expired.

25 Significant accounting policies (continued)

If the existing financial liability is replaced by another liability to the same creditor, on terms that significantly differ from the previous terms, or the terms of the existing liability significantly differ from the previous terms, such replacement or change is recorded as de-recognition of the initial liability and recognition of a new liability, and the difference in their carrying amount is recognised in the consolidated statement of profit or loss.

Financial guarantee agreements

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments*; or
- the amount initially recognized, where applicable, less the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations by the third party. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Cash flow hedge accounting

At inception of the hedge relationship, the Group documents its objective and strategy, identifies the hedging instrument and the hedged item, the nature of the hedged risk and method for evaluation whether the hedge relationship meets the hedge effectiveness requirements.

The hedge relationship meets all of the hedge effectiveness requirements when:

- an economic relationship exists between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes;
- the hedge ratio reflects the ratio between the quantity of the hedged item and the quantity of the hedging instrument.

The Group applies cash flow hedge accounting, the hedge objective is to protect the cash flows from exchange rate exposure by hedging the expected highly probable US dollars nominated revenue with the portion of US dollars nominated borrowings.

The effective portion of changes in the fair value of the hedging instrument (i.e. that portion which is compensated by the change in the hedge reserve of cash flows) is recognised in other comprehensive income and accumulated in hedge reserve of cash flows in equity.

The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss in separate line "Hedging result".

The amounts accumulated in equity are reclassified to profit or loss in the periods when payments on bonds and bonds' coupons occur.

The Group should revoke the hedge accounting prospectively when the hedge relationship (or part of the hedge relationship) no longer meets the criteria for hedge accounting. This requirement is also applied when the hedging instrument is expired or is sold, terminated, or exercised.

26 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures to this consolidated financial statements. Management also makes certain judgements in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including forecasts and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, and management's estimates can be revised in the future, either positively or negatively, based on the facts surrounding each estimate.

Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements, and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year are reported below.

(a) Tax legislation and potential tax gains and losses

The Group's potential tax gains and losses are reassessed by management at every reporting date. Liabilities which are recorded for income tax positions are determined by management based on the interpretation of current tax laws. Liabilities for penalties, fines and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle tax liabilities at the reporting date (Note 24).

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position (Note 17). Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

(b) Estimation of useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production volumes, inventories, technical obsolescence rates, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may affect future useful lives (Note 8).

(c) Impairment analysis of property, plant and equipment, goodwill and investments in joint ventures

The estimation of forecasted cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates to certain variables including volumes of production and extraction, prices on finished goods, operating costs, capital investment, and macroeconomic factors such as inflation and discount rates. In addition, judgement is applied in determining the cash-generating units assessed for impairment (Notes 8, 9).

27 New or revised standards and interpretations

The following amended standards became effective from 1 January 2020, but did not have a material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 3 *Definition of a business* (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8 *Definition of materiality* (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest rate benchmark reform* (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted and are not expected to have any material impact on the Group financial statements when adopted:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020;
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB);
- IFRS 17 *"Insurance Contracts"* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023);
- *Classification of liabilities as current or non-current* – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022);
- *Classification of liabilities as current or non-current, deferral of effective date* – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023);
- *Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework* – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023);
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

28 Subsequent events

In January 2021 the Group received refund of paid steel tariffs, enacted by Department of Commerce under Section 232 of the USA Trade Expansion Act., and accrued interests in the amount of \$105 (included in other accounts receivable as at 31 December 2020).



Independent Auditor's Report

To the Shareholders and the Board of Directors of Novolipetsk Steel:

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Novolipetsk Steel (the "Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with the reporting rules established in the Russian Federation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2020;
- the statement of financial results for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the balance sheet and statement of financial results, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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TRANSLATION NOTE: This version of our report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Materiality	<ul style="list-style-type: none">Overall Company materiality: Russian Roubles ("RUB") 4,370,000 thousand, which represents 1% of the Company's revenue.
Key audit matter	<ul style="list-style-type: none">Impairment of the investment in subsidiary LLC NLMK Overseas Holdings

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

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Overall Company materiality

RUB 4,370,000 thousand

How we determined it

1% of the Company's revenue

Rationale for the materiality benchmark applied

We chose revenue as the benchmark because, in our view, it is the benchmark which objectively best represents the performance of the Company over a period of time while financial results are volatile. We determined overall materiality as 1%, which in our experience is within the range of acceptable quantitative materiality thresholds applied for public companies in the relevant industry. We also consider misstatements or possible misstatements in the context of qualitative factors.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of the long-term financial investments in LLC NLMK Overseas Holdings</p> <p>Annually at the reporting date management performs analysis of existence of impairment indicators of the Company's long-term investments, including investments in the subsidiaries where the market value is not determined.</p> <p>If impairment indicators are in place, management assesses investments' recoverable amount and compares that with the carrying value.</p> <p>If the impairment test identifies a steady decline in the value of investments, impairment loss is recognized. Impairment loss is calculated as the difference between the recoverable amount and the carrying value of investment.</p> <p>The recoverable amount of the investment in the subsidiary LLC NLMK Overseas Holdings that has investments in its own subsidiaries, is defined as the value of its net assets adjusted for the recoverable value of investments. The latter is in turn defined based on discounted cash flow models of the major production companies and using net assets value for other investments. Respective models and calculations were prepared as at 31 December 2020. As a result of testing performed, significant excess of the carrying amount of investments in LLC NLMK Overseas Holdings over its recoverable amount was identified and additional impairment provision of RUB 12,870,000 thousand was recognized.</p> <p>We focused on this area because of the significant judgment involved in the evaluation of recoverable amount, and the significant carrying value of the assets in scope of the test and the amount of the impairment loss.</p>	<p>We obtained, understood and evaluated management's analysis of existence of impairment indicators of the Company's financial investments and we did not identify any additional factors that should have been considered in the analysis.</p> <p>We audited the recoverable amount of the investments in LLC NLMK Overseas Holdings subsidiaries which were calculated by management based on subsidiaries' net assets.</p> <p>We involved our valuation experts to assist in the evaluation of the methodology, mathematical accuracy and assumptions used in the models.</p> <p>During our work on verification of the recoverable amount of the investments in the subsidiary LLC NLMK Overseas Holdings that included audit of the recoverable value of its investments determined based on discounted cash flow models, we performed the following main procedures:</p> <ul style="list-style-type: none">• comparison of the key assumptions used within the impairment models to the historic performance of the LLC NLMK Overseas Holdings investments, approved estimates, and other supporting calculations;• sample benchmarking of the key assumptions used within the impairment models, including price forecasts for core raw materials and finished products, inflation and discount rates, against external

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Key audit matter	How our audit addressed the key audit matter
	<p>expert valuations, macroeconomic and industry forecasts, which corroborated their validity;</p> <ul style="list-style-type: none">performing sensitivity analysis of the key assumptions in order to assess their potential impact on impairment results and ranges of possible outcomes of the recoverable amounts. <p>The scope of the audit procedures for verification of impairment models for each investment of LLC NLMK Overseas Holdings was based on its significance, safety margin, sensitivity to assumptions and individual risks.</p>

Other information

Management is responsible for the other information. The other information comprises the Annual Report for 2020 and the Issuer’s Report for the first quarter of 2021 (but does not include the financial statements and our auditor’s report thereon), which are expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report for 2020 and the Issuer’s Report for the first quarter of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the reporting rules established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is A. B. Fomin.

10 February 2021

Moscow, Russian Federation

A. B. Fomin, certified auditor (licence No. № 01-000059), AO PricewaterhouseCoopers Audit

Audited entity: Novolipetsk Steel

Record made in the Unified State Register of Legal Entities on 28 January 1993 under State Registration Number 1024800823123

Taxpayer Identification Number 4823006703

2, Metallurgov sq., Lipetsk, 398040, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

TRANSLATION NOTE: This version of our report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



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NOVOLIPETSK STEEL

NLMK, 2 Metallurgov sq., 398040 Lipetsk
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ACCOUNTING (FINANCIAL) STATEMENTS NOVOLIPETSK STEEL FOR 2020



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BALANCE SHEET
as of 31 December 2020

Entity **NLMK**
Taxpayer Identification Number
Type of business **Production of cold-rolled steel flats**
Type of business entity / form of ownership **Public Joint Stock Company /**

Joint private and foreign property

Unit of measurement – RUB k
Address **2, Metallurgov sq., 398040 Lipetsk**
The accounting statements are subject to obligatory auditing YES NO
Auditor **PWC Audit**

The auditor's taxpayer identification number
The auditor's main state registration number

	CODES
Form acc. to OKUD	0710001
Date (day, month, year)	31/12/2020
OKPO	05757665
TIN	4823006703
OKVED2	24.10.4
OKOPF/ OKFS	12247 / 34
OKEI	384

TIN	7705051102
OGRN	1027700148431

Description	Code	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018	Disclosure in Notes
1	2	3	4	5	6
ASSETS					
I. Non-current assets					
Intangible assets	1110	1,401,412	1,707,636	1,666,241	2.1, 3.1
Results of research and developments	1120	2,765	2,510	5,760	2.2
Fixed assets	1150	192,736,224	165,776,831	139,314,267	2.3, 3.2
Financial investments	1170	169,674,801	158,223,497	177,809,199	2.4, 2.6, 3.3
Deferred tax assets	1180	2,482,779	1,222,741	1,770,135	2.12, 3.11
Other non-current assets	1190	8,316,059	7,563,601	7,043,877	2.7, 3.5.1
Total for Section I	1100	374,614,040	334,496,816	327,609,479	
II. Current assets					
Inventories	1210	57,259,269	55,675,785	61,111,447	2.5, 3.4
Input VAT	1220	1,049,657	1,176,619	553,567	
Accounts receivable	1230	78,512,363	109,715,882	126,333,555	2.6, 3.5.1
Financial investments (excluding cash equivalents)	1240	10,605,000	9,481,811	2,497,606	2.4, 2.6, 3.3
Cash and cash equivalents	1250	47,458,916	26,636,800	60,339,735	2.8, 3.6
Other current assets	1260	43	43	67	
Total for Section II	1200	194,885,248	202,686,940	250,835,977	
BALANCE (sum of lines 1100 + 1200)	1600	569,499,288	537,183,756	578,445,456	



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Form 0710001 p. 2

Description	Code	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018	Disclosure in Notes
1	2	3	4	5	6
LIABILITIES					
III. Capital and reserves					
Charter capital	1310	5,993,227	5,993,227	5,993,227	
Revaluation of non-current assets	1340	3,259,484	3,275,807	3,290,822	3.7
Additional capital (without revaluation)	1350	771,777	771,777	771,777	
Reserve capital	1360	299,661	299,661	299,661	
Retained earnings (uncovered loss)	1370	245,414,209	289,131,900	325,751,607	
Total for Section III	1300	255,738,358	299,472,372	336,107,094	
IV. Long-term liabilities					
Borrowings	1410	152,793,410	105,703,843	84,066,622	2.6, 2.9, 3.8
Deferred tax liabilities	1420	12,056,430	10,847,050	10,985,025	2.12, 3.11
Other liabilities	1450	--	385,320	15,510	2.6, 3.5.2
Total for Section IV	1400	164,849,840	116,936,213	95,067,157	
V. Short-term liabilities					
Borrowings	1510	43,916,850	30,406,203	21,823,828	2.6, 2.9, 3.8
Accounts payable	1520	100,325,861	86,497,982	118,357,751	2.6, 3.5.2
Estimated liabilities	1540	4,668,379	3,870,986	7,089,626	2.10, 3.9
Total for Section V	1500	148,911,090	120,775,171	147,271,205	
BALANCE (sum of lines 1300 + 1400 + 1500)	1700	569,499,288	537,183,756	578,445,456	

NLMK Manager

by virtue of Power of Attorney No.505-20/8 dd. 09.01.2020

E. Morozova

10 February 2021



Accounting
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statement
for 2020

PROFIT AND LOSS STATEMENT
for 2020

Entity **NLMK**
Taxpayer's identification number:
Type of activity **Production of cold-rolled steel flats**
Type of business entity / form of ownership
Public joint-stock company / Joint private and foreign property
Unit of measurement – RUB k

Form under OKUD
Date (day, month, year)
under OKPO
INN
under OKVED2
under OKOPF/ OKFS
under OKEI

CODES	
Form under OKUD	0710002
Date (day, month, year)	31/12/2020
under OKPO	05757665
INN	4823006703
under OKVED2	24.10.4
under OKOPF/ OKFS	12247 / 34
under OKEI	384

Description	Code	For 2020	For 2019	Disclosure in Notes
1	2	3	4	5
Revenue	2110	437,079,106	421,816,321	2.11, 3.10.1
incl. sales of iron and steel products	2110.1	434,795,572	419,595,963	
Cost of sales	2120	(325,865,606)	(316,087,072)	2.11, 3.10.1
incl. iron and steel products sold	2120.1	(323,384,896)	(313,940,919)	
Gross profit (loss)	2100	111,213,500	105,729,249	
Selling expenses	2210	(33,317,051)	(30,065,720)	
Administrative expenses	2220	(18,460,815)	(15,020,523)	
Sales profit (loss)	2200	59,435,634	60,643,006	
Income from shareholding in other organizations	2310	48,980,386	72,099,211	3.3
Interest receivable	2320	348,436	571,485	2.4, 3.3
Interest payable	2330	(6,131,228)	(4,651,585)	2.9, 3.8
Other income	2340	20,397,324	28,474,056	
Other expenses	2350	(55,923,841)	(61,338,214)	2.11, 3.10.2
Profit (loss) before tax	2300	67,106,711	95,797,959	
Income tax	2410	(6,310,959)	(12,930,691)	
incl. current income tax	2411	(6,361,617)	(12,521,271)	2.12, 3.11
deferred income tax	2412	50,658	(409,420)	
Other	2460	(3,167)	(1,501)	
Profit tax redistribution among a consolidated group of taxpayers	2465	332,529	554,305	2.12, 3.11
Net profit (loss)	2400	61,125,114	83,420,072	3.7



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Description	Code	For 2020	For 2019	Disclosure in Notes
1	2	3	4	5
Consolidated financial performance for the period	2500	61,125,114	83,420,072	
FOR REFERENCE				
Base profit (loss) per share (RUB)	2900	10.20	13.92	3.7

NLMK Manager

by virtue of Power of Attorney No.505-20/8 dd. 09.01.2020

E. Morozova

10 February 2021



Accounting
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statement
for 2020

STATEMENT OF CHANGES IN EQUITY
for 2020

Entity **NLMK**
Taxpayer's identification number:
Type of activity **Production of cold-rolled steel flats**
Type of business entity / form of ownership
Public joint-stock company / Joint private and foreign property
Unit of measurement – RUB k

	CODES
Form under OKUD	0710004
Date (day, month, year)	31/12/2020
under OKPO	05757665
INN	4823006703
under OKVED2	24.10.4
under OKOPF/ OKFS	12247 / 34
under OKEI	384

1. Capital flow

Description	Code	Charter capital	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
1	2	3	4	5	6	7
Capital as of 31 December 2018	3100	5,993,227	4,062,599	299,661	325,751,607	336,107,094
For 2019						
Capital increase – total:	3210	--	--	--	83,469,552	83,469,552
including:						
net profit	3211	X	X	X	83,420,072	83,420,072
income directly pertaining to the capital increase	3213	X	--	X	49,480	49,480
Capital reduction – total:	3220	--	--	--	(120,104,274)	(120,104,274)
including:						
dividends	3227	X	X	X	(120,104,274)	(120,104,274)
Additional capital change	3230	X	(15,015)	--	15,015	X
Capital as of 31 December 2019	3200	5,993,227	4,047,584	299,661	289,131,900	299,472,372
For 2020						
Capital increase – total:	3310	--	--	--	61,207,393	61,207,393
including:						
net profit	3311	X	X	X	61,125,114	61,125,114
income directly pertaining to the capital increase	3313	X	--	X	82,279	82,279
Capital reduction – total:	3320	--	--	--	(104,941,407)	(104,941,407)
including:						
dividends	3327	X	X	X	(104,941,407)	(104,941,407)
Additional capital change	3330	X	(16,323)	--	16,323	X
Capital as of 31 December 2020	3300	5,993,227	4,031,261	299,661	245,414,209	255,738,358



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3. Net assets

Description	Code	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
1	2	3	4	5
Net assets	3600	255,738,358	299,472,372	336,107,094

NLMK Manager

by virtue of Power of Attorney No.505-20/8 dd. 09.01.2020

E. Morozova

10 February 2021



Accounting
(Financial)
statement
for 2020

CASH FLOW STATEMENT for 2020

Entity **NLMK**
 Taxpayer's identification number:
 Type of activity **Production of cold-rolled steel flats**
 Type of business entity / form of ownership
Public joint-stock company / Joint private and foreign property
 Unit of measurement – RUB k

Form under OKUD
 Date (day, month, year)
 under OKPO
 INN
 under OKVED2
 under OKOPF/ OKFS
 under OKEI

CODES
0710005
31/12/2020
05757665
4823006703
24.10.4
12247 / 34
384

Description	Code	For 2020	For 2019
1	2	3	4
Cash flow from current operations			
Inflow – total	4110	458,410,301	408,881,905
including:			
from sales of goods, products, works and services	4111	456,750,478	407,183,814
from rent, license payments, royalties, commissions and other similar payments	4112	233,448	250,581
other inflow	4119	1,426,375	1,447,510
Payments - total	4120	(381,756,350)	(367,992,527)
including:			
to suppliers (contractors) for feedstock, materials, works and services	4121	(328,063,076)	(308,494,446)
related to employee salaries and wages	4122	(32,260,560)	(33,443,101)
interest on liabilities	4123	(6,134,854)	(4,783,662)
corporate income tax	4124	(5,072,579)	(11,104,188)
other payments	4129	(10,225,281)	(10,167,130)
Balance of cash flows from current operations	4100	76,653,951	40,889,378
Cash flows from investment operations			
Inflow – total	4210	81,359,005	85,551,206
including:			
from sale of non-current assets (except financial investments)	4211	800,091	58,538
from sale of interest (shares) in other companies	4212	40,836	23,911
from repayment of loans granted, from sale of debt securities (rights of demand of funds from other persons)	4213	8,382,160	28,837,253
from dividends, interest on debt financial investments and similar incoming funds from participation in other organizations	4214	72,135,918	56,631,504
other inflow	4219	--	--

Cash flow statement

Notes



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Description	Code	For 2020	For 2019	
1	2	3	4	
Payments – total	4220	(63,844,996)	(60,105,441)	
including:				
those related to acquisition, set-up, upgrade, reconstruction and preparation for usage of non-current assets	4221	(39,743,605)	(36,796,408)	
those related to acquisition of stock (shares) in other companies	4222	(14,871,000)	--	
those related to acquisition of debt securities (rights of demand of monetary funds from other persons), granting of loans to other entities	4223	(8,356,133)	(12,631,076)	
interest on debt liabilities included into the cost of an investment asset	4224	--	--	
other payments	4229	(874,258)	(10,677,957)	
Balance of cash flows from investment operations	4200	17,514,009	25,445,765	
Cash flows from financial operations				
Inflow – total	4310	85,325,214	57,156,316	
including:				
receiving loans and credits	4311	85,325,214	57,156,316	
Payments – total	4320	(160,579,072)	(152,005,832)	
including:				
payment of dividends and other payments related to profit distribution in favour of owners (participants)	4322	(111,456,848)	(130,848,683)	
related to repayment (buy- back) of bills of exchange and other debt securities, repayment of loans and credits	4323	(43,496,426)	(15,104,232)	
other payments	4329	(5,625,798)	(6,052,917)	
Balance of cash flows from financial operations	4300	(75,253,858)	(94,849,516)	
Balance of cash flows for the reporting period	4400	18,914,102	(28,514,373)	
Balance of cash and cash equivalents as of the beginning of the reporting period	4450	26,636,609	60,339,683	
Balance of cash and cash equivalents as of the end of the reporting period	4500	47,458,761	26,636,609	
Foreign currency to RUB exchange rate fluctuation effect	4490	1,908,050	(5,188,701)	

NLMK Manager

by virtue of Power of Attorney No.505-20/8 dd. 09.01.2020

E. Morozova

10 February 2021



*Accounting
(Financial)
statement
for 2020*

NOTES TO BALANCE SHEET AND PROFIT AND LOSS STATEMENT



1. GENERAL INFORMATION

Novolipetsk Steel (hereinafter referred to as “the Company”) is an integrated steel-making company specializing in production of a wide variety of flats.
Abbreviated Company name: PJSC NLMK.

Registered office of the Company: 2, Metallurgov sq., Lipetsk, Russia.
Postal address of the Company: 2, Metallurgov sq., Lipetsk, 398040, Russia.

The main activities of the Company are:

- production and sale of iron and steel products;
- production and sale of mechanical engineering products (equipment, accessories, tools and spare parts);
- industrial construction, rendering construction and public utilities services;
- production of construction materials, structures, and products;
- foreign and domestic trade;
- generation, transmission and distribution of electrical and heat power;
and others.

The Company is licensed for all types of activities subject to licensing.

The Company has a representative office in Moscow as well as a branch office in Yekaterinburg.

As of 31.12.2020 the Company’s headcount was 27,207 employees, as of 31.12.2019 – 27,401 employees.

Board of Directors as of 31 December 2020:

Chairman of the Board of Directors	–Vladimir Lisin
Members:	– Oleg V. Bagrin –Thomas Veraszto –Nikolai Gagarin –Sergey Kravchenko –Joachim Limberg – Marjan Oudeman –Stanislav Shekshnya –Benedict Sciortino

Management Board as of 31 December 2020:

Grigory Fedorishin	–President (Chairman of the Management Board)
Tatyana Averchenkova	– Vice-President, Operational Efficiency
Mikhail Arkhipov	–Vice President, HR & Management System
Ilya Guschin	–Vice President, Sales
Barend de Vos	– Vice-President, International Operations
Sergey Likharev	– Vice President, Logistics



Shamil Kurmashov	–Vice President, CFO
Evgeny Ovcharov	– Vice-President, Risk Management
Sergei Chebotarev	– Vice President, Energy and Environment

President (Management Board Chairman) is a sole executive body of the Company.
Information on risk management, internal control and internal audit is presented on the Company's website¹.

Information on the Register Holder and the Auditor:

Register Holder of the Company is JSC Agency “RNR”; license No. 042-13984-000001, dd. 29.11.2002 with an unlimited validity. The Register of the issuer’s registered securities owners has been held by the registrar since 4 March 2004.

The company’s auditor is PWC Audit

Financial and tax accounting

Financial and tax accounting of the Company's business to the extent established by the current legislation is conducted by the Corporate Solutions Centre in line with Service Contract No. 75757 dd. 31.12.2019. The authorized signatory of the accounting (financial) statements is E. Morozova, Director of the Accounting Division of Corporate Solutions Centre LLC, on the basis of a power of attorney.

The Company’s operational environment

The Russian economy demonstrates some characteristics typical of emerging markets. The country’s economy is mostly susceptible to oil and gas prices. Continuous political tension in the region as well as the extended international sanctions against some Russian companies and nationals are having a negative impact on the Russian economy. Moreover, the existing tax, currency and customs legislation is subject to various interpretations and thus creates additional difficulties for Russian companies. Such economic environment cannot but influence the Company’s business.

In 2020, the COVID-19 pandemic caused serious headwinds for overall business activity, that initially led to weakening of demand for steel in traditional sales markets and a temporary drop in steel product prices which however started to recover gradually in second half 2020. In order to keep capacity utilization rates of the Company high the NLMK Group made changes to regional sales structure and diversified product mix. Production and supply chains of the Company were not significantly impacted by the COVID-19 pandemic.

At the date of issuing these accounting (financial) statements, the situation with the spread of coronavirus infection (COVID-19) is still evolving. The Company benefits from a strong financial position, with low leverage and significant liquidity. The Company management made an analysis of impairment indicators of the Company's financial investments, as a result, impairment indicators were identified in relation to certain financial investments, and the corresponding financial investments of the Company were tested for possible impairment (clause 3.3. Explanations).

Current economic environment cannot but influence the activities of the Company.

The management takes the necessary measures to ensure a stable financial position of the Company and to provide support to its customers and employees. However future consequences of the economic situation are difficult to foresee and their influence on the Company’s business might differ from today’s expectations of the Management.

Main financial risks intrinsic to the Company’s operations include market risks, credit risks, currency risks and underliquidity risks. Financial risk management is aimed at determination of risk limits and subsequent observance of the established limits. Risk management is to ensure proper functioning of the Company’s internal policy and procedures for the purpose of minimizing these risks. The Company discloses its procedures for management of these risks at its official website¹.

¹Posted on the website of NLMK (<http://www.nlmk.com>)



The Russian Law on transfer pricing provides for a possibility of additional charging of tax liabilities to monitored transactions (transactions with related parties and certain transactions between independent parties), if the transaction price does not correspond to the market one.

In order to meet requirements of the applicable legislation on transfer pricing the Company's Management introduced internal control procedures. In the reporting year the Company submitted the "Notice of controlled transactions for 2019" to the Tax authority (in 2019 - for 2018).

The Company is preparing transfer pricing documentation which will confirm the compliance of prices used with the market level for tax purposes. Nevertheless, there is a possibility that due to further practice in application of transfer pricing rules these prices can be contested and consequences of such outcome cannot be securely evaluated.

According to the Law on Controlled Foreign Companies (hereinafter - CFC) taxation on profit was introduced in the Russian Federation for foreign companies and foreign ventures without establishing an entity (including funds) being controlled by tax residents of the Russian Federation (controlling persons). Starting from 2015 CFCs' income is taxed at 20% in line with the legislation requirements.

The Company has established a consolidated taxpayer group (hereinafter - CTG) for the purpose of calculation and payment of corporate income tax, taking into account the total financial result of a business, in which it acts as the responsible party. 19 NLMK Group companies are included into the CTG.

The Company concluded an agreement with various banks on accession to Cash pooling service for a Master account where NLMK acts as a Parent Company for the purpose of NLMK Group companies' liquidity management by cash consolidation. Cash consolidation is performed through conducting operations under loan agreements between the Company and NLMK Group companies.

2. SIGNIFICANT ASPECTS OF ACCOUNTING POLICY AND BASIS OF ACCOUNTING (FINANCIAL) STATEMENTS PREPARATION

The accounting (financial) statements have been prepared in accordance with the rules of accounting and reporting effective in the Russian Federation, in particular, with the Federal Law "Accounting" and Regulation on accounting and reporting in the Russian Federation approved by the RF Ministry of Finance.

The unit of measurement for accounting indicators is RUB thousand without decimal digits. In the accounting (financial) statements, negative figures or figures deductible from relevant indicators in order to calculate intermediate or total values, are given in round brackets.

The companies whose names were brought in line with the Civil code requirements (renaming to Public Company, Joint-Stock Company or Production Cooperative) as of the reporting date, are presented with their names changed.

The Company's consolidated financial statements have been compiled in line with the International Financial Reporting Statements (IFRS).

2. 1 INTANGIBLE ASSETS

Intangible assets are reflected in balance sheets upon actual costs of acquisition, manufacture and additional expenses in order to bring assets to a state in which they could be used as intended, less depreciation charged.

Depreciation of intangible assets is calculated by a straight-line method with an exclusion of cases when application of another method to determine depreciation can be justified by a reliable calculation of expected receipt of future economic benefits from using the intangible asset, including financial result from potential sale of that asset.

When useful life of an intangible asset is checked in order to revise it, more accurate definition of the useful life is performed in case of significant change in the period (for 12 months and longer of the previously defined one) within which the Company plans to use that asset. Should it be impossible to define useful life for intangible assets accounted before 1 January 2008, standard depreciation charges are established on the basis of a 20-year term. For similar intangible assets accounted from 1 January 2008, depreciation is not charged.

There are no regular revaluations of intangible assets or checks for their impairment.



Expenses for purchasing non-exclusive rights for using the result of intellectual activity or the means of individualization (computer software etc.) are charged to relevant accounts on a monthly basis by equal portions and in the amount determined by the Company's agreements or calculations, during the period they refer to.

2. 2 R&D RESULTS

Scientific research, development- and- design and process works the results of which are used for production or management purposes are shown on account 04 "Intangible assets" separately and are reflected in the balance sheet under item "R&D results". They are written off on a straight-line basis as operational expenses within three years starting from the first day of the month following the month of their actual use commencement.

2. 3 FIXED ASSETS AND CONSTRUCTION IN PROGRESS

Structure of fixed assets

Fixed assets acquired from 1 January 2011 with the initial cost of RUB 40 thou. per item and below, are accounted within inventories.

Special tools, devices and equipment the lifetime of which is longer than 12 months and the cost of which is over RUB 40 thou. per item are accounted under the procedure established for fixed asset accounting.

Evaluation basis

The original value of fixed assets acquired by the Company for payment, is formed by the actual costs of acquisition, construction and manufacture less taxes refundable. The initial cost of fixed assets received under agreements which provide for the fulfilment of liabilities (payments) by non-monetary means shall be recognized as the price of valuables handed over or to be handed over, based on the price upon which the Company usually defines the value of similar valuables in comparable circumstances.

Costs related to completion, additional supply of equipment, modernization and upgrading increase the initial cost of fixed assets.

Over the period from 1992 to 1997, the Company conducted annual re-evaluations of fixed assets in accordance with the Russian Government regulations. Currently, no annual re-evaluation of fixed assets is conducted.

Fixed assets purchased before 01.01.1997 are shown in the balance sheet at replacement cost, and those purchased after 01.01.1997 – at initial cost, minus accumulated depreciation amounts respectively.

Depreciation

Depreciation of fixed asset items is charged on a straight-line basis from the initial (replacement) value of items and using depreciation norms calculated for established useful lives of such items.

Groups of fixed assets	Useful life (years) of items taken onto the books	
	before 01.01.2003	since 01.01.2003
Buildings	5-256	5-45
Structures	8-106	2-47
Machinery and equipment including household equipment and other items	5-100	1-42
Vehicles	13-34	3-25
Cultivated resources of plant origin	40	30



For fixed asset items commissioned before 01.01.2003, useful life is set on the basis of depreciation norms approved by USSR Ministers Council's Resolution No. 1072 "On uniform norms of depreciation for complete recovery of national economy of the USSR" dd. 22.10.1990, and for those acquired starting from 01.01.2003 - according to the norms calculated based on the useful lives set by the Company.

Depreciation is not charged for objects under preservation for longer than three months as well as within renewal period longer than 12 months.

Retirement, writing-off and disposal

Retired or disposed fixed asset items are written off from the balance sheet along with the accrued depreciation amount. The revaluation surplus amount of a retired fixed asset item shall be transferred from additional capital to retained profit of the Company, remaining within the equity.

Any profits and expenses induced by fixed asset retirement shall be reflected in the Profit and Loss Statement for the reporting period when they were incurred as other income and expenses.

Construction in progress

The Construction in Progress reflects the scope of construction works which the Company accepted from its contractors.

Settlements between the Company (Builder) and contractors are performed on a monthly basis according to the agreements on construction, after step-by-step (intermediate) acceptance of the construction and installation works done. Information on value of works done contained in Forms KC-2 and KC-3 is a basis for reflection of expenses related to construction of fixed assets. The value of works is reflected in the contract prices, also in the estimated costs according to which the settlements of NLMK with the contractors are effected with the progressive total since the beginning of the works, the beginning of the year also including the reporting period.

2. 4 FINANCIAL INVESTMENTS

A unit of financial investment accounting is: for shares – a share; for bonds – a bond; for nominal capital contributions – interest; for certificates of deposit, notes – series and number of a security; for loans, deposits, assignment and special partnership contracts – a contract.

Financial investments are accounted on the basis of actual acquisition costs. Debt securities for which current market value is not determined are accounted before the retirement at original cost. Financial investments, for which the current market value is determined under the established procedure, are reflected as of the quarter end at their current market value.

Debt securities and granted loans are not estimated in terms of discounted value. Financial investments in securities (shares, bonds), for which the current market value is not defined, are depreciated at time of retirement upon the average acquisition cost for that type of securities.

Interests on loans granted and other similar agreements are accrued as of the month end.

In order to show the impairment of the Company's financial investments a provision for their impairment is set up calculated according to the method summarizing information on cost reduction factors and signs of depreciation. If there are signs of impairment of financial investments for which market value is not defined, as of the end of reporting year the Company generates a provision amounting to the excess of book value of such investments over their estimated value determined based on the information available to the Company.

Short- term deposits placed for a period not exceeding 3 months, are classified as cash equivalents and reported as part of other cash assets.

2. 5 INVENTORIES

Evaluation of inventories acquired at a charge, as of the end of the reporting period is done at actual costs. In the reporting period accounting is carried out at book prices, determined when first assigning a nomenclature number. When materials arrive, their cost is determined based on the price specified in the delivery order on the basis of a contract or other data. Subsequently actual first cost of materials based on the data for the period preceding the previous period is used as accounting price of the acquired materials. Entry of materials purchased is accounted using control accounts 15 "Procurement and acquisition of tangible assets" and 16 "Deviation of tangible assets cost". In the end of a reporting period, any deviations of the actual cost of materials from their cost of acquisition are written off pro rata the value of materials consumed in the reporting period at book prices to accounting accounts in accordance with the purposes of materials usage and to account 10 "Materials" for the adjustment of its balance by the amount of deviations related to the unused materials balance.

Inventories received without settlement documents of suppliers are recorded as non-invoiced deliveries at book prices.



When tangible assets are released into production or otherwise retire they are valued within the reporting period at book prices with subsequent writing off of deviations of actual cost from the book prices to the relevant accounts at the end of the reporting period. When materials are written off, their evaluative calculation includes their quantity and cost as per the nomenclature number as of the beginning of the month, and also all incomings during the month.

Finished products are valued as of the end of the reporting period at actual costs for each product type, which is formed by the cost of finished product balances as of the beginning of the reporting period and the first cost of the reporting period.

Within the reporting period, finished products accounting is carried out on the basis of book prices without application of account 40 "Product (works, services) output". Actual first cost of the finished products upon the data of the reporting period before the last one is used as a book price.

Difference between actual first cost and book price of the finished goods is charged to a separate subaccount of account 43 "Finished goods" broken down to product types.

Finished goods are written off at book prices when dispatched. At the same time deviations related to finished goods sold are written off to sales accounts pro rata their quantity. Deviations related to the balance of finished goods are written off from deviations subaccount to finished goods subaccounts at the end of the reporting period, when actual calculation is formed, by product type for the purpose of determination of actual first cost.

Work-in-progress as of the reporting period end is valued on the basis of the actual first cost generated based on work-in-progress value as of the period beginning and production costs of the reporting period. The order-by-order calculation of work-in-progress is evaluated on the basis of actual costs.

In the balance sheet inventories, including work-in-progress, are accounted less the assessed reserves charged quarterly. The method of reserves estimation takes into account the value of identified non-used long-term stored stocks and probable price of their sale.

2. 6 SHORT-TERM AND LONG-TERM ASSETS AND LIABILITIES

Accounts payable and receivable, including indebtedness under credits and loans, are accounted as short-term assets and liabilities, if their maturity does not exceed 12 months from the balance sheet date in accordance with contractual conditions, or if not fixed. Financial investments are classified as short-term or long-term depending on estimated time of their use (circulation, ownership or repayment).

As of the end of a reporting period, long-term assets and liabilities are shown in the balance sheet as short-term ones when their remaining maturity (repayment period) does not exceed 12 months from the balance sheet date.

2. 7 ADVANCE PAYMENTS MADE AGAINST NON-CURRENT ASSETS

For a more reliable accounting of information on the property status of the Company, the amounts of advances, given for capital construction, purchasing fixed asset items and other non-current assets, are reflected in Section I of the Balance sheet in line 1190 "Other non-current assets".

2. 8 CASH AND CASH EQUIVALENTS

Short-term deposits placed for a period not exceeding 90 days, are classified as cash equivalents and reported in the accounting (financial) statements as part of other cash assets. Interest received on cash equivalents is accounted in cash flow statement as part of current operations.

Cash flow amount in foreign currency is converted into roubles at the official rate of this foreign currency to rouble established by the Central Bank of the Russian Federation as of the date of the payment effecting or receipt.

In the presentation of cash flows in the cash flow statement, the following items are presented in summarized form as cash inflow (payments) in accordance with cash flow type:

- placement and refund of deposits for 3 months and up;
- indirect taxes as part of cash inflow from buyers and customers, payments to suppliers and contractors and payments to / refunds from the RF budget system;
- inflow from contractors as refund of payments made earlier;
- currency exchange transactions;
- execution and receipt of payments as refunds under earlier transactions;



- receipt and granting of loans in the framework of cash pooling.

Cash flows from current, investment and financial transactions are included in the same reporting segment identified by the type of activity.

The cash flow necessary to maintain the current Company's business volume is included in current operations. The cash flow associated with the Company's business expansion is included in investment operations.

Proceeds and payments on the investment activities include cash flows related to interest-free loans granted to related parties on the grounds of the economic benefits the Company receives from them as dividends or in any other indirect way.

2. 9 CREDITS AND LOANS

Interest payable to a lender (creditor) is recognized in the cost of an investment asset or as part of other expenses evenly over the contract validity period.

Additional borrowing costs for the received credits and loans are accounted in the balance sheet and statements in the reporting period which they belong to.

The discount on placed bonds is reflected in other expenses proportionally over the term of the loan agreement.

2. 10 ESTIMATED LIABILITIES

The Company accepts estimated liabilities for forthcoming expenses on vacation pays and on payment of bonuses to employees. In the Balance Sheet such liabilities are reported within short-term liabilities. The procedure for such estimated liabilities accrual and their further accounting is governed by the methodologies approved by the Company.

The necessity of recognizing other estimated liabilities is subject to consideration by the Company on the basis of the financial and economic activity.

2. 11 INCOME AND EXPENSES

Income and expenses of the Company are classified as operational and other income and expenses.

Sales proceeds are defined as of transfer date of title for products, goods, results of works, services rendered (for charge) on the basis of settlement documents presented to buyers (customers).

Production costs of products (works, services) sold domestically or exported are defined by straight-line calculation on the basis of types of products and their actual costs.

Expenses related to the sales of products (services, works) and general expenses are recognized in full in costs of products (services, works) sold in the reporting period as operational expenses.

Expenses for licenses, certificates are included into the cost of goods manufactured (works, services) on a monthly basis by equal amounts during their validity.

Actual expenses related to routine and major repairs are recognized as current period expenses upon repairs completion.

Income generated from granting of assets, rights, arising out of patents for inventions, industrial models and other kinds of intellectual property for temporary use and possession subject to payment, from holding shares in nominal capitals of other organizations, interests received from granting organization's monetary funds for use, and other income from securities not related to the organization's core activity is attributed to other income.

The Company generates provisions for inventory impairment, shortage and losses from tangible assets impairment, for financial investment depreciation, provisions for bad debts. Accrual of evaluation reserves is effected on the account of other expenses.

2. 12 TAXES

Income tax

Accounting and taxable profit are defined according to current legislative requirements of the Russian Federation using different methods of assessment.

The current profit tax is calculated based on the income tax return.

Every month, the Company calculates deferred tax assets, deferred tax liabilities, deferred income tax, expenses (income) on income tax, contingent expenses (income) on income tax, permanent tax expenses (income).



Deferred tax assets and liabilities are shown in the balance sheet as non-current assets and long-term liabilities, respectively.

CTG's consolidated taxation base shall be defined as arithmetic sum of the profits of all CTG participants decreased by the arithmetic sum of all CTG participants' expenses taking into account the provisions of the Tax Code of the Russian Federation.

Settlements with participants in respect of CTG's income tax are included in other receivables (line 1230 "Accounts Receivable") and other payables (line 1520 "Accounts Payable").

The Company states individually calculated income tax in line 2411 "Current income tax" of the Profit and Loss statement.

The due share of savings on CTG's operating results is shown in the Profit and Loss statement in line 2465 "Redistribution of income tax of the consolidated group of taxpayers". Cash flows of CTG members are reflected within the cash flows from current operations of the Cash Flow Statement.

Land tax

The Company pays land tax since it has property right to industrial area land. The Company pays rent for the rest of the land used.

2. 13 ASSETS, LIABILITIES AND OPERATIONS IN FOREIGN CURRENCY

For accounting items in foreign currencies, the official exchange rate of a foreign currency to the Russian ruble as of the date of operation is used.

In order to prepare accounting (financial) statements, funds on bank accounts (bank deposits), cash and payment documents, securities (except for the shares), accounts receivable including for borrowing liabilities (except for granted and received advance payments and down-payments, prepayments) expressed in foreign currency are recalculated into rubles at the exchange rate valid for the reporting date.

Exchange rate differences are shown in the balance sheet as part of other income and expenses separately from other kinds of income and expenses including financial results from operations with foreign currency during the period they occurred in.

Exchange rates of foreign currencies to Russian ruble set by the RF Central Bank:

<i>Foreign currency</i>	<i>As of 31.12.2020</i>	<i>As of 31.12.2019</i>	<i>As of 31.12.2018</i>	<i>(RUB)</i>
USD 1	73.8757	61.9057	69.4706	
EUR 1	90.6824	69.3406	79.4605	

2. 14 INFORMATION BY SEGMENTS

The Company owns assets only in the territory of the Russian Federation and is a sole integrated facility for the production and sale of ferrous products.

The Company identifies reporting segments based on the activity type. Key indicators: proceeds from sale of products, financial result (profit or loss). The information on assets and liabilities within a reporting segment is not disclosed, because for the Company as a whole the segment share in the production and sales is exceeding.

Besides the key indicators, proceeds from sales by product types, the share of proceeds from export sales are disclosed additionally.

Reporting segment information is stated using the same valuation techniques as used for the presentation of similar figures in the Company's financial statements taken as a whole.

Besides, the Company discloses segment information in its consolidated financial statements in line with the International Financial Reporting Standards (IFRS), where the Company is included in the Russia Strip Segment without further subdivision by product types.

2. 15 CHANGES IN ACCOUNTING POLICY

The Company applied changes in RAS 18/02 "Corporate income tax accounting" in the preparation of the accounting (financial) statements for 2020. The changes resulted in an adjustment of the amount of accrued and settled deferred tax assets (DTA) and deferred tax liabilities (DTL) for 2019 (lines 2450 and 2430) in the Profit



and Loss Statement. Starting from 2020, changes in the deferred tax assets and liabilities have been shown in a summarized form in line 2412 "Deferred income tax". Appropriate adjustments have been made in the comparative data, included in the accounting (financial) statements for 2020.

No significant changes have been made to the accounting policy.

2. 16 COMPARATIVE DATA

In these accounting (financial) statements the comparative data have been derived by carrying over the respective reporting parameters for the previous reporting period, excluding reclassification of other cash flow proceeds and payments from current operations. The changes made do not significantly affect the Company's reporting, however, they improve its understanding.

<i>(RUB k)</i>				
Description	Line code	before adjustment	adjustment	after adjustment
Cash flow from current operations				
payments to suppliers (contractors) for feedstock, materials, works and services	4121	(307,353,266)	(1,141,180)	(308,494,446)
other payments	4129	(11,308,310)	1,141,180	(10,167,129)



3. DISCLOSURE OF SIGNIFICANT INDICATORS

3. 1 INTANGIBLE ASSETS

Availability of intangible assets

Description	As of 31.12.2020			As of 31.12.2019			As of 31.12.2018		
	Original value	Depreciation	Balance valuation	Original value	Depreciation	Balance valuation	Original value	Depreciation	Balance valuation
Groups of intangible assets – total	1,484,837	(122,511)	1,362,326	1,790,481	(118,767)	1,671,714	1,748,155	(122,539)	1,625,616
including:									
research and development	36,939	(16,467)	20,472	36,739	(15,180)	21,559	35,584	(12,766)	22,818
software and data bases	1,445,529	(103,692)	1,341,837	1,751,019	(100,903)	1,650,116	1,709,844	(107,111)	1,602,733
trademarks and service marks	275	(258)	17	629	(590)	39	629	(565)	64
original works of entertainment books or art	2,069	(2,069)	--	2,069	(2,069)	--	2,073	(2,072)	1
other intellectual property items	25	(25)	--	25	(25)	--	25	(25)	--
Costs for purchase of intangible assets	X	X	39,086	X	X	35,922	X	X	40,625
Total	X	X	1,401,412	X	X	1,707,636	X	X	1,666,241
<i>For reference:</i>									
<i>intangible assets, created by the organization itself</i>	<i>31,574</i>	<i>(13,358)</i>	<i>18,216</i>	<i>31,373</i>	<i>(12,399)</i>	<i>18,974</i>	<i>30,219</i>	<i>(10,313)</i>	<i>19,906</i>
<i>intangible assets with fully repaid value</i>	<i>99,925</i>	<i>(99,925)</i>	<i>--</i>	<i>100,030</i>	<i>(100,030)</i>	<i>--</i>	<i>105,659</i>	<i>(105,659)</i>	<i>--</i>

There are no intangible assets with undetermined useful life.



3. 2 FIXED ASSETS AND CONSTRUCTION IN PROGRESS

Availability of fixed assets and capital investments in progress

(RUB k)

Accounting
(Financial)
statement
for 2020

Description	As of 31.12.2020			As of 31.12.2019			As of 31.12.2018		
	Original value	Depreciation	Balance valuation	Original value	Depreciation	Balance valuation	Original value	Depreciation	Balance valuation
Fixed assets									
Buildings	38,348,838	(13,151,761)	25,197,077	35,773,855	(11,882,138)	23,891,717	33,764,420	(10,895,534)	22,868,886
Structures	50,437,539	(19,998,962)	30,438,577	35,227,726	(17,784,886)	17,442,840	33,432,076	(16,559,848)	16,872,228
Machinery and equipment including household equipment and other items	209,651,315	(125,674,284)	83,977,031	186,947,935	(114,806,928)	72,141,007	156,284,039	(104,631,896)	51,652,143
Vehicles	6,745,323	(3,085,900)	3,659,423	5,318,957	(2,768,108)	2,550,849	4,600,444	(2,599,971)	2,000,473
Cultivated resources of plant origin	1,370	(592)	778	1,370	(553)	817	1,370	(513)	857
Land lots and land improvement expenses	1,345,426	--	1,345,426	1,345,426	--	1,345,426	1,343,370	--	1,343,370
Total	306,529,812	(161,911,500)	144,618,312	264,615,269	(147,242,613)	117,372,656	229,425,719	(134,687,762)	94,737,957
<i>For reference:</i>									
<i>the cost of real estate objects, received for use and undergoing state registration.</i>	8,727,773	x	x	6,122,476	x	x	4,655,283	X	X
<i>cost of leased out main assets</i>	2,971,177	(1,327,340)	1,643,837	1,513,213	(938,194)	575,019	1,523,186	(880,753)	642,433
Capital investments in progress									
Facilities construction ¹	X	X	36,969,565	X	X	37,429,523	X	X	32,910,122
Acquisition of objects	X	X	972,912	X	X	850,685	X	X	304,607
Equipment to be installed	X	X	5,471,515	X	X	6,809,043	X	X	8,259,617
Materials and spare parts for construction and installation works	X	X	4,703,920	X	X	3,314,924	X	X	3,101,964
Total	X	X	48,117,912	X	X	48,404,175	X	X	44,576,310

¹The largest constructions in progress as of 31.12.2020 are construction of a set of stoves, revamping of BF-4 and BF-6 complex.



Fixed assets flow (initial value)

(RUB k)

Description	For 2020		For 2019	
	Acquired ¹	Retired	Acquired	Retired
Buildings	2,613,438	(38,455)	2,036,819	(27,384)
Structures	15,392,203	(182,389)	1,927,640	(131,990)
Machinery and equipment including household equipment and other items	24,977,868	(2,274,488)	31,992,646	(1,328,750)
Vehicles	1,493,291	(66,926)	825,786	(107,273)
Land lots and land improvements expenses	--	--	2,056	--
Total	44,476,800	(2,562,258)	36,784,947	(1,595,397)
<i>For reference:</i>				
<i>The increase of the objects' value due to additional construction, installation of additional equipment, reconstruction</i>				
	12,789,716		3,320,403	
<i>the decrease of the objects' value as a result of partial liquidation</i>				
	--	(25,901)	--	(55,680)

¹ Major assets commissioned within the reporting year are the assets acquired within the frames of NLMK Investment Programme, please see the details at www.nlmk.com.

Depreciation of the retired fixed assets amounted to RUB 1,810,003 thou. over 2020 and RUB 1,512,831 thou. over 2019.

Non-depreciable fixed assets

(RUB k)

Description	Original value		
	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Land plots	1,345,426	1,345,426	1,343,369
Facilities under preservation	693,299	694,231	704,708
Housing facilities	17,541	17,541	17,541
Total	2,056,266	2,057,198	2,065,618

As of 31.12.2020 the Company rents fixed assets (including land lots) for the amount of RUB 4,249,662,000, as of 31.12.2019 – RUB 4,267,248,000, as of 31.12.2018 – RUB 4,792,233,000 (off-balance sheet price under lease agreements). The Company rents land lots with the total area of 2,369 thousand square meters. The land lots rented are located in Lipetsk and Lipetsk Region.



3. 3 FINANCIAL INVESTMENTS

Availability of financial investments

(RUB k)

Accounting
(Financial)
statement
for 2020

Description	As of 31.12.2020			As of 31.12.2019			As of 31.12.2018		
	Original value	Provision for financial investment impairment	Balance valuation	Original value	Provision for financial investment impairment	Balance valuation	Original value	Provision for financial investment impairment	Balance valuation
Long-term financial investments - total	233,837,396	(64,162,595)	169,674,801	209,619,174	(51,395,677)	158,223,497	189,469,630	(11,660,431)	177,809,199
Investments in charter capitals of other entities	233,339,221	(63,712,684)	169,626,537	209,128,494	(50,945,128)	158,183,366	189,017,696	(11,225,918)	177,791,778
of which:									
NLMK Overseas Holdings	116,234,843	(43,770,000)	72,464,843	90,362,843	(30,900,000)	59,462,843	70,362,843	--	70,362,843
NLMK Kaluga	39,185,090	(7,218,000)	31,967,090	39,185,090	(7,218,000)	31,967,090	39,185,090	--	39,185,090
Stoilensky	21,196,293	--	21,196,293	21,196,293	--	21,196,293	21,196,293	--	21,196,293
Altai Koks	18,477,302	--	18,477,302	18,477,302	--	18,477,302	18,477,302	--	18,477,302
VIZ Steel	14,754,878	--	14,754,878	14,754,878	--	14,754,878	14,754,878	--	14,754,878
Uralvtorchmet	12,901,320	(12,459,329)	441,991	12,901,320	(11,225,918)	1,675,402	12,901,320	(11,225,918)	1,675,402
NLMK Metalware	4,196,960	--	4,196,960	4,196,960	--	4,196,960	4,196,960	--	4,196,960
Zhernovsky-1 Mining & Concentration Complex	2,772,287	(265,355)	2,506,932	2,772,287	--	2,772,287	2,772,287	--	2,772,287
Usinsky-3 Mining & Concentration Complex	-	-	-	1,624,717	(1,601,210)	23,507	1,624,717	--	1,624,717
Loans granted	48,264	--	48,264	40,131	--	40,131	15,971	--	15,971
Other financial investments	449,911	(449,911)	--	450,549	(450,549)	--	435,963	(434,513)	1,450
Short-term financial investments - total	10,606,000	(1,000)	10,605,000	9,482,811	(1,000)	9,481,811	2,498,606	(1,000)	2,497,606
Loans granted	62,580	(1,000)	61,580	12,926	(1,000)	11,926	2,497,950	(1,000)	2,496,950
of which:									
NLMK Kaluga	-	-	-	--	--	--	2,489,342	--	2,489,342
Deposits	10,543,420	--	10,543,420	9,469,885	--	9,469,885	656	--	656
Total	244,443,396	(64,163,595)	180,279,801	219,101,985	(51,396,677)	167,705,308	191,968,236	(11,661,431)	180,306,805

As of 31.12.2020, 31.12.2019 and 31.12.2018 there were no financial investments for which the current market value was to be determined.



Financial investments flow

In April 2020, Usinsky-3 Mining & Concentration Complex Usinsky-3 was liquidated, the cost of the retired financial asset is RUB 1,624,717,000. Due to the retirement of financial asset Usinsky-3 Mining & Concentration Complex Usinsky-3, the earlier accrued provision in the amount of RUB 1,601,210,000 was recovered.

In July, Novolipetsk Printing House was liquidated, the cost of the retired financial asset is RUB 36,556,000. Due to the retirement of financial asset Novolipetsk Printing House, the earlier accrued provision in the amount of RUB 36,556,000 was recovered.

In order to increase net assets of LLC NLMK Overseas Holdings the Company in 2020 made a contribution into its assets in cash in the amount of RUB 14,871,000,000 by offsetting the Company's cash claims under the interest-free loans granted in the amount of RUB 11,001,000,000 (in 2019: a contribution into the assets by offsetting the Company's cash claims under the interest-free loans granted in the amount of RUB 20,000,000,000) recognizing it as financial investments in accordance with clause 7 of RAS 1/2008 "Accounting Policy of an Organization".

The Company granted loans to its related parties.

Impairment of financial investments

Based on the results of an impairment test for investments in NLMK Overseas Holdings LLC, a reserve provision in the amount RUR, 12,870,000 thousand was accrued in the reporting year.

In Uralvtorchermet in the amount of RUR 1,233,411,000, in Zhernovsky-1 Mining & Concentration Complex Zhernovsky-1 in the amount of RUR 265,355,000.



Income from financial investments

Description	Income, RUB k	
	For 2020	For 2019
Income from short-term deposits (from 3 months up to 1 year)	101,191	227,510
Dividends from subsidiaries	48,980,386	72,099,211
Interests on loans granted	3,988	13,229
Total	49,085,565	72,339,950

3. 4 INVENTORIES

Structure of inventories

Type of stock	As of 31.12.2020			As of 31.12.2019			As of 31.12.2018		
	Production costs	Provisions for inventory impairment	Balance valuation	Production costs	Provisions for inventory impairment	Balance valuation	Production costs	Provisions for inventory impairment	Balance valuation
Raw and other materials, other similar valuables	28,456,170	(1,908,513)	26,547,657	30,949,980	(1,909,124)	29,040,856	31,278,579	(1,981,883)	29,296,696
WIP costs	13,430,094	(346,073)	13,084,021	11,181,845	(358,371)	10,823,474	11,277,562	(277,791)	10,999,771
Finished products and goods for reselling	8,553,718	--	8,553,718	8,208,828	--	8,208,828	8,367,664	--	8,367,664
Goods shipped	8,841,876	--	8,841,876	7,439,395	--	7,439,395	12,269,445	--	12,269,445
Deferred expenses	231,997	--	231,997	163,232	--	163,232	177,871	--	177,871
Total	59,513,855	(2,254,586)	57,259,269	57,943,280	(2,267,495)	55,675,785	63,371,121	(2,259,674)	61,111,447

Inventories to be sold to buyers instead of further processing are accounted in finished products.



3. 5 ACCOUNTS RECEIVABLE AND PAYABLE

3. 5. 1 Accounts Receivable

Structure of accounts receivable

(RUB k)

Type of debt	As of 31.12.2020			As of 31.12.2019			As of 31.12.2018		
	Accounted as per the Contract terms	Bad debt provision	Balance valuation	Accounted as per the Contract terms	Bad debt provision	Balance valuation	Accounted as per the Contract terms	Bad debt provision	Balance valuation
Long-term accounts receivable - total	12,101,872	--	12,101,872	60,988,431	--	60,988,431	5,598,831	--	5,598,831
including:									
settlements with buyers and customers	--	--	--	--	--	--	--	--	--
advance payments made ¹ - total	198,000	--	198,000	1,400,653	--	1,400,653	716,043	--	716,043
including:									
under current operations	103,481	--	103,481	77,664	--	77,664	79,796	--	79,796
for non-current assets ³	94,519	--	94,519	1,322,989	--	1,322,989	636,247	--	636,247
other	11,903,872	--	11,903,872	59,587,778	--	59,587,778	4,882,788	--	4,882,788
Short- term accounts receivable - total	83,802,923	(9,076,373)	74,726,550	64,729,561	(8,438,509)	56,291,052	136,396,105	(8,617,504)	127,778,601
including:									
settlements with buyers and customers	13,952,510	(193,290)	13,759,220	13,189,398	(169,846)	13,019,552	8,662,779	(396,393)	8,266,386
advance payments made - total	12,202,196	(594,771)	11,607,425	8,754,720	(142,353)	8,612,367	9,941,378	(177,281)	9,764,097
including:									
under current operations	3,979,338	(593,453)	3,385,885	2,512,790	(141,035)	2,371,755	3,532,430	(175,963)	3,356,467
for non-current assets ³	8,222,858	(1,318)	8,221,540	6,241,930	(1,318)	6,240,612	6,408,948	(1,318)	6,407,630
other	57,648,217	(8,288,312) ²	49,359,905	42,785,443	(8,126,310) ²	34,659,133	117,791,948	(8,043,830) ²	109,748,118
Total	95,904,795	(9,076,373)	86,828,422	125,717,992	(8,438,509)	117,279,483	141,994,936	(8,617,504)	133,377,432

¹ Here and hereafter the advance payments made are shown VAT included.

² There were no significant changes in the structure and composition of the provisions. Including the provision for Stalkonstruktziya Concern in the amount of RUB 2,046,892,000, to N. Maksimov in the amount of RUB 5,583,697,000.

³ Advance payments, given for the purposes of capital construction, purchase of fixed assets and other non-current assets, reflected in line 1190 "Other non-current assets" of the balance sheet.



Other debtors

(RUB k)

Type of debt	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Other long-term receivables– total	11,903,872	59,587,778	4,882,788
including:			
settlements with personnel on other operations	217,012	257,209	296,044
interest-free loans granted	3,113,758	48,003,296	2,400,492
interest-free loan to NLMK Overseas Holdings LLC	--	45,736,659 ³	--
interest on long-term financial investments	8,573,102 ²	11,327,273 ²	2,186,252
Other short-term receivables- total	49,359,905	34,659,133	109,748,118
including:			
interest-free loans granted	476,186	1,923,308	66,961,937
of which			
interest-free loan to NLMK Overseas Holdings LLC	32,483,381 ³	--	64,636,685
received non-interest bearing notes	1,300,862	1,822,526	1,766,000
settlements on interest accrued	1,976,378	167,459	10,266,086 ¹
calculations of assignment of claims	--	--	9,594,590
including:			
debt related to claim assignment transactions			
NLMK Overseas Holdings LLC	--	--	9,594,590
settlements with budget and off-budget funds in terms of taxes and duties	25,525	43,310	39,545
budget settlements on VAT	5,883,978	5,762,672	6,872,621
settlements with customs	333,429	321,288	483,163
claim settlements	201,728	133,519	153,754
settlements with CTG participants	1,468,309	238,902	1,092,704
settlements related to reimbursable services	36,772	31,913	33,178
lease settlements	83,288	15,942	36,746
settlements with personnel on salaries and other operations	11,944	6,723	2,390
settlements with reporting persons	18,165	60,324	20,578
settlements related to dividends	--	22,155,942	5,550,034
interest-free loans granted (cash pooling)	4,554,889	1,776,782	6,615,627
other	505,071	198,523	259,165
Total	61,263,777	94,246,911	114,630,906

¹ Including the interest on NLMK Ural's loan as of 31.12.2018 in the amount of RUB 10,181,855,000 maturing in 2019.

² Including the interest on NLMK Ural's long-term loan as of 31.12.2019 in the amount of RUB 8,483,517,000 maturing on 31.12.2022 (as of 31.12.2019 in the amount of RUB 10,181,855,000 maturing in 2022, 1,145,380 maturing in 2021).

³ Interest-free loan as of 31.12.2020 maturing on 31.12.2021, (as of 31.12.2019 maturing on 31.12.2021).



Overdue accounts receivable

Type of debt	(RUB k)					
	As of 31.12.2020		As of 31.12.2019		As of 31.12.2018	
	Accounted for by the Contract terms	Book value	Accounted for by the Contract terms	Book value	Accounted for by the Contract terms	Book value
Total	3,307,793	1,863,327	2,481,211	1,674,609	2,407,029	1,421,432
including:						
settlements with buyers and customers	915,518	722,228	1,277,607	1,107,761	1,256,149	859,756
advance payments made - total	1,543,518	950,065	574,710	433,675	566,669	390,706
including:						
under current operations	1,543,518	950,065	574,710	433,675	566,669	390,706
other	848,757	191,034	628,894	133,173	584,211	170,970

3. 5. 2 Accounts payable

Structure of accounts payable

Type of debt	(RUB k)		
	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Long-term accounts payable - total	--	385,320	15,510
including:			
settlements with suppliers and contractors	--	385,320	15,510
Short-term accounts payable - total	100,325,861	86,497,982	118,357,751
including:			
advances received ¹	48,468,030	31,556,300	45,586,665
suppliers and contractors	37,913,965	31,356,508	32,537,043
settlements related to payables to employees	1,027,276	962,781	834,152
settlements related to taxes and duties	3,676,872	1,777,048	1,986,221
settlements related to debt to state off-budget funds	665,696	655,058	615,138
debt to shareholders in terms of dividends	7,862,227	19,666,723	36,475,355
other	711,795	523,564	323,177
Total	100,325,861	86,883,302	118,373,261

¹ Hereinafter advance payments received from buyers and customers are indicated net of VAT to be paid to the budget.



Overdue accounts payable

(RUB k)

Description	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Total	7,190,579	6,226,536	7,419,724
including:			
settlements with suppliers and contractors	7,108,975	5,454,612	4,328,335
advance payments received	39,250	716,298	3,060,404
other	42,354	55,626	30,985

3. 6 CASH AND CASH EQUIVALENTS

(RUB k)

Description	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Settlement accounts	1,325,552	478,934	2,869,096
Currency accounts	21,293,916	14,948,889	17,510,928
Deposits (up to 3 months)	23,871,338	11,203,786	39,954,627
Other cash equivalents	968,110	5,191	5,084
of which: financial documents	155	191	52
Total	47,458,916	26,636,800	60,339,735

Other income and payments from current operations

(RUB k)

Description	For 2020	For 2019
Other income from current operations	1,426,375	1,447,510
Income from litigation, claims	547,892	607,295
Interest on cash equivalents	213,950	363,027
Remuneration under the program of Depository Receipts	198,769	169,143
Purchase - sale of currency	301,700	--
Other income	164,064	308,045



Accounting
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statement
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Description	End	
	For 2020	For 2019
Other payments under the current operations	(10,225,281)	(10,167,129)
Tax payments	(6,498,130)	(7,626,361)
<i>Including VAT</i>	<i>(4,911,932)</i>	<i>(6,091,005)</i>
Other settlements with personnel	(888,324)	(901,270)
Settlements with various creditors	(120,054)	(337,171)
Settlements related to claims	(649,068)	(691,442)
Charity expenses	(565,935)	(273,359)
Settlements with the pension fund	--	(85,833)
Purchase - sale of currency	(1,422,866)	(197,162)
Other remittance	(80,904)	(54,531)

Within the cash flows of current operations under line 4124 "Corporate income tax", CTG participants' cash transfers to the Company as well as CGT income tax payments to the budget have been shown in summarized form.

Other inpayments from investment activities

Description	(RUB k)	
	For 2020	For 2019
Other payments on investment activities	(874,258)	(10,677,957)
Placement of deposits for a period of over 3 months and up to one year	,(61,119,611)	(57,156,471)
Refund of deposits from over 3 months to one year	60,388,183	46,590,471
Other payments on investment activities	(142,831)	(111,957)

As part of other payments under financial transactions, there is reflection of cash flow for the transfer of tax withheld when paying dividends in the amount of RUB 5,107,316 thou. (in 2019 - RUB 5,832,550 thou.).



Accounting
(Financial)
statement
for 2020

Cash flows with Subsidiaries and Affiliates (including VAT)

(RUB k)

Description	Inflow		Payments	
	For 2020	For 2019	For 2020	For 2019
Cash flow from current operations	248,547,963	206,560,874	(175,906,552)	(159,016,858)
Subsidiarys	16,301,199	15,781,524	(174,909,862)	(158,622,747)
Other companies ¹	232,246,764	190,779,350	(996,960)	(394,111)
of which:				
NLMK Trading SA	232,241,959	190,774,184	(996,960)	(294,795)
Cash flow from investment operations	72,005,750	72,835,139	(19,192,070)	(4,124,018)
Subsidiaries ³	72,005,750	72,835,139	(19,192,070) ²	(4,124,018)
Cash flow from financial operations	30,819,672	22,382,637	(17,246,710)	(1,760,622)
Subsidiarys	2,487,494	22,382,637	(509,999)	--
Other companies ¹	28,332,179	--	(16,736,711)	(1,760,622)
Total	351,373,386	301,778,650	(212,345,332)	(164,901,498)

¹ Cash flows of NLMK Trading SA, Novexco (Cyprus) Limited, NLMK DanSteel A/S.

² Including a contribution to the property of LLC NLMK Overseas Holdings LLC in order to increase net assets in the amount of RUB 14,871,000,000 reflected under line 4222 "related to acquisition of stock (shares) in other companies" of the Cash Flow Statement.

³ Receipt and granting of loans in the framework of cash pooling were reflected in summarized form.

3. 7 CAPITAL AND DIVIDENDS

(RUB k)

Description	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Authorized capital	5,993,227	5,993,227	5,993,227
Reserve capital	299,661	299,661	299,661
Paid in capital– total	4,031,261	4,047,584	4,062,599
including:			
revaluation of fixed assets	3,259,484	3,275,807	3,290,822
other sources	771,777	771,777	771,777
Retained profit (loss)	245,414,209	289,131,900	325,751,607
Total	255,738,358	299,472,372	336,107,094



Company's shares

As of 31.12.2020 the authorized capital is paid up in full and consists of 5,993,227,240 common shares at par value 1 ruble each.

Shareholders holding more than 5% of the nominal capital

Description	Share, %		
	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
FLETCHER GROUP HOLDINGS LIMITED	79.25	81	84

Other free-floating shares (including: global depository shares traded on London Stock Exchange (Deutsche Bank Trust Company Americas is NLMK's depository bank) and shares traded on Moscow Stock Exchange.

Earnings per share

Description	For 2020	For 2019
Net profit for the reporting period, RUB k	61,125,114	83,420,072
Weighted average number of outstanding common shares, pcs.	5,993,227,240	5,993,227,240
Basic profit (loss) per share, RUB	10.20	13.92

Diluted profit per share was not calculated due to absence of factors, having the diluting effect on the basic profit per share indicator.

Dividends

The Annual General Shareholders' Meeting held on 29.05.2020 approved payment of dividends in the amount of RUB 17.36 per common stock upon 2019 performance results that made in total RUB 104,042,556,000 with account of interim dividends of RUB 85,343,556,000 accrued in 2019.

In 2020 the following interim dividends were declared: 3.21 ruble per common stock for Q1 which made RUB 19,238,259,000; 4.75 ruble per common stock for H1 which made RUB 28,47,829 thou.; 6.43 ruble per common stock for 9 months which made RUB 38,536,450 thou.

As of 31.12.2020 the dividends for 2019, Q1 and H1 of 2020, accrued to the main company running business, are paid in full.

Detailed information on the dividend structure and dividend policy is published on the Company's web-site (<http://www.nlmk.com>)



3. 8 CREDITS AND LOANS

Structure of credits and loans

(RUB k)			
Type of liabilities	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Long-term liabilities– total	152,793,410	105,703,843	84,066,622
including:			
loans	125,588,690	105,703,843	84,066,622
credits	27,204,720	--	--
Short-term liabilities– total	43,916,850	30,406,203	21,823,828
including:			
loans	11,899,989	814,132	12,763,225
of which:			
NLMK Trading SA	11,236,646	--	--
Loans under cash-pooling agreement	32,014,750	29,497,258	7,099,572
of which:			
Stoilensky	24,739,612	22,081,120	2,426,330
Altai Koks	3,189,836	1,453,136	--
NLMK Trade House	1,422,305	99,552	107,872
NLMK Kaluga	647,373	2,745,339	--
Novolipetsk Steel Service Center	600,000	382,712	289,879
SMT NLMK	428,906	312,476	266,334
credits	2,111	94,813	1,961,031
Total	196,710,260	136,110,046	105,890,450

Bank credits

As of 31.12.2020, 31.12.2019 and 31.12.2018 the Company signed agreements with ALFA-BANK, Sberbank and VTB Bank on the opening of the credit facilities with the limit not exceeding RUB 85,000,000,000, for working capital financing and for other corporate purposes. Unused credit limit for all the credit facility agreements makes RUB 57,795,280,000.

Bank credits

(RUB k)				
Lender description	Maturity	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Deutsche Bank AG ¹	2019	--	--	1,960,905
ALFA-BANK	2022	27,206,831	--	--
Other credit institutions	2020	--	94,813	126
Total bank credits, incl. interest accrued		27,206,831	94,813	1,961,031
including:				
with maturity up to 1 year, incl. current portion of long-term credits		2,111	94,813	1,961,031

¹ This loan was obtained from a syndicate of banks, the agent bank is specified as the creditor here.



Loans

	(RUB k)		
Lender name	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Steel Funding DAC (Eurobonds) ²	126,252,032 ²	105,795,552 ²	94,104,684 ²
Subsidiaries and other related parties	11,236,647	722,423	2,725,163
of which: interest-free loans	--	150,000	150,000
Loans under cash-pooling	32,014,750 ¹	29,497,258 ¹	7,099,572 ¹
of which: interest-free loans	30,806,250	25,246,398	5,922,538
Total loans, incl. interest accrued	169,503,429	136,015,233	103,929,419
including:			
with maturity up to 1 year, incl. current portion of long-term loans	43,914,739	30,311,390	19,862,797

¹ Including the interest accrued.

² As of 31.12.2020 three issues of Eurobonds due in 2023-2026. The rest of the debt is a short-term debt.

Detailed information on the structure and terms and conditions of the debt portfolio is published on the Company's web-site (<http://www.lipetsk.nlmk.com>)

3. 9 ESTIMATED LIABILITIES

	(RUB k)		
Name of the estimated liability	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Estimated liabilities - total	4,668,379	3,870,986	7,089,626
including:			
on upcoming expenses for vacations	1,917,835	1,667,478	1,536,035
on upcoming expenses for bonuses	2,420,994	1,904,749	5,239,128
on unsettled court proceedings and claims	329,550	298,759	314,463

3. 10 INCOME AND EXPENSES

3. 10. 1 Income and expenses from ordinary activities

Income from ordinary activities

	(RUB k)	
Description	For 2020	For 2019
Revenue from sales of products (services) outside the RF	228,197,950	217,814,677
Revenue from sales in the RF	208,881,156	204,001,644
Total	437,079,106	421,816,321



Expenses for production

(RUB k)

Description	For 2020		For 2019	
	Income	Expenses	Income	Expenses
Material expenses - total		319,928,307		303,071,463
including: raw and other materials		223,499,492		208,202,825
fuel, energy		57,088,776		56,913,336
work and services rendered by third parties ¹		39,340,039		37,955,302
Labour costs		25,449,708		22,717,625
Social allocations		7,656,094		7,583,720
Depreciation		16,297,423		13,983,065
Other costs		12,665,125		9,386,301
Total by components		381,996,657		356,742,174
Balance change (increase [-], decrease [+]): construction in progress, semi-finished products, finished products		-4,353,185		4,431,141
Total expenses on ordinary activities		377,643,472		361,173,315
<i>For reference: Expenses for capital and routine repair</i>		<i>15,525,815</i>		<i>16,435,159</i>

¹Including expenses related to the sale of products in the amount of RUB 30,089,305 thou. (over 2019– RUB 27,879,910 thou.).

3. 10. 2 Other income and expenses

Other income and expense

(RUB k)

Description	For 2020		For 2019	
	Income	Expenses	Income	Expenses
Sale of foreign currency	5,262,236	6,382,322	3,200,162	3,381,428
including:				
swap transactions	--	1,421,786	--	--
Exchange rate difference	--	18,143,952	6,327,099	--
The right of claim assignment	9,169,673	9,136,061	13,660,496	13,653,928
Valuation reserves	64,863	15,062,671	286,739	39,858,270
Transactions with securities	--	60,063	23,911	19,308
Sales of inventories	2,003,160	1,664,739	2,000,124	1,708,838
Profit and loss of previous years	333,584	1,128,201	114,344	325,113
Expenses on credits	--	584,249	--	328,719
Retirement of fixed assets, capital investments	1,035,623	1,072,572	406,811	142,613
Writing-off of inventories, tare, inventories from repairs	1,071,072	304,526	1,658,454	487,323
Other expenses over the Group of Companies	--	77,490	--	203,129
Charity expenses	--	855,348	--	276,412
Other	1,457,114	1,451,647	795,916	953,133
Total	20,397,324	55,923,841	28,474,056	61,338,214



3. 11 CURRENT INCOME TAX FORMATION

Calculation of profit tax according to the requirements of RAS 18/02

Description	(RUB k)	
	For 2020	For 2019
Book profit (loss) before tax	67,106,712	95,797,959
Contingent expenses (income) for income tax (according to accounting data)	13,421,343	19,159,592
Deferred income tax	50,658	(409,420)
Permanent tax expenses (income)	(7,110,384)	(6,228,901)
Current profit tax ¹	6,361,617	12,521,271
Taxable profit (according to the tax accounting data)	31,808,083	62,606,356
Permanent difference leading to the taxable profit increase according to the tax accounting data	15,136,579	--
Permanent difference leading to taxable profit decrease according to the tax accounting data	(50,688,500)	(43,775,638)
Taxable temporary differences	(6,046,898)	(154,780)
Deductible temporary differences	6,300,190	8,042,342

¹Income tax rate - 20%

Calculation of the taxation base with reference to the profit tax does not include profits in the form of dividends from participation in authorized capitals.

Taxable temporary differences are associated with differences in recognition in accounting and taxation of initial appraisal of property to be depreciated, accumulated depreciation, depreciation premium, appraisal of construction-in-progress, WIP, semi-finished products and materials produced in-house, finished products.

The Deductible temporary differences are die to differences in recognition in accounting and taxation of deferred expenses, losses from servicing facilities and companies, losses from sale of depreciated property, estimated liability. In 2020, deferred tax assets for provisions for inventory impairment and for doubtful debts were recognized.

Expenses not used for taxation purposes are mainly related to the accrual of impairment of financial investments.

3. 12 INFORMATION BY SEGMENTS

The Company discloses information on a single segment based on the type of activity.

Indicator	Segment		Not distributed		Company as a whole	
	2020	2019	2020	2019	2020	2019
Sales revenue, RUB k	435,284,110	418,999,111	1,794,996	2,817,210	437,079,106	421,816,321
Share of sales revenue in total proceeds, %	99.59	99.33	0.41	0.67	100.00	100.00
Total production cost, RUB k	376,699,922	359,088,130	943,550	2,085,185	377,643,472	361,173,315
Sales profit (loss), RUB k	58,584,188	59,910,981	851,446	732,025	59,435,634	60,643,006
Share of profit in total profit, %	98.57	98.79	1.43	1.21	100.00	100.00



(RUB k)

Type of product	Sales revenue		Change
	for 2020	for 2019	
Pig iron	33,557,966	9,705,606	23,852,360
Slabs	156,221,709	169,814,242	(13,592,533)
Hot-rolled coils	98,685,882	90,688,176	7,997,706
Cold-rolled coils	57,217,698	59,740,497	(2,522,799)
Coated steel	62,921,168	61,137,598	1,783,570
Electrical Steel	20,050,793	20,283,245	(232,452)
Other by-products and energy resources	6,628,894	7,629,747	(1,000,853)
Total	435,284,110	418,999,111	16,284,999

In the reporting year the proceeds from sales to foreign customers accounted for 52.43 % (51.98 % in 2019) of the total sales revenue in the segment.

In 2020 the share of the largest customer NLMK Trading SA (at least 10% of sales) amounted to 49.93 % (in 2019 – 48.40 %) of the Company's sales revenue in total (see Explanation 3.14.2)

3. 13 SECURITY OF LIABILITIES

(RUB k)

Description	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Received - total	3,743,552	5,037,995	4,379,463
including:			
Bank guarantees for advance payment return and payment guarantees	3,743,552	5,037,995	4,379,463
Granted sureties	124,946,058	76,720,020	72,259,568
including:			
Contribution liability of Steel Invest&Finance (Luxembourg) S.A. ¹	1,360,236	4,507,139	--

¹The Company is liable to provide a contribution of EUR 15,000,000 in 2021 (EUR 65,000,000 in 2020-2021) under the contract between the Company, Steel Invest & Finance (Luxembourg) S. A. and the Belgian investment fund SOGEPA for effecting additional contributions to the authorized capital of NLMK Belgium Holdings.

As of 31.12.2020, 31.12.2019, 31.12.2018 the Company has liabilities under the surety agreements (RUB 123,230,163,000, RUB 76,289,420,000, and RUB 71,491,738,000 accordingly) issued against related parties loans. The liabilities in accordance with the terms and conditions of the agreements will remain valid until 2030 and will cease to exist pro rata the repayment of the loans by the related parties.



3. 14 INFORMATION ON RELATED PARTIES

3. 14. 1 The list of related parties¹

The list of related parties includes the affiliates of the Company¹ in accordance with the RF legislation as well as related parties acting on other grounds.

The main business entity owning 79.25 % of the Company's stock is FLETCHER GROUP HOLDINGS LIMITED.

The Beneficiary of the above companies in accordance with definition of this notion by the Russian legislation is Mr. Vladimir Lisin.

There are no predominant (participating) business entities.

In addition to those listed in this disclosure, the related ones are the members of the Board of Directors and the Management Board, disclosed in the General Information.

List of NLMK's subsidiaries and affiliates as of 31.12.2020:

Description	Stake in authorized capital as of 31.12.2020, %	Description	Stake in authorized capital as of 31.12.2020, %
VIZ-Steel	100	NLMK Overseas Holdings	100
NLMK Communications	100	NLMK Trade House	100
Vtorchermet NLMK	100	Construction and Erection Trust NLMK	100
Stagdok	100	Stoilensky	100
Dolomit	100	NLMK Long Products	100
Uralvtorchermet	100	Novolipetsk Steel Service Center	100
NLMK-Metalware	100	Hotel Complex "Metallurg"	100
NLMK Kaluga	100	NLMK Engineering	100
Mining & Concentration Complex Zhernovsky-1	100	NLMK Ural	92.59
Altai Koks	100	Neptune	25.00
NLMK Information Technologies	100		

All the companies specified are registered in the Russian Federation.

Operations with the affiliate Neptune are insignificant and are not disclosed in the reporting and comparative period.

¹ The complete list of the Company's affiliates is subject to mandatory disclosure by the Issuer of issue-grade securities and is published on NLMK's web-site (<http://www.nlmk.com>).



Other related parties

Other related parties include entities belonging to the same group as the Company does, as well as organizations and their subsidiaries, which are significantly influenced by the members of the Company's Board of Directors and/or the Company's management by way of voting interest ownership / participation in management.

Other related parties with whom the Company had operations in the reporting year and/or in regards of which there are balances under settlements of operations not completed on the reporting date

Freight One	PO TatVtorchermet
Universalny Expeditor	JSC "Vtorchermet"
Tuapse Sea Trade Port	JSC ChuvashVtormet
Taganrog Sea Trade Port	Vtorchermet NLMK Center
Saint-Petersburg Sea Port	Vtorchermet NLMK North
UNIVERSAL FORWARDING COMPANY (UFC) LIMITED	Vtorchermet NLMK Siberia
Novexco (Cyprus) Limited ¹	Vtorchermet NLMK Western Siberia
NLMK Trading SA ¹	Vtorchermet NLMK Ural
NLMK DanSteel A/S ¹	Vtorchermet NLMK Black Belt Region
NLMK Pennsylvania LLC ¹	Vtorchermet NLMK South
Steel Funding DAC	Vtorchermet NLMK East
VIZ-Broker	Vtorchermet NLMK Perm
NLMK - Ural Service	Vtorchermet NLMK West
Railcar Repair Company "Gryazi"	Vtorchermet NLMK Republic
InServicePlus	Vtorchermet NLMK Povolzhie
Gazobeton 48 ¹	Vtorchermet NLMK Bashkortostan
NLMK Verona SpA	Vtorchermet NLMK Volga
NLMK Belgium Holdings S.A.	NLMK Plate Sales S.A.
NLMK Indiana LLC	NLMK La Louvière S.A.
NLMK India Service Centre Pvt Ltd	NLMK Sales Europe S.A.
Social Security Charity Fund "Miloserdiye"	NLMK Clabecq S.A.
Verkh-Issetsky Steel Plant	Novolipetsk Medical Centre Association
Blinovskoye	SC Lipetsk Metallurg
Lisya Nora	Pride Media
Ural Health-Center Nizhnie Sergi	NLMK International B.V. ¹
Association of ferrous metallurgy enterprises "Russian Steel"	Corporate Solutions Centre
Advocate Bureau "Reznik, Gagarin & Partners", Moscow	NLMK India Coating Pvt Ltd
Steel Invest & Finance (Luxembourg) S.A.	NLMK Strasbourg

¹Other affiliates controlled by Novolipetsk Steel through NLMK Overseas Holdings



3. 14. 2 Operations with related parties

Operations related to individual companies are disclosed for the period of their actual inclusion into the list of related parties including VAT.

The Company makes transactions with the related parties in line with market principles.

Sales to related parties

(RUB k)

Description	For 2020					For 2019				
	Total	Products, commodities	Inventories	Services	Rent	Total	Products, commodities	Inventories	Services	Rent
Subsidiary companies	16,538,692	15,003,084	838,395	676,690	20,523	15,146,468	13,971,688	586,710	559,204	28,866
of which:										
LLC VIZ-Steel	7,934,728	7,864,972	18,030	51,726	--	7,884,953	7,850,314	1,755	32,884	--
Novolipetsk Steel Service Center	3,227,731	3,194,871	16,740	10,395	5,725	4,328,502	4,254,079	36,341	25,347	12,735
NLMK Trade House	3,226,324	3,214,967	1,995	8,500	862	498,279	494,777	489	2,261	752
Other related parties	219,776,110	219,044,922	7,380	679,029	44,779	205,305,563	205,001,093	8,743	256,908	38,819
of which:										
NLMK Trading SA	218,336,576	218,261,562	--	75,014	--	204,177,163	204,148,188	--	28,975	--
Total	236,314,802	234,048,006	845,775	1,355,719	65,302	220,452,031	218,972,781	595,453	816,112	67,685

Purchases from other related parties

(RUB k)

Description	For 2020				For 2019			
	Total	Inventories	Services	Rent	Total	Inventories	Services	Rent
Subsidiary companies	183,130,653	177,169,518	5,950,131	11,004	162,341,960	156,688,940	5,642,799	10,221
of which:								
Altai Koks	36,841,163	36,840,972	--	191	39,274,837	39,274,646	--	191
Stoilensky	111,021,571	111,021,401	--	170	94,044,024	94,043,824	--	200
Vtorchermet NLMK	26,875,164	26,875,164	--	--	21,270,732	21,270,732	--	--
Other related parties	26,236,772	813,509	25,094,358	328,905	23,439,610	726,898	22,371,316	341,396
of which:								
Freight One	20,545,571	--	20,216,866	328,705	19,469,632	290,051	18,838,183	341,396
Total	209,367,425	177,983,027	31,044,489	339,909	185,781,570	157,415,838	28,014,115	351,617



Accounts receivable

(RUB k)

Description	As of 31.12.2020			As of 31.12.2019			As of 31.12.2018		
	Debt	Bad debt provision	Balance valuation	Debt	Bad debt provision	Balance valuation	Debt	Bad debt provision	Balance valuation
Subsidiaries	12,616,669	(64,107)	12,552,562	35,451,349	(42,309)	35,409,040	29,535,768	(175,060)	29,360,708
of which:									
NLMK-Ural	10,517,204	(13,073)	10,504,131	11,376,449	(23,215)	11,353,234	12,385,445	(30,434)	12,355,011
NLMK Overseas Holdings LLC	--	--	--	--	--	--	9,594,626	--	9,594,626
Stoilensky GOK GOK	128,560	(16,414)	112,145	20,098,892	(4,819)	20,094,073	5,189,590	(106,263)	5,083,327
Other related parties	2,710,235	(277,036)	2,433,199	1,647,721	(86,317)	1,561,404	1,927,250	(76,523)	1,850,727
of which:									
Freight One	1,652,039	--	1,652,039	1,423,895	(84,029)	1,339,866	1,821,481	(64,999)	1,756,482
Total	15,326,904	(341,143)	14,985,761	37,099,070	(128,626)	36,970,444	31,463,018	(251,583)	31,211,435

Accounts payable

(RUB k)

Description	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Subsidiaries	15,487,965	11,014,524	11,280,261
of which:			
Stoilensky GOK	11,706,721	6,858,162	6,500,365
Altai-Koks	2,854,232	3,362,928	3,994,568
Other related parties	40,687,128	27,389,844	40,745,593
of which:			
NLMK Trading SA ¹	40,268,472	27,145,681	40,634,698
Total	56,175,093	38,404,368	52,025,854

¹Advance payments received



Dividends received from subsidiaries

(RUB k)

Description	For 2020		For 2019	
	Granted	Repaid	Granted	Repaid
Stoilensky GOK		60,033,260		50,018,987
Altai-Koks		4,477,590		--
VIZ-Steel		2,250,000		2,700,000
NLMK - Kaluga		2,000,000		2,000,000
Novolipetsk Steel Service Center		208,000		403,000
NLMK Engineering		400,368		75,113
Dolomit		145,279		165,202
NLMK-Metalware		200,000		--
Stagdok		15,166		--
Uralvtorchermet		1,250,000		--
Construction and Erection Trust NLMK		100,000		85,000
NLMK Trade House		--		37,000
NLMK Information Technologies		--		9,000
Total		71,079,663		55,493,302

Total amount of accrued dividends from subsidiaries is shown in cl. 3.3 of the Explanation.

Loans granted to related parties

In the reporting year the Company granted short-term and long-term loans, repayment of which is envisioned not later than by 2026:

(RUB k)

Description	As of 31.12.2020		For 2019	
	Granted	Repaid	Granted	Repaid
Subsidiaries	13,411,495	26,664,772	28,356,370	47,256,396
including:				
interest-free loans to NLMK Overseas Holdings LLC	13,411,495	26,664,772	28,356,370	47,256,396
Other related parties ¹	16,173	8,040	30,000	9,840
including:				
Blinovskoye	--	3,840	--	7,840
Total	13,427,668	26,672,812	28,386,370	47,266,236

¹Including long-term loans in the amount of RUB 16,173 thou. (in 2019- RUB 30,000 thou.), repaid – RUB 8,040 thou. (RUB 5,840 thou. in 2019).



Outstanding short-term and long term loans:

Borrower's name	(RUB k)		
	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Subsidiaries ¹	36,073,325	49,925,603	69,362,429
including:			
NLMK-Ural	1,666,638	2,265,638	2,802,438
NLMK Overseas Holdings	32,483,381	45,736,659	64,636,685
Vtorchermet NLMK	1,923,306	1,923,306	1,923,306
Other related parties ²	48,264	40,131	19,971
Total	36,121,589	49,965,734	69,382,400

¹ Including the interest-free loans to the subsidiaries as of 31.12.2020, 31.12.2019 and 31.12.2018 in the amount of RUB 36,073,325 thousand, RUB 49,925,603 thousand and RUB 69,362,428 thousand.

² Interest-bearing loans

The Company granted loans to the related parties under cash pooling agreement:

Borrower's name	(RUB k)			
	For 2020		For 2019	
	Granted	Repaid	Granted	Repaid
Subsidiaries ¹	89,110,465	86,906,239	76,290,757	84,141,204
including:				
NLMK-Ural	39,795,231	38,580,507	37,554,920	40,228,785
Vtorchermet NLMK	36,363,513	36,314,456	22,629,103	21,869,227
NLMK - Kaluga	237,428	237,428	3,914,373	6,403,715
Stoilensky GOK	--	--	--	2,781,383
NLMK-Metalware	6,166,619	5,889,692	3,952,428	3,952,428
Other related parties ²	1,215,615	1,192,080	911,889	914,513
Total ³	90,326,080	88,098,319	77,202,646	85,055,717

¹ Including interest-free-free loans for 2020 in the amount of RUB 88,807,626 thou. (in 2019 - RUB 72,332,695 thou.), repaid – RUB 86,653,054 thou. (RUB 77,704,717 thou. in 2019).

² Interest-free loans.

³ Repayment and provision of loans are shown in detail.



Outstanding loans granted under cash pooling agreement:

Borrower's name	(RUB k)		
	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
Subsidiaries	4,557,503	1,754,276	9,067,923
including:			
interest-free loans	4,496,931	1,743,358	6,578,581
Other related parties	57,958	34,424	37,048
including:			
interest-free loans	57,958	34,424	37,048
Total	4,615,461	1,788,700	9,104,971

Returns on loans:

Borrower's name	(RUB k)	
	for 2020	For 2019
Subsidiaries	1,540	10,718
Other related parties	2,214	2,163
Total	3,754	12,881

Loans granted by related parties

The Company received loans from subsidiaries and other related parties.

Lender name	(RUB k)			
	For 2020		For 2019	
	Received	Repaid	Received	Repaid
Subsidiaries	--	615,386	--	--
including:				
Uralvtorchermet	--	465,386	--	--
Construction and Erection Trust NLMK ¹	--	150,000		
Other related parties	28,332,179	16,854,155	--	1,859,735
including:				
NLMK Trading SA ¹	28,332,179	16,745,885	--	1,859,735
Total¹	28,332,179	17,469,541	--	1,859,735

¹ Interest-free loans

¹ Including the interest accrued. No interest-free loans were granted or repaid in 2020 and 2019.



Interest payable:

Lender name	(RUB k)	
	For 2020	For 2019
Subsidiaries	1,233	20,520
Other related parties	11,920	18,252
Total	13,153	38,772

In addition, the Company received loans from subsidiaries and other related parties under cash-pooling agreement. Outstanding loans received under the cash pooling agreement are disclosed in paragraph 3.8 of the Notes.

Lender name	For 2020		For 2019	
	Received	Repaid	Received	Repaid
Subsidiaries	221,946,070	219,606,612	198,607,578	176,405,739
including:				
Stoilensky GOK	118,980,358	116,321,866	121,909,084	102,254,294
NLMK - Kaluga	33,331,167	35,528,033	24,386,383	21,723,345
Altai-Koks	26,191,933	24,455,233	8,956,685	7,503,549
NLMK Trade House	15,616,931	14,294,179	4,412,674	4,420,993
VIZ-Steel	11,290,129	11,840,426	12,476,178	14,093,576
NLMK-Metalware	3,794,365	3,797,428	4,525,860	4,780,492
Other related parties	658,084	557,844	392,319	363,463
Total ¹	222,604,154	220,164,456	198,999,897	176,769,202

Including interest-free loans for 2020 in the amount of RUB 186,263,186 thou. (in 2019 - RUB 171,543,389 thou.), repaid – RUB 180,667,623 thou. (in 2019 – RUB 152,219,528 thousand), repayment and provision of loans are shown in detail.

Interest payable for loans received from subsidiaries under cash pooling agreement:

Lender name	(RUB k)	
	For 2020	For 2019
Subsidiaries	134,460	166,992
Total	134,460	166,992



Security of liabilities

The Company stood surety for subsidiaries and other related parties:

	(RUB k)		
Security granted by the Company	As of 31.12.2020	As of 31.12.2019	As of 31.12.2018
NLMK - Kaluga	--	279,189	667,144
VIZ-Steel	358,571	430,600	812,997
Stoilensky GOK	4,611,729	5,872,494	9,137,703
NLMK DanSteel A/S	6,895,793	5,637,077	7,364,511
NLMK Trading SA	85,750,040	36,783,570	19,891,501
VIZ-Broker	46,011	--	50,013
NLMK Pennsylvania LLC	3,193,697	7,247,402	12,826,077
NLMK-Metalware	--	--	11,248
Dolomit	--	--	37,461
NLMK Belgium Holdings S.A.	6,356,020	3,471,162	3,973,599
NLMK Plate Sales S.A.	4,940,955	4,884,130	7,948,875
NLMK Verona SpA	6,569,461	7,575,435	9,538,438
NLMK Strasbourg	1,245,759	--	--
NLMK La Louveiere SA	3,612,273	--	--
NLMK-Ural	5,513	31,822	--
Steel Invest & Finance (Luxembourg) S.A. (Explanation 3.13)	1,360,236	4,507,139	--
Total	124,946,058	76,720,020	72,259,567

Liabilities under the above securities are valid till 2030.

Operations with key management personnel

Members of the Board of Directors and the Management Board are the top management of the Company.

Conditions and procedure for payment of remuneration and reimbursement of expenses related to the execution of the Board of Directors member's functions, is provided for by NLMK's Regulations on the Board of Directors members' Remuneration ("Regulations") approved by the General Shareholders Meeting.

Terms and procedure of remuneration payment to the members of the Management Board are determined by the contract concluded with the members on the proposal of the Committee for Human Resources, Remuneration and Social Policy. Data for 2019 is adjusted with consideration of the actual payments in 2020.

	(RUB k)	
Description	For 2020	For 2019
Bonuses and salaries (without estimated liabilities for upcoming expenses for vacations)	530,736 ¹	534,219
Remunerations	167,846 ²	170,693
Other payments ³	1,770	9,185
Total	700,352	714,097

¹ Bonuses to the members of the Management Board in 2020 include liabilities on their payment based on a preliminary calculation upon the reporting year performance.

² Remuneration to the members of the Board of Directors in 2020 are determined on the basis of a preliminary calculation according to the Regulation.



3. 15 CONTINGENT LIABILITIES

In the ordinary course of business the Company participates in several legal proceedings acting as a claimant or a defendant. The Company's management believes that its liabilities, which may arise from these proceedings, cannot have a material adverse effect on financial status and performances.

Since the Company fulfils the requirements of regulatory authorities within the framework of environment protection and takes actions aimed at improvement of environmental situation in the region, at present there are no liabilities related to damage to the environment and its elimination.

The Russian tax law admits various interpretations and is subject to frequent changes. The Company's Management does not rule out some possible disputes with supervisory agencies on any transactions that took place in the reporting and previous periods, which could result in changes of performance results. Tax audits may cover three calendar years of business immediately preceding the year of audit. Earlier periods may be subject to auditing under certain circumstances. In the Company management's opinion, as of 31.12.2020 the respective legal regulations have been interpreted correctly by it, and the Company's position in terms of tax laws is going to be stable.

3. 16 EVENTS AFTER THE REPORTING DATE

There have been no material events after December 31, 2020 till the signing date of these statements subject to disclosure herein.

Manager, NLMK

by virtue of Power of Attorney No.505-20/8 dd. 09.01.2020

E. Morozova

10 February 2021