

Steel surface after precision measurement
of chemical composition by spectral method

Scale 1 : 50,000

ANNUAL REPORT
2021



NLMK

GROUP

nlmk.com

“WE FOSTER
INNOVATIVE-THINKING
AMONG EMPLOYEES
AND CREATE
OPPORTUNITIES FOR LEADERSHIP ”



ABOUT THE REPORT

Our approach to preparing reports

NLMK Group's 2021 Annual 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 2021 to 31 December 2021. [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 2021. [GRI 102-51](#)
[GRI 102-52](#)

Scope of reporting and standards [GRI 102-45](#)

Information about the Group's financial and business activities is disclosed in accordance with its 2021 IFRS consolidated financial statements.

Data relating to NLMK's operating activities and sustainability information are presented within the scope shown in the Scope of reporting table in the Appendix, unless otherwise indicated in the text of the Report.

Starting from 2018 the 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](#)

Since 2020, the company publishes its Climate Change section in line with TCFD (Taskforce on Climate-related Financial Disclosure) recommendations. New indicators are also provided in accordance with the SASB (Sustainability Accounting Standards Board) and WEF's Stakeholder Capitalism Metrics.

Concept

As a global steel company, NLMK Group attaches great importance to the global agenda of sustainable development and ESG transformation. This year, the company has prepared its Annual Report in accordance with its vision of innovative development: in each book, which are grouped

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, and CDP 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.

by ESG aspects, there are cases of innovative solutions aimed at solving such tasks as reducing the negative impact on the environment, digitalizing everyday operations in production and increasing the gender diversity of the company's top management.



CEO Statement 2

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CEO Statement

GRI 102-14



Grigory Fedorishin
NLMK Group CEO

Q&A with the CEO

Looking back, what's your take on 2021 for NLMK Group?

By 2021, we were implementing Strategy 2022 projects as planned despite the challenges of the previous two years, including the coronavirus pandemic. This enabled us to achieve synergies in a growing steel market. Thanks to high operating efficiency, the company delivered \$7.3 billion of EBITDA improving its EBITDA margin to 45%, which is higher than the industry average.

Our business model has proven effective and very flexible yet again. Vertical integration encompassing efficient iron ore production helped us confidently cope with the high price volatility in 2021. By leveraging our diversified geography of supply, we could quickly respond to changes in the market and to high demand in areas with the highest price levels, such as the USA and the EU.

Through consistent implementation of strategic projects, we grew NLMK's production by 9% in 2021. We also continued shaping the next phase of Strategy 2030, which should ensure the company's long-term sustainable growth.

What challenges did you face in 2021?

Despite the high price environment, 2021 was not an easy year. Challenges we faced included the introduction of export

duties on steel products, volatility in raw material markets, and the need for unscheduled maintenance to debottleneck the Lipetsk site given significant production growth. Strong teamwork helped us meet these challenges successfully.

We also had to be extra resilient in the context of the ongoing COVID-19 pandemic that caused supply chain disruptions, including with respect to investment projects. NLMK Group successfully overcame new outbreaks of disease and continued implementing programmes to aid its employees and the regions where it operates.

Another emerging outside influence to consider was the higher profile of the climate agenda: Europe and the US as well as the areas where we operate have set ambitious goals to reduce greenhouse gas emissions. NLMK Group takes a responsible attitude to climate change issues and is making honest efforts to bring emissions down by consistently reducing the carbon footprint of NLMK products. Between 2010 and 2021, the greenhouse gas emissions from the company's principal site in Lipetsk decreased by 9%.

We are not stopping there: at the end of the year, the company's Board of Directors approved a 2030 Climate Programme that aims at reducing specific emissions per tonne of steel by 10% with respect to the 2023 level. We have also developed a roadmap for the company to become carbon neutral by 2050 and entered into a number of partnerships to implement innovative decarbonization solutions.

How do you plan to support company growth in the medium term?

We are currently focused on executing Strategy 2022, and continue shaping the outline of projects for the new strategic phase at the same time. This will be a growth strategy that responds to the industry's primary challenges: decarbonization and tougher environmental requirements, the need to adjust the product portfolio to new customer requirements, maintaining the competitive advantage of low-cost steel production, and ensuring successful development in the face of deglobalization and protectionism.

One of the key projects will focus on the construction of a new mining and smelting facility that will produce hot-briquetted iron (HBI) at the Stoilensky mining and beneficiation site using a carbon-free technology which cuts CO₂ emissions in half compared to the conventional BF/BOF process. This manufacturing facility will be able to achieve complete carbon neutrality after the low-carbon hydrogen reduction technology is scaled to industrial-level production. The project will also consider the most stringent environmental requirements by leveraging the best available technologies to minimize its environmental impact.

What efforts is NLMK Group making to meet the ESG agenda?

Sustainable development issues are incorporated into the overall development strategy and are an integral part of our business.

This enables the company, a UN Global Compact participant, to contribute to achieving sustainable development goals.

The company's primary focus in this area is to minimize its environmental impact and to improve production safety; although NLMK Group finds other aspects of the ESG agenda important, too. We disclose our relevant performance metrics in the appropriate sections of our Annual Report.

Our efforts are evidenced by the improvement of the company's standing in leading global agencies' sustainability ratings. According to the FTSE4Good Index, NLMK Group outperforms 97% of companies in the steelmaking sector in terms of sustainable practices. In 2021, NLMK Group was awarded a high rating of B- by Carbon Disclosure Project (CDP), a leading international organization that rates corporations based on their environmental sustainability. The company was also rated among the Top 3 for environmental transparency by the World Wildlife Fund. The World Steel Association (worldsteel) recognized NLMK Group as a Sustainability Champion.

STRATEGIC REVIEW

NLMK

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Steel surface after precision measurement
of chemical composition by spectral method

Scale 1 : 50,000

Business review

Key performance indicators 2021

OPERATING INDICATORS

	PRODUCTION	SALES
Iron ore	20.0 _{mt} (+8% year-on-year)	0.7 _{mt} (-16% year-on-year)
Flat steel	10.2 _{mt} (-1% year-on-year)	8.5 _{mt} (+4% year-on-year)
Long steel	2.7 _{mt} (+16% year-on-year)	2.7 _{mt} (+16% year-on-year)



FINANCIAL PERFORMANCE

GRI 102-7



¹ Dividends accrued. For 2021, the 9M 2021 dividends are presented. The payment of Q4 2021 dividends will be considered by the Board of Directors in June 2022 as part of recommendations for the Annual Meeting of Shareholders.

About the company

GRI 102-1

NLMK Group is the largest steelmaker in Russia and one of the top 20 global steel producers. The Group employs a vertically integrated business model from mining and primary steelmaking to finished downstream manufacturing to service and distribution, and has 20 production facilities in Russia, Europe, the US and India. NLMK Group's steelmaking capacity stands at 18.7 million tonnes per year. [GRI 102-4](#)

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

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

Thanks to the self-sufficiency in key raw materials and energy coupled with world-class technologies used throughout the production cycle, NLMK has managed to become one of the most efficient steelmakers globally.

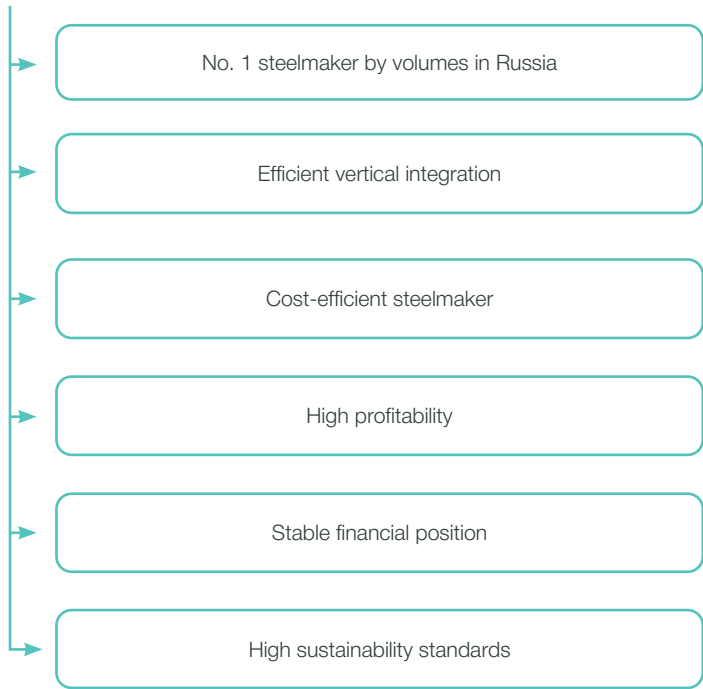
The Group has one of the strongest margins and balance sheets among steelmaking companies. In 2021, the company's EBITDA margin was higher the industry's average. Thanks to its prudent capital allocation, NLMK has secured investment-grade credit ratings from all major rating agencies.

NLMK Group employs 50,600 people, and in 2021, it received a golden award in the Forbes Best Employers in Russia rating, prepared together with KPMG.

The company adheres to the strict principles of sustainable development. It is committed to protecting the employees' health and well-being, nurturing talent, treating the environment responsibly, observing high ethical business standards, developing, supporting and respecting the interests of local communities, as well as maintaining transparency and high quality of disclosure. NLMK's achievements in sustainability have been recognized by the leading international ESG rating agencies. For example, as of 19 December 2021 NLMK is ranked among the Top 10 out of 140 steelmaking companies according to Sustainalytics.

NLMK Group is a public company listed on the Moscow Stock Exchange and since 2005 on the London Stock Exchange.

NLMK IS:



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 84% of total output, while long steel used in construction makes up 16% of production.

NLMK sales in 2021

NLMK sales to third parties (with NBH)		Sales, m t	Share in total sales, %
Pig iron		0.6	4
Slabs		3.0	18
Billet		0.3	2
Plate		1.1	7
Hot-rolled flat steel		4.6	28
Cold-rolled flat steel		1.7	10
Galvanized steel		1.4	8
Pre-painted steel		0.5	3
GO steel		0.3	2
NGO steel		0.2	1
Long steel		2.6	16
Metalware		0.3	2
Total		16.6	100

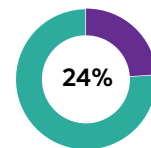
High value-added products



OUR PRODUCTS

GRI 102-7

SEMIS



Pig iron and semi-finished steel products for further processing: slabs are processed into flat steel products; billets are processed into long steel products.

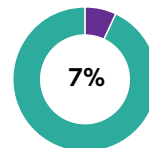
A wide range of semis, both standard and niche products with specific chemical composition, physical properties, and dimensions

Steelmaking, pipe industry

- NLMK Lipetsk
- NLMK Kaluga

19%
(slabs)

PLATE



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.

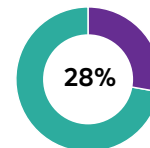
Produced at NLMK Group's European sites from slabs supplied by NLMK Lipetsk

Lifting and transport equipment, offshore wind turbines, drilling platforms, shipbuilding, pipelines, boilers, and tanks for aggressive environments (pressure, temperature, load, etc.)

- NLMK DanSteel
- NLMK Clabecq
- NLMK Verona

11%

HOT-ROLLED STEEL



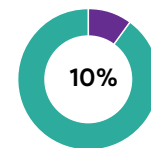
Flat steel products that have been hot-rolled. A wide range of hot-rolled steel in sheets and coils with a variety of performance characteristics

Pipe industry, steel structures, shipbuilding, machine building, high-pressure vessels, yellow machinery, commercial, and residential and infrastructure construction

- NLMK Lipetsk
- NLMK La Louvière
- NLMK Indiana
- NLMK Pennsylvania

17%

COLD-ROLLED STEEL



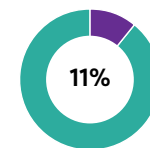
Flat steel products that have been cold-rolled. A wide range of cold-rolled steel sheets and coils with a variety of performance characteristics, including niche high-ductility products

Automotive industry, machine building, pipe industry, yellow machinery and white goods, and commercial, residential and infrastructure construction

- NLMK Lipetsk
- NLMK La Louvière
- NLMK Pennsylvania

32%

COATED STEEL



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

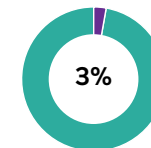
Automotive industry, yellow and white goods, construction, and facing materials.

- NLMK Lipetsk
- NLMK Strasbourg
- Sharon Coating

Galvanized steel
21%

Pre-painted steel
19%

ELECTRICAL STEEL



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

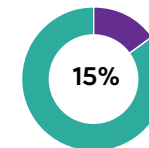
Electrical machines, transformers, power engineering, and instrument making

- NLMK Lipetsk
- VIZ-Steel

NGO steel
99%

GO steel
100% 10%

LONG PRODUCTS



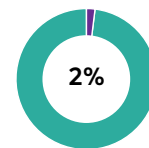
Rebar in rods and coils, wire rod, and sections

Construction

- NLMK Ural
- NLMK Kaluga

22%³

METALWARE



A wide range of low-carbon metalware. This includes wire and secondary products, with various coatings and surface finishes, nails, and fasteners

Construction and machine building

- NLMK Metalware

22%

Global market EU market Russian market

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 large-scale repairs at the end of 2020.

² 6% moisture.

³ Rebar market.

NLMK GROUP BUSINESS MODEL



NLMK's unique business model allows it to minimize expenditure on production and logistics costs while at the same time swiftly and flexibly adapting to the changing requirements of our end users and the situation in local sales markets. A key factor is our ability to make the most of our strategic advantages based on the geographical location of our asset.

RESOURCES

>5 bn t
iron ore reserves

Captive electricity generation through utilization of blast furnace and coke oven off-gases

64%
of needs

Stable scrap supplies to the Group's Russian steel-making assets

64%
of needs

Captive coke production

100%
of needs

PROCESSES

UPSTREAM

Stoilensky covers:

97%
of pellet needs

100%
of iron-ore concentrate needs

MIDSTREAM

17.4 m t of steel per year

Process



77% BOF
23% EAF

Region



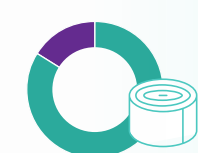
95% Russia
4% USA
1% EU

DOWNSTREAM

14.8 m t
finished products capacity

~80%
of captive crude steel is processed at the Group's rolling facilities

Product



84% Flat steel
16% Long steel

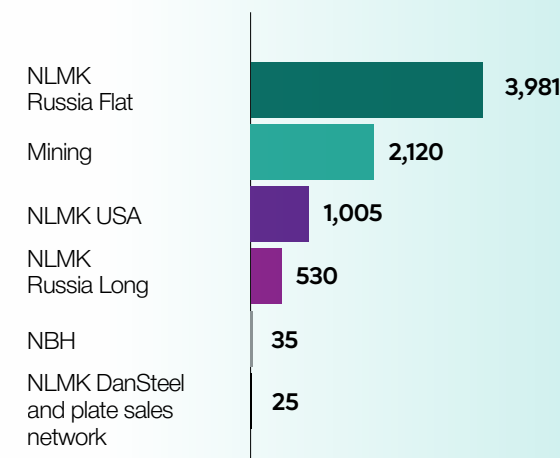
Region



68% Russia
16% USA
16% EU

PROFIT

EBITDA, \$ m



VALUE

DISTRIBUTED ECONOMIC VALUE

Employees

\$1,010 m
Employee wages and other payments and benefits paid to employees

Shareholders and investors

\$3,523 m
dividends paid

\$43 m
commissions paid

\$55 m
interests paid to creditors

Local communities

\$13 m
Community investments

\$7,516 m
Operating expenses

NON-DISTRIBUTED ECONOMIC VALUE

\$2,355 m

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.

OUR ASSETS



MINING

PRODUCTION SITES

- Stoilensky
- Dolomit
- Stagdok

OPERATIONS

- Covers the Group's demand for raw materials

PRODUCTS

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

CONSUMERS

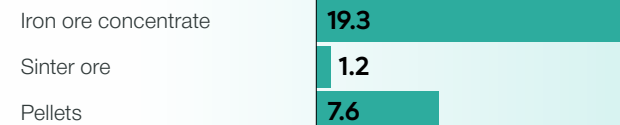
- Internal: NLMK Lipetsk
- External: steelmakers, road construction, and agriculture

HEADCOUNT

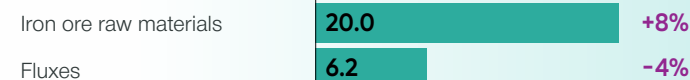
6,700

PRODUCTION CAPACITY¹, m t

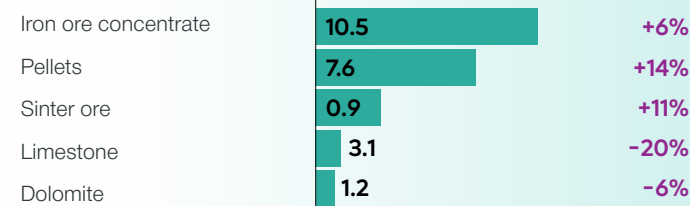
2020/2021



OUTPUT, m t



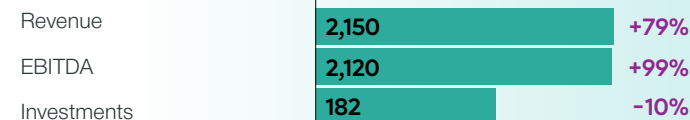
INTRAGROUP SALES, m t



SALES TO EXTERNAL CUSTOMERS, m t



FINANCIALS, \$ m



NLMK RUSSIA FLAT

PRODUCTION SITES

- NLMK Lipetsk
- VIZ-Steel
- Altai-Koks

OPERATIONS

- 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 steel

CONSUMERS

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

HEADCOUNT

30,800

PRODUCTION CAPACITY, m t

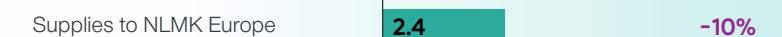
2020/2021



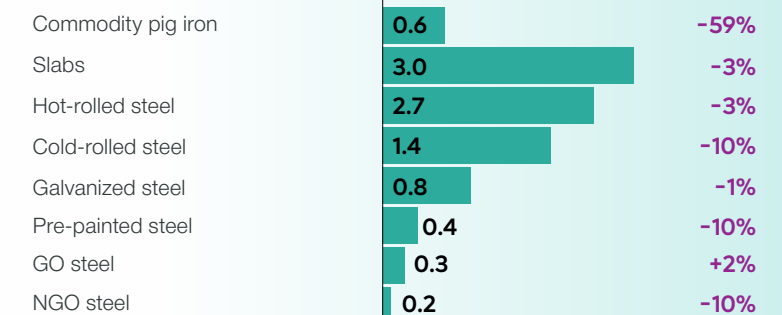
OUTPUT, m t



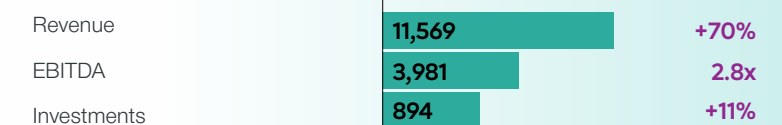
INTRAGROUP SALES, m t



SALES TO EXTERNAL CUSTOMERS, m t



FINANCIALS, m



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 large-scale repairs in the end of 2020.
² 6% moisture.

OUR ASSETS



NLMK RUSSIA LONG

PRODUCTION SITES

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

OPERATIONS

- 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

7,700

PRODUCTION CAPACITY, m t

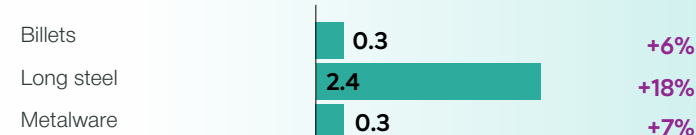
2020/2021



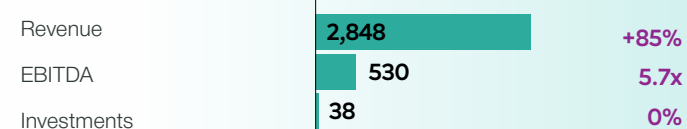
OUTPUT, m t



SALES, m t



FINANCIALS, \$ m



NLMK USA

PRODUCTION SITES

- NLMK Pennsylvania
- NLMK Indiana
- Sharon Coating

OPERATIONS

- 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

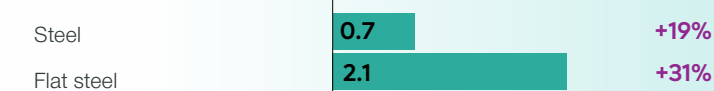
1,100

PRODUCTION CAPACITY, m t

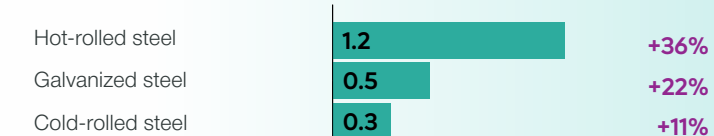
2020/2021



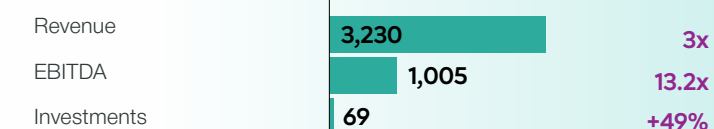
OUTPUT, m t



SALES, m t



FINANCIALS, \$ m



OUR ASSETS



NLMK DANSTEEL

PRODUCTION SITES

- NLMK DanSteel

OPERATIONS

- Produces plates from semis coming from the Lipetsk site

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
500

PRODUCTION CAPACITY, m t

2020/2021

Plate **0.6**

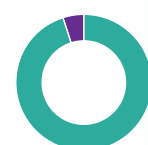
OUTPUT, m t

Plate **0.6** **+14%**

SALES, m t

Plate **0.6** **+12%**

SALES GEOGRAPHY



95%
of sales
in the EU countries



NBH

PRODUCTION SITES

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

OPERATIONS

- 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

PRODUCTION CAPACITY, m t

2020/2021

Steel **0.2**

Flat steel **2.3**

OUTPUT, m t

Steel **0.2** **+25%**

Flat steel **1.5** **-30%**

SALES, m t

Hot-rolled steel **0.8** **-35%**

Plate **0.6** **+13%**

Coated steel **0.2** **-23%**

Cold-rolled steel **0.02** **-39%**

SALES GEOGRAPHY

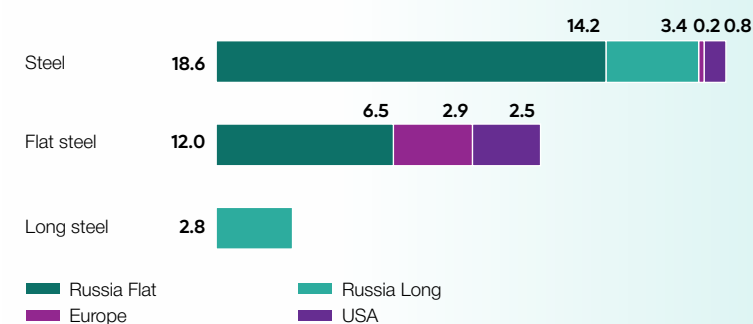


97%
of sales
in the EU countries

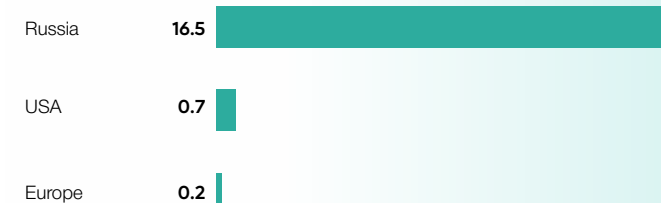
WHERE WE MAKE AND MARKET STEEL

GRI 102-6

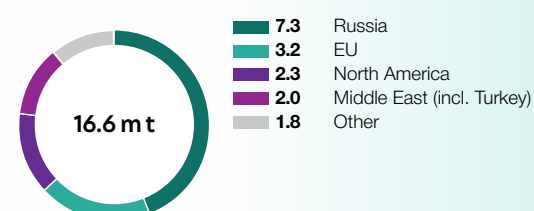
Production capacity, m t



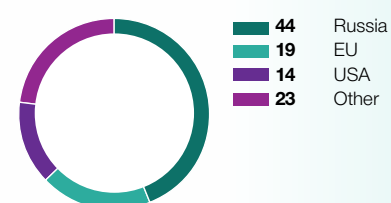
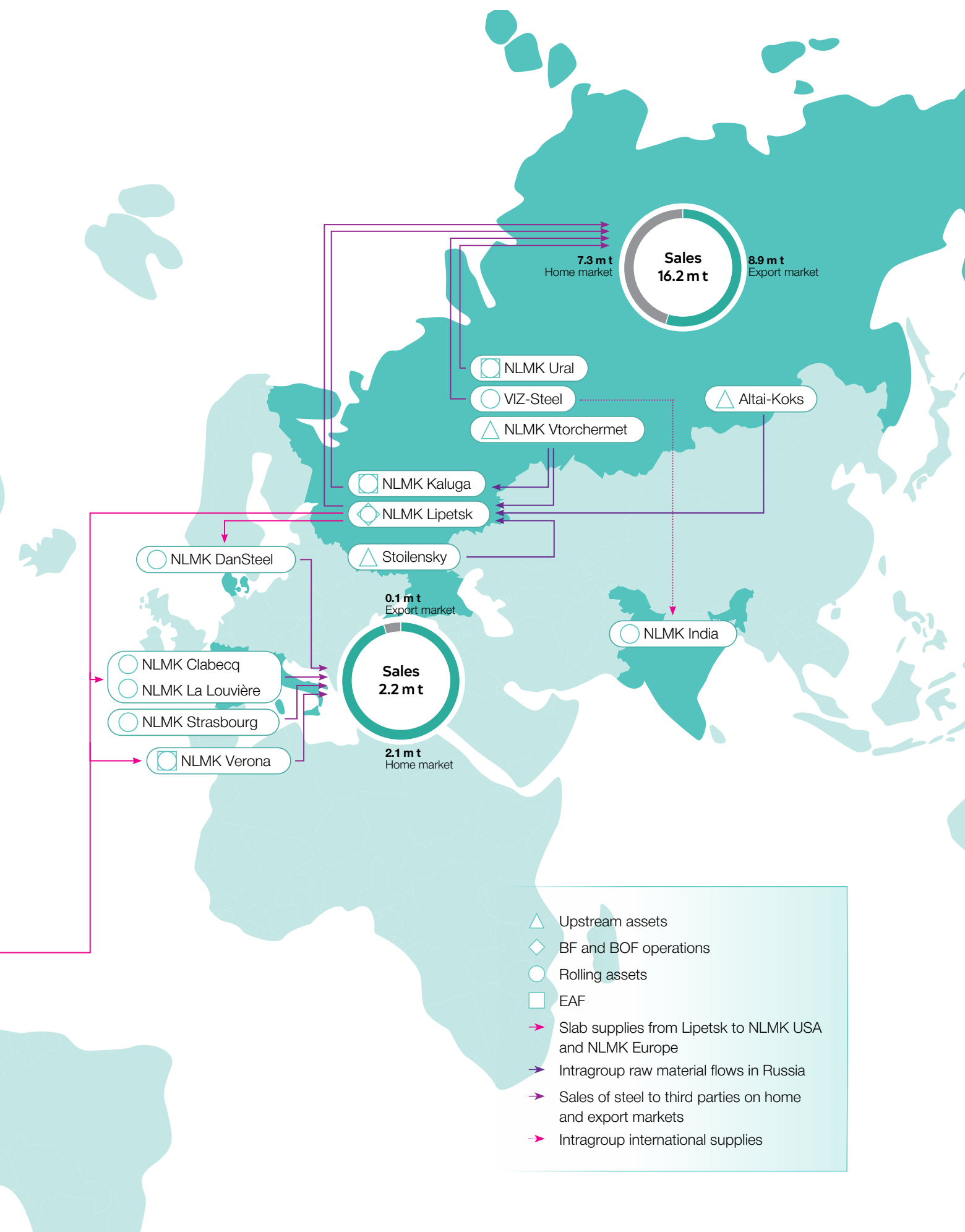
Steel output in 2021, m t



Sales¹ in 2021, m t



Sale breakdown, home/export markets, %


¹ With NBH.


Our innovations

As a modern, high-tech company, NLMK Group sees an indivisible link between its development and innovation programmes. For NLMK, 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 across all of the company's main business processes: steel production, customer service, sustainable development, repairs, energy, logistics, procurement and HR.

One of the formats that NLMK is actively using to seek out new ideas is building up partnerships with leading venture funds, accelerators and technology parks, and development institutions both in Russia and abroad, such as Internet Initiatives Development Fund or the Centre for Scientific and Technological Cooperation of the Franco-Russian Chamber of Commerce and Industry. Such partnerships are systemic in nature, shaping the innovation ecosystem that unites NLMK Group with its partners. More than 10 strategic partnership and cooperation agreements were signed in 2021.

In 2021, NLMK acted as an industrial partner of the Moscow Accelerator. The company also signed an agreement on strategic partnership with Sber,

which envisages its participation in the 500Global accelerator programme. NLMK also joined the SberUnity project, a platform to facilitate the cooperation of major companies, start-ups and investors. This service enables NLMK Group to find collaborative opportunities with technology companies that offer innovative solutions.

Additionally, NLMK concluded a strategic partnership agreement with the independent Artificial Intelligence Laboratories Association. The Company plans to expand its cooperation in production process digitalization with Internet of Things and AI technologies.

One of NLMK's fundamental principles for new technology development is to create a one-stop-shop for open innovation. In this forum, the company can identify the most relevant tasks to then look for solutions. These may involve external participants from the innovation ecosystem. The NLMKLab portal is used as an open channel to create a funnel of innovation projects (lab.nlmk.com). In 2021, the portal received over 300 applications, of which approximately 30 are currently in development or being implemented.

An example of innovative technology implementation is the Production Robotization Project. In 2021, the company began to introduce

industrial robotics at key production sites to boost the efficiency of their main and auxiliary processes and reduce occupational health and safety risks. In Q2 2021, an audit was conducted at NLMK Lipetsk, jointly with major international robotization companies, to assess in which operations industrial robots could potentially be effective. The audit generated over 100 hypotheses, 30% of which were focused on reducing risks to employee health. In late 2021, the company founded a robotics expertise centre and began to pilot the first hypotheses.

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



\$20_m

invested in R&D

\$70_m

invested in digitalization

Research and development

NLMK Group is currently elaborating its Strategy 2030, where the development of new products and technologies is a centerpiece. In the upcoming strategic cycle the company will target the following goals:

- Increase in the portfolio of new product development for long-term customer requirements
- Develop new processes
- Develop new products and technologies for a longer horizon

The company pays great attention to the development of partnerships through the format of open innovation, actively interacts with clients - leaders of innovations on the joint development of products, builds a global network to provide access to advanced scientific and technical knowledge of the industry, and uses external innovation tools through trend analysis and proactive search for ideas.

NLMK Group builds a portfolio of products and technologies depending on the needs of the client, the market and business, tracking trends and key changes, as well as analyzing the challenges facing technologies in order to determine in which areas

it is necessary to find breakthrough solutions to ensure and maintain competitiveness in the future.

The life cycle of a project to create a new product is based on computer modeling, prototyping, the use of advanced tools and techniques for examining samples before full-scale experiments on industrial equipment. This reduces the cost of project implementation, speeds up the development and implementation of solutions, and reduces the risks of innovation.

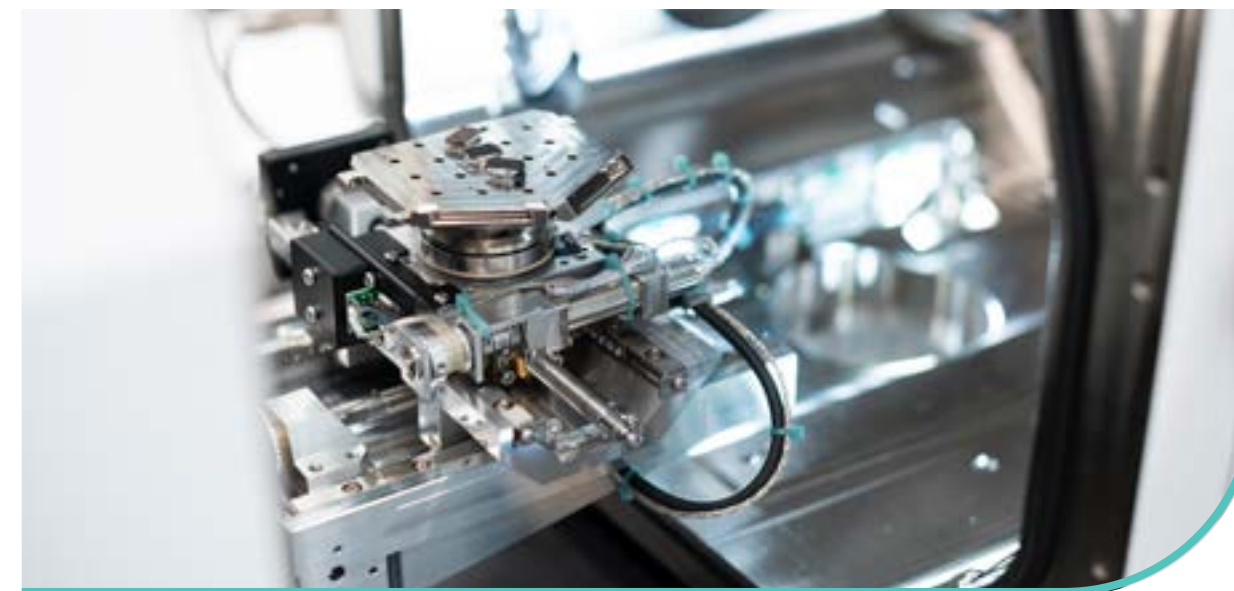
The corporate research and development centre (R&D-centre) has specialized competencies and resources for creating digital and physical models of new products. Over the past two years, the company has patented a number of process developments for the production of innovative steel grades, including:

- Weatherproof steel. The key property of this steel is that it has an oxide layer, which makes it difficult for oxygen to penetrate the metal and inhibits corrosion processes
- Nitrogen steel, which has increased strength in extreme cold
- Steel for hot pressing, which becomes stronger after hot stamping with hardening up to 1.7 GPa

The metal is used for the manufacture of equipment for agricultural machinery and reduces the abrasion of parts

- Extra low-carbon high-strength steel HC220Y with high formability and increased strength. It is designed for the manufacture of complex-shaped car body parts

In addition, the company has developed a number of innovative coatings: an antibacterial coating based on a combination of copper and silver ions, which can be used in the decoration of medical premises, as well as a thin organic coating, a special water-based composition that forms a polymer film on the metal surface. When using such a coating, corrosion resistance increases two to four times compared to steel products with standard coatings.



Digitization and IT solutions

The advancement of information technology and digital solutions is instrumental for attaining NLMK Group's strategic goals. Dozens of cross-functional teams are engaged in over 200 IT projects focused on developing digital solutions for production sites and corporate functions.

To promote rapid development of new IT solutions and streamline the support and evolution of the existing infrastructure, the company created technology platforms that rely on microservice architecture to ensure business agility and sustainability.

Centres of Expertise and Technology

Centres of Expertise were established to provide expert support to the company's teams and promote the development of corporate platforms. They accumulate knowledge about all production, logistics and corporate IT systems of NLMK Group, provide project teams with required resources and focus on the development of advanced technology, such as machine vision and machine learning, IIoT¹ and LTE networks, to introduce a wide range of services that can meet the increased requirements to safety and reliability. New international Centres of Excellence were established in 2021 to promote the evolution of IT systems on a global scale across all NLMK sites. They enable in-house development of IT projects and digital solutions and foster the evolution of the partner company ecosystem in various areas of technology.

The company introduced a Single Digital Development Platform (SDP), a digital environment based on a set of standard components designed to fast-track software development. SDP helps streamline the development process, promote greater interchangeability of employees, ensure continuity of deliverables and significantly reduce time-to-market. In addition, it serves as the company's global data warehouse (Big Data) making the data available for digital product development.

In 2021, the company continued its work on the Data Science and Machine Learning Platform designed for digital product development and life cycle management. The platform uses artificial intelligence to design and train new models. Integration with the DSML platform ensures process transparency and stability, sustainable operation of solutions, as well as preservation and availability of deliverables for further improvement, which makes it an essential part of the partner ecosystem.

Smart Manufacturing

In 2021, NLMK Group launched the Smart Manufacturing Programme that aims to increase the digital maturity of the production processes along two dimensions:

- Promoting the autonomy of the production chain to minimize direct human involvement in managing the technology and material flows. Humans will gradually take up new roles focused solely on monitoring, analysis, diagnostics and system development, which will improve equipment performance and reliability, as well as product quality and operational efficiency. Minimization of direct human interactions with equipment and products will further improve labour safety
- Boosting the adaptability of the production chain to changes in the order portfolio, parameters of incoming materials, equipment status and market conditions. Tools designed to enhance adaptability ensure real-time in-stream measurement of key parameters of materials and technology, dynamic analysis of recipes and equipment operation modes based on the maximum number of influence factors at the level of individual units and the entire production chain

In 2021, the company developed a portfolio and launched dozens of Smart Manufacturing projects at the main production stages of the Lipetsk site.

The actual economic effects of the digital solutions portfolio deployed in 2021 totalled over RUB 2 billion.

Key IT projects

In 2021, NLMK Lipetsk launched the first solutions developed as part of the Production Management Systems Deployment Programme at all production stages. The programme is based on a digital technology platform that enables unified access to the production data for all projects. The projects are focused on efficient online technology management, operational planning and production dispatching, automation of reporting at the level of production units and end-to-end management of production efficiency and product quality at the level of individual sites and the entire NLMK Group. According to the programme timeline, its main part will be completed in 2022.

NLMK Lipetsk, VIZ-Steel and NLMK Kaluga deployed a unique software package that can forecast production dates to reduce the customer lead time and improve capacity utilization.

The Sales Services Development Programme includes projects focused on ensuring prompt interactions with customers, shortening the feedback loop and boosting loyalty. In 2021, the Company launched an online tender service for rare and substandard products as part of the programme. In the very first months of its operation, this service helped significantly expand the active customer base and increase sales velocity.

A series of projects aimed at evolving the IT components of business processes is underway. SAP ERP and SAP 4HANA, a digital sales platform and a production planning system will be introduced as part of this programme.

In 2021, NLMK mobile app and NLMK Slab Shop platform were launched. The NLMK application is meant to supplement the nlmk.shop online store as well as speed up the purchase process and make it more convenient

for customers. The NLMK Slab Shop is an online platform for placing small volume orders. Orders with matching parameters are fitted into the production schedule as a single lot.

Several new tools to enhance safety have been adopted in production. These tools help reduce human involvement in hazardous operations, improve the safety of railway and road transportation, identify risks related to hazardous works and, most importantly, promote zero tolerance to violations of industrial safety rules. This promotes stability and sustainable development of NLMK Group.

In 2021, the company enhanced its focus on environmental issues. The Ecology Information System was introduced to collect data on the environmental footprint of all NLMK Group sites (air, water, soil), prepare company-wide reports based on all available environmental indicators, analyse measures to improve

the environment and evaluate investment efficiency. Digital Video Analytics Service for Atmospheric Emissions exploits machine vision and machine learning to analyse the sources of emissions online and enables immediate incident response.

Project development

At the end of 2020, one of the most significant production projects, calendar planning and scheduling (CP&S) was put into commercial operation. In 2021, the Lipetsk site completely switched to production planning based on the planning and scheduling systems, abandoning the previous process when compiling shift-daily tasks, casting and rolling planning.

The systems gives access to the entire database of orders, similar to a construction set, and provides flexibility and transparency when making decisions on available production

capacities, managing work in progress, agreeing on deadlines for accepting customer orders, and also guarantees the required level of delivery discipline. Further improvements are planned for 2022, including the achievement of the OTIF (On Time In Full) target.

SAP Hybris (SAP Commerce) is SAP's technical solution used by NLMK as a digital platform for two types of projects: the nlmk.shop online store and the B2B client account (direct sales and wholesale). Also in 2021, we improved the user interface of personal accounts and carried out integration with customer IT systems. A website for the sale of slabs was launched. The interface of the nlmk.shop portal was significantly simplified, EDI was introduced, and analytics was adjusted. The plans for 2022 include expanding the functionality, integrating with business applications and making the application more user-friendly.

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 team has taken effective measures, based on the principle of the top management's involvement in ensuring integrated and centralised information security management and risk-based approach implemented by the Risk Assessment and Management team.

The company conducts 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 carries 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.

¹ IIoT – Industrial Internet of Things.

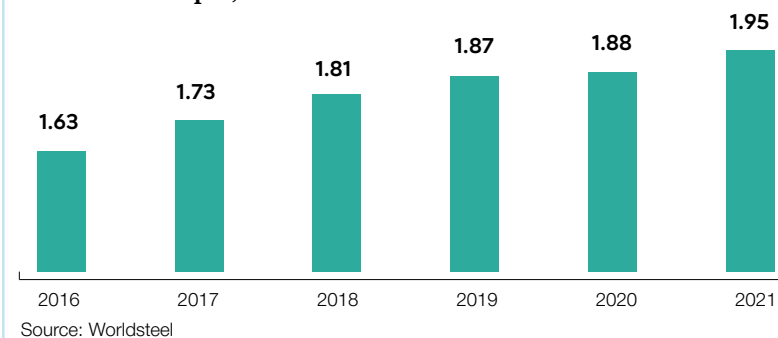
Our strategy

Market review

2021 became the year of recovery for steel markets. Acceleration of economic activity following the softening of pandemic restrictions and strong government support contributed to steel consumption growth. In H1 2021, the deficit persisted amid pent up demand and capacity restarts lagging behind, this resulted in price surges. In H2 2021, markets shifted to stabilization. Recovered steel production and exhausted pent up demand effect led to inventory replenishment to pre-pandemic level.

Global steel output increased by 4% year-on-year to 1.9 billion tonnes in 2021. Steel producers in all regions grew steel output supported by firm demand and improved profitability, steel capacity utilization rate reached 82% (+4 p.p. year-on-year) on average. Steel production in China decreased by 2% year-on-year amid state measures to control air pollutant emissions. Apparent steel demand in China went down by 4% year-on-year to 1 billion tonnes driven by deceleration of activity in infrastructure and residential construction as well as stricter government regulation. At the same time steel net exports increased by 57% to 53 million tonnes.

Global steel output, bn t



US market

Steel production in the US moved higher by 18% year-on-year to 86 million tonnes. Average capacity utilization rate reached 82% exceeding pre-pandemic level.

In 2021, demand for steel products increased by 24% year-on-year to 107 million tonnes following social assistance programmes that boosted consumption of durable goods and government stimulus for infrastructure construction projects.

The volume of steel imports improved by 47% year-on-year to 29 million tonnes, exports – by 22% year-on-year to 8 million tonnes.

EU market

The output of steel increased by 13% year-on-year to 157 million tonnes. The demand improved in all steel consuming segments due to realization of pent up demand and government support programmes. At the beginning of the year, capacity utilization rates recovered to pre-crisis level and reached 72% on average in 2021.

Apparent steel demand in the EU increased by 14% year-on-year to 167 million tonnes. Import volumes of flat and long steel grew by 31% to 29 million tonnes, exports – by 32% year-on-year to 19 million tonnes.

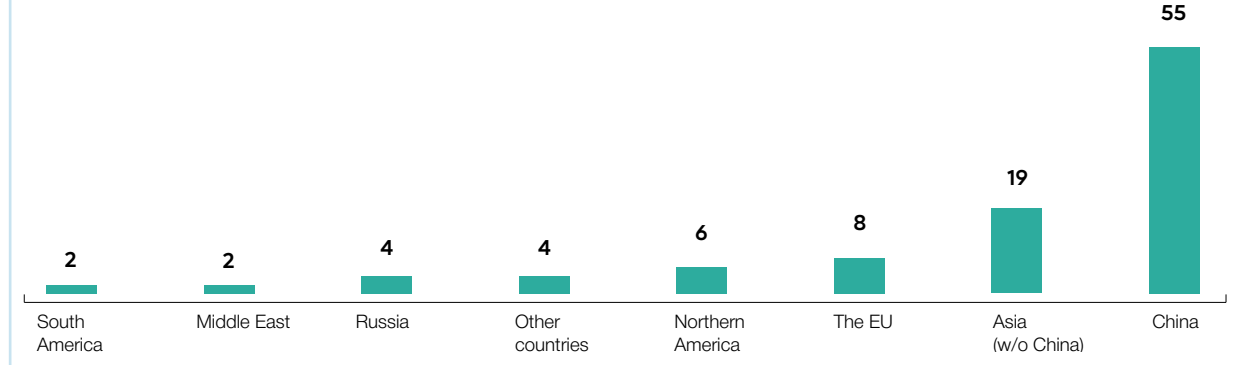
Russian market

Steel output in Russia increased by 6% year-on-year and reached 76 million tonnes.

Apparent steel demand was estimated at 46 million tonnes (+4% year-on-year) in 2021. The growth of consumption was driven by state support of residential and infrastructure construction through preferential mortgage and national projects implementation. Production growth in machinery (+10% year-on-year) and mining (+5% year-on-year) was another positive driver.

Finished steel exports were up 9% year-on-year, reaching 31 million tonnes in 2021 supported by firm demand in the key export markets. The volume of steel imports declined by 8% year-on-year to 5 million tonnes.

Steel output by region, %



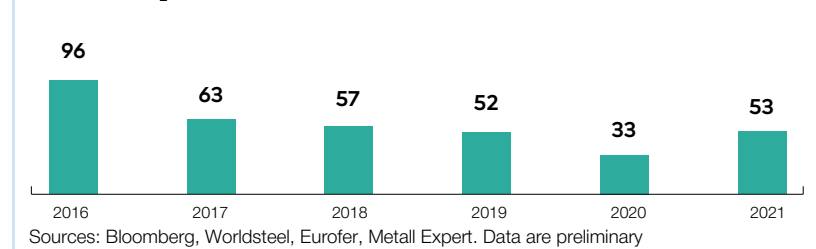
Price trends

2021 was marked by record high growth and volatility of raw material markets. Iron ore price moved higher by 48% year-on-year to \$160/t. While in H1 2021, the price growth was supported by high steel production volumes in China and limited supply from major exporters (Brazil and Australia), in H2 2021 price went down due to steel output restrictions in China.

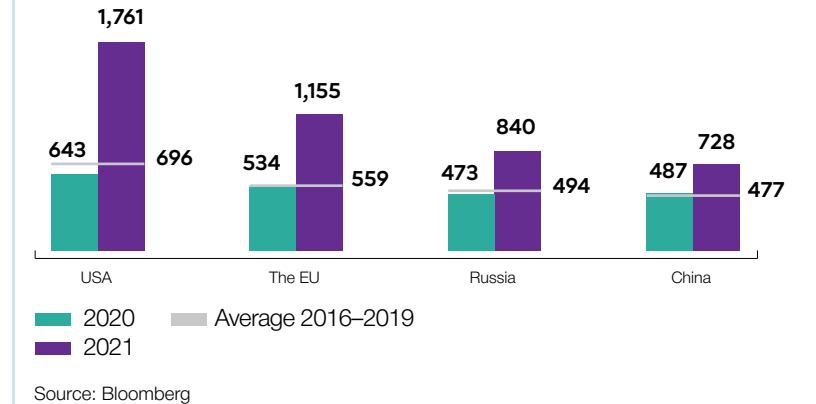
Export price for Australian coking coal rose by 80% year-on-year to \$223/t. This was underpinned by several factors: global steel output growth, coking coal deficit in China amid strict safety control measures for coal assets, and rising energy prices. With China maintaining the ban for Australian coal imports, the rebalance of coking coal market occurred: China increased import volumes from the US, Russia and Mongolia, while Australia raised exports to India, Japan and the EU. In Q4 2021, the deficit in coking coal market started to improve which was followed by price stabilization.

Flat steel prices in the US surged by 2.6x year-on-year reaching local maximum in September 2021 then the quotes stabilized. Steel prices in the EU improved by 2.1x year-on-year, but since July 2021 prices shifted to downward phase. Dollar-denominated prices for uncoated flat steel in Russia were up by 81% year-on-year.

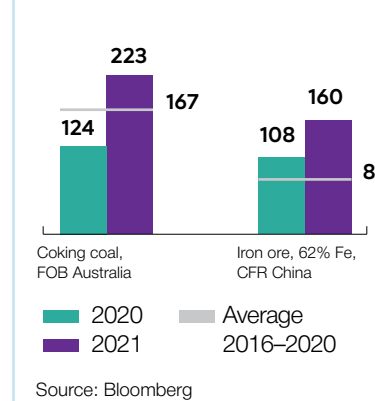
Net steel exports from China, m t



Hot-rolled coil prices, EXW, \$/t



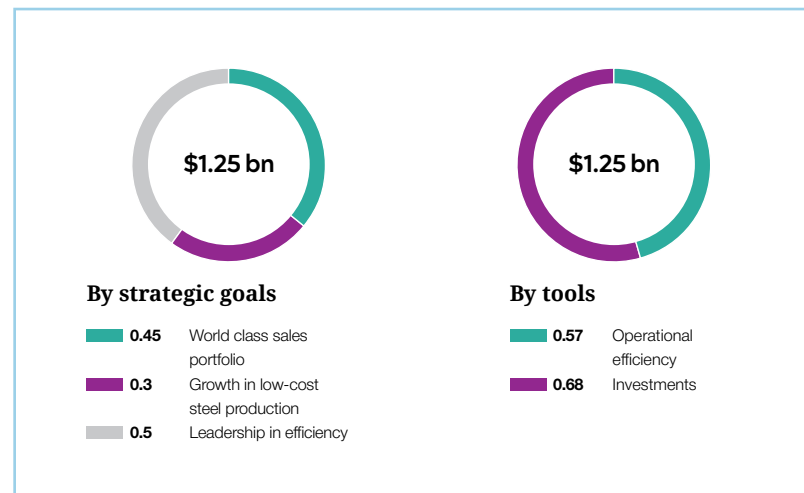
Global raw material prices, \$/t



Strategic priorities

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 billion to EBITDA.

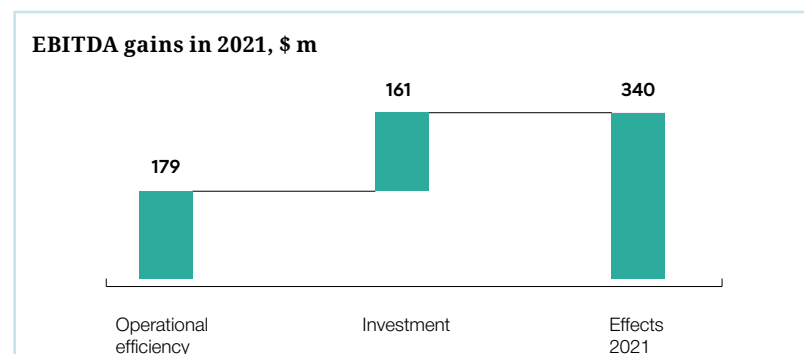


Key elements of Strategy 2022

1. Leadership in efficiency	2. Growth in low-cost steel production	3. World-class sales portfolio	4. Leadership in sustainability and safety
Goal: Focus on operational efficiency and working towards best production practices; global leadership in the cash cost of steel production	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	Goal: Growth of steel product sales; growth of high value-added (HVA) product output and sales	Goal: Minimizing environmental footprint and ensuring safe operations
Target structural EBITDA gain: \$0.5 billion	Target structural EBITDA gain: \$0.3 billion	Target structural EBITDA gain: \$0.45 billion	
Capex over the strategic period: \$0.05 billion	Capex over the strategic period: \$1.0 billion	Capex over the strategic period: \$1.1 billion	

Strategy in action

The total effect from Strategy 2022 projects implementation reached \$340 million in 2021. This result takes into account Group's structural growth and positive market conditions.



Operational efficiency

Development in the area of operational efficiency implies continuous process at all production stages. The effect from implementation of operational efficiency projects reached \$179 million in 2021 exceeding the target level of \$100 million per year. EBITDA growth was driven by improved productivity and cost reduction at Russia Flat and Russia Long segments.

In 2021, controlled effect from slab cash cost reduction amounted to \$36 per tonne compared to 2018 level, which enabled NLMK Group to maintain leading position relative to other global steel producers.

Thanks to NLMK Production System the number of initiatives submitted by staff increased by more than 3.5 times compared to 2018.

Investments

NLMK Group continues to implement the project of low-cost production growth. Additional effect on EBITDA reached \$161 million in 2021.

- By the end of 2020 the main stages of the programme to increase steel output by 1 million tonnes to 14.2 million tonnes at the Lipetsk site were completed. In 2021, the effects of the projects made a significant contribution to achieving target EBITDA growth
 - Overhaul of blast furnace operations. The capacity of BF-6 increased to 3.4 million tonnes (+8%). The furnace was equipped with an advanced automated control system with built-in artificial intelligence components. Installation of new air treatment systems at BF-4 and BF-6 enables the capture of 99.9% of dust particles

EBITDA gains by segment in 2021, \$ m



- Overhaul of steelmaking equipment. Continuous Casting Machine No. 9 (CCM-9) was upgraded in BOF Shop No. 2. The unit's capacity increased by 80% to 1.8 million tonnes. The project enables the production of slabs up to 400 mm thickness and up to 2,800 mm width to be used for plate production
- Overhaul of CCM-9 along with BOF-2 and BOF-3 expanded the capacity of BOF Shop No. 2 to 10 million tonnes (+15%). Off-gases of these units will be used at a new captive power plant for energy generation
- Commissioning of a new coal stamping plant at Altai-Koks with a capacity of 1.1 million tonnes of coke per year. The introduction of stamping technology improves coke quality, reduces the cost of production and improves the environmental footprint of production
- The launch of the new 300MW off-gas power plant is scheduled for 2023. The plant will enable increasing the share of captive energy generation from 65% to 95% in the site's energy consumption balance, and reducing its carbon oxide (CO) emissions by 3,000 tonnes per year and its greenhouse gas (CO₂) emissions by 650,000 tonnes per year

The expansion of steel capacities enables an increase in the output of high value-added products. As a part of Strategy 2022, NLMK Group is actively implementing projects focused on strengthening its presence in the premium steel segment. The main project gains are expected in 2022–2023:

- The launch of a new hot-dip galvanizing line No. 5 (HDGL-5) at the Lipetsk site is planned for 2022. The unit's capacity is 450,000 tonnes of high-quality coated steel, which is used in the construction, automotive, and white goods segments
- The new GO steel plant construction in India is expected to be completed in 2022. The new site's capacity is 64,000 tonnes of GO steel, which will provide an opportunity to increase NLMK Group's share in Indian electrical steel market. The second stage of the project provides for the upgrade of existing GO steel capacities at VIZ-Steel in Russia

- HSM upgrade at NLMK La Louvière is implemented in two phases. The first one was completed in 2021, the end of the second phase is scheduled for H2 2022. The project will increase the rolling capacity of the mill from 1.7 to 2.0 million tonnes, as well as expand sales portfolio with high-strength steel products.
- Launch of production of rolled steel with zinc-alum-magnesium (ZAM) coating at NLMK Strasbourg. The new coating makes rolled products three times more resistant to corrosion, as compared to zinc, and also protects steel from cracking during mechanical treatment due to its high ductility.
- Commissioning of an accelerated cooling system and a new reheating furnace at NLMK DanSteel. The projects will increase production capacity from 570,000 tonnes to 740,000 tonnes of rolled products and enable the production of plates with improved strength properties. The projects were completed at the end of 2021.

Leadership in sustainability and safety

Leadership in sustainability and safety remains a priority for NLMK Group, focusing on:

- 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 LTIFR 0.5 for our own employees and contractors
- High level of social protection and employee engagement

For more details on the forth block of Strategy 2022, see the Environmental Protection and Operational Health and Safety sections.

Strategy 2030

In 2021, NLMK Group continued elaborating its next strategic development cycle, Strategy 2030.

Over the planning horizon to 2030 NLMK Group's is faced with a challenge to maintain competitive cash cost in the face of stricter environmental requirements, as well as to improve the quality of the product portfolio based on long-term consumer and technology trends. One of the central projects of the future strategy will be the construction of a new metals and mining facility at the Stoilensky Mining and Beneficiation plant.

The project, titled Green Horizon, is based on the most advanced and environmentally friendly technologies, and encompasses the development of several production stages and mastering a new product for the company, hot-briquetted iron (HBI).

The project covers the expansion of the existing open-pit mine to increase iron ore output from 43 million tonnes to 67 million tonnes per year, the construction of new beneficiation capacities for a total of 10 million tonnes of concentrate, a pelletizing plant with a capacity of 9 million tonnes of pellets, and an HBI shop with a capacity of 2.5 million tonnes of HBI.

The new facility will be built with the strictest environmental norms in mind. It will employ the best available technologies ensuring that the environmental impact of production is minimized: gas purification systems, a closed loop water system, reuse of waste, conveyor transport in the open-pit mine, etc.

The HBI technology cuts CO₂ emissions in half compared to the conventional BF-BOF process. Going forward, it is possible to transfer the technology to "green" hydrogen and low-carbon energy (for example, nuclear). Thus, zero greenhouse gas emissions can

be achieved on the long-term horizon (for more information, see the Climate Change section).

Much attention in the Strategy 2030 will be given to the environment: all new projects are based on the best available solutions in the field of resource saving and environmental protection

(Environmental Programme 2030). The programme is aimed at improving air quality, including reducing dust emissions, creating completely closed water-loop systems and maximizing the return of secondary raw materials in the production (see the Environmental Protection section for more details).

HOT BRIQUETTED IRON (HBI)

Hot briquetted iron (HBI) is a product with an iron content of more than 90%, obtained by briquetting direct reduced iron (DRI), which makes it convenient for transportation, processing and storage. DRI, also called sponge iron, is produced by direct reduction of iron ore (in the form of lumps, pellets or fines) to iron using a reducing gas derived from natural gas.



¹ LTIFR – Lost Time Injury Frequency Rate.

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.

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 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 Director ([see the Sustainability Agenda Management at the Board of Directors Level section for more details](#)).

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.

Integrated Management System objectives:

- To be a global leader for the quality of our steel products and raw materials by continuously upgrading and expanding our product mix with the aim of increasing our customers' competitiveness

- To comply with industry best practice concerning the rational use of material and technical resources and the safety of our production processes for both human health and the environment
- To be a global leader in adopting best practices to make our operations more energy-efficient, and to reduce energy consumption and cost of production as far as is technologically and economically feasible
- To ensure efficient production with zero accidents, incidents, and near misses through global excellence in occupational health and safety and continuous development and promotion of a safety culture among NLMK Group's employees and contractors

- To ensure our operations do no harm to the environment or the climate, and to respond to changing environmental and climate conditions by balancing them with social and economic needs

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



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, supporting local communities, and ensuring safe and decent working conditions.

Field of activity	NLMK Group's contribution	UN Goal	Key facts and figures
Environmental protection			
- Water resources - Emission into the atmosphere - Rational use of natural resources - Biodiversity	- Implementing a series of measures aimed at improving energy efficiency and the efficiency of resource use and reducing the environmental footprint of operations - Introducing water recycling systems - Implementing water treatment technologies - Reducing water withdrawal - Recycling ferrous scrap - Monitoring the state of biodiversity and developing programmes to prevent and reduce negative impacts		97% share of reused water
			99% share of reused recyclables
			\$339 m invested in operating and investment projects with environmental effect in 2021
			over \$2 bn invested in environmental activities since 2000
Ensuring the health and well-being of employees and communities			
- Occupational health and industrial safety - Our employees - Development of local communities	- 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 - Rolling out COVID-19 vaccination campaign for employees - Upgrading equipment and improving technology in order to minimize their negative impact on human health and the environment		\$860 m invested in fight against COVID-19
			\$46.4 m invested in the development of safe production
			RUB 0.9 bn invested in external social programmes

Field of activity	NLMK Group's contribution	UN Goal	Key facts and figures
Fighting climate change			
- Climate change - Energy efficiency	- Implementing a set of measures to reduce specific greenhouse gas emissions - Sales of products that enable lower emissions on the consumer side - International cooperation in the field of combating climate change - Improving energy efficiency - Transitioning to captive energy generation - Consuming energy from secondary sources		-15% reduction in specific emissions per tonne of Fe in 2010 – 2021
			77.2% share of captive electricity generation on secondary fuel gases
			A long-term programme to achieve carbon neutrality has been developed
Development of employees and regions of presence			
- Our employees - Human rights - Development of local communities - Interaction with suppliers and contractors	- Implementing training and development programmes to enhance employees' professional skills - Implementing external social programmes aimed to support education in the regions where the company operates - Interacting with educational institutions in order to improve the quality of educational programmes - Creating jobs in the regions where NLMK Group operates - Creating equal opportunities for high-performance work, professional growth and tapping on the creative potential of each employee of the Group - Updating Supplier Code of 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		RUB 3,654 m invested in personnel training and development
			2.9 m man-hours of training
			>900 jobs created in 2021
Partnership and ethical business conduct			
- Interaction with suppliers and contractors - Compliance and corporate ethics	- Countering corruption and fraud and preventing conflicts of interest - Updating the Code of Corporate Ethics and Anti-Corruption Policy - Creating and continuously improving efficient corporate governance practices - Creating and developing a system of government relations - Openly interacting with stakeholders and informing stakeholders about the company's positive and negative impacts - Supporting sustainability initiatives implemented by Russian and international industry organizations - Promoting sustainable development practices when interacting with stakeholders - Strengthening partnerships with other companies in the industry		NLMK's compliance hotline was awarded the maximum score based on the results of the Transparency International – R assessment

Our results

Report of the Board of Directors on priority areas of activity

Group's steel production increased by 10% year-on-year to 17.4 million tonnes in 2021 as a result of BF and BOF overhaul completion at the Lipetsk site and production growth at Russia Long Products and NLMK USA.

Steel production growth and increase in key markets consumption contributed to the achievement of 16.8 million tonnes (–4% year-on-year) of sales. At the same time intragroup slab sales moved higher by 1 million tonnes as slab supplies to NLMK USA grew amid strong steel demand in the region. Sales of semi-products to third parties decreased by 20% year-on-year as slab supplies to NLMK USA and NLMK DanSteel grew. Slab shipments to NBH stood at 1.7 million tonnes (–19% year-on-year) due to the upgrade of the NLMK La Louvière hot strip mill in H1 2021. Sales of finished products grew by 6% year-on-year to 11.2 million tonnes.

Sales in NLMK's 'home' markets increased by 6% year-on-year to 11.4 million tonnes as steel consumption in Russia and the US grew. Steel exports were down by 22% year-on-year to 5.2 million tonnes due to the high baseline of 2020, when supplies were redirected to export markets.

Segment results

Steel output at Russia Flat products grew by 9% year-on-year to 13.4 million tonnes following the overhaul at NLMK Lipetsk steelmaking operations in Q1–Q3 2020 and at NLMK Lipetsk BF operations in H2 2020. Sales in the Segment totalled 13.2 million tonnes (–1% year-on-year) due to longer average slab lead time following the recovery of slab shipments to NLMK USA, slab stock growth due to structural production increase and finished steel stock normalization from the low base of the end of 2020 formed amid high demand in the Russian market.

Sales of finished rolled products decreased by 3% year-on-year to 5.9 million tonnes due to planned repairs of the equipment in H1 2021. Sales of semi-finished products to third parties went down by 22% year-on-year to 3.6 million tonnes due mainly to an increase in intragroup slab shipments in 2021. Sales of semi-finished products to the Group sites and to NBH grew by 36% year-on-year to 3.7 million tonnes following the recovery of slab shipments to the USA.

Sales of Russia Long products grew by 15% year-on-year to 3.1 million tonnes driven by growth of demand in the construction sector and recognition of export shipments made at the end of 2020. The Russian market accounted for 73% (+7 p.p. year-on-year). The volume of steel product sales in Russia increased by 27% year-on-year to 2.2 million tonnes. Export sales went down by 7% year-on-year to 0.8 million tonnes.

NLMK USA sales grew by +27% year-on-year to 2.0 million tonnes following the recovery of steel demand in the USA. The volume of NLMK DanSteel sales increased by 12% year-on-year to 0.6 million tonnes following the recovery of demand for steel in the EU.

Iron ore raw material output increased by 8% year-on-year to 20.0 million tonnes amid the expansion of the concentrate production capacity. Iron ore raw material sales increased by 7% year-on-year to 19.8 million tonnes following output growth.



The Russian market share of 41% remained flat year-on-year. Driven by record demand growth on developed markets in 2021, the share of the USA in revenue stood at 21% (+6 p.p. year-on-year), and the share of the EU was 18% (+1 p.p. year-on-year), as the share on Asian markets decreased

EBITDA¹

EBITDA grew by a factor of 2.7 year-on-year to \$7.3 billion due to the widening price spreads and improved sales mix, as well as the implementation of Strategy 2022 projects.

Commercial expenses increased by 5% year-on-year to \$884 million due to an increase in tariffs for steel product transportation. General and administrative expenses increased by 28% year-on-year to \$443 million amid the creation of long-term incentive programme reserves and annual salary indexation at NLMK's Russian companies.

Net profit

Net profit in 12M 2021 increased by a factor of 4.1 year-on-year to \$5.0 billion.

Free cash flow

Free cash flow increased by a factor of 2.9 year-on-year to \$3.3 billion, driven mainly by EBITDA growth.

Cash outflow for working capital replenishment totalled \$1.4 million due to:

- \$819 million: an increase in accounts receivable amid growing steel product prices
- \$1,285 million: higher prices of raw material and finished product stocks
- +\$677 million: higher accounts payable due to increased coal prices.

Investment

The Group's investment in 12M 2021 totalled \$1.2 billion (+8% year-on-year) in line with the forecast.

Debt management

Total debt of NLMK Group decreased to \$3.4 billion.

Net debt increased by 17% year-on-year to \$2.9 billion due to increased investment and dividend payment. Net debt/EBITDA went down to 0.40x.

Financial overview

Financial results

Revenue

Revenue increased by 75% year-on-year to \$16.2 billion due to higher sales prices on all key markets, which was partially offset by the decrease in sales to external markets as slab supplies were redistributed to NLMK USA.

Revenue from semi-finished product sales grew by 42% year-on-year to \$3.8 billion amid an increase in average prices, which was partially offset by increased intra-group slab supplies. The share of semi-finished products in total revenue decreased by 5 p.p. year-on-year to 24%.

Revenue from finished product sales increased by 94% year-on-year to \$11.3 billion. The share of finished products in the revenue totalled 70% (+7 p.p. year-on-year).

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.

Generating economic value

By implementing its activities in various areas of sustainable development, NLMK Group generates additional value

for its stakeholders. In 2021, the volume of distributed economic value amounted to \$13,854 million.

Indicator	Stakeholder group	2017	2018	2019	2020	2021
Generated direct economic value		10,104	12,069	10,573	9,279	16,209
Revenue	Wide range of stakeholders	10,065	12,046	10,554	9,245	16,196
Revenue from financial investments		29	21	18	18	9
Income from sale of assets		10	2	1	16	4
Distributed economic value		(9,773)	(11,565)	(10,559)	(8,625)	(13,854)
Operating expenses	Wide range of stakeholders	(6,994)	(7,967)	(6,966)	(5,628)	(7,516)
Employee wages and other payments and benefits paid to employees	Employees	(960)	(979)	(970)	(909)	(1,010)
Payments to providers of capital:	Shareholders and investors	(1,354)	(1,946)	(2,169)	(1,702)	(3,621)
• dividends paid		(1,285)	(1,890)	(2,120)	(1,638)	(3,523)
• interests paid to creditors		(69)	(56)	(49)	(64)	(55)
• commissions paid				–	–	(43)
Community investments	Local communities	(11)	(11)	(9)	(14)	(13)
Non-distributed economic value		331	504	14	654	2,355

Sustainability ratings

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

S&P Global 45/100 – score in 2021¹ The score remained above industry average (29).	SUSTAINALITICS 28.2/100 – score in 2021² The score improved to 28.2. NLMK is in the top-6 among 140 metals & mining companies analysed by the agency.
FTSE4Good 4.3/5 – score in 2021¹ NLMK's assessment is higher than the industry average. The company's shares continue to be part of the FTSE4Good index following the December 2021 revision.	MSCI BBB – score in 2019–2021 (where CCC – the lowest score, AAA – the highest) NLMK's rating is at the industry average level.
CDP B–/A – score in 2021 (where D– is the lowest score and A is the highest) The company filled out the CDP Climate Change questionnaire for the first time and received a B- rating, which is above the industry average.	Transition Pathway Initiative 3/4 – score in 2021¹ The rating grew by 2 points in a year.

Five-year highlights

Financial performance, ¹ \$ m	2017	2018	2019	2020	2021
Revenue	10,065	12,046	10,554	9,245	16,196
Net profit ²	1,450	2,238	1,339	1,236	5,036
EBITDA	2,655	3,589	2,564	2,645	7,263
EBITDA margin, %	26%	30%	24%	29%	45%
Operating cash flow	1,899	2,741	2,623	2,281	4,516
Investment	592	680	1,080	1,124	1,217
Net debt	923	891	1,786	2,495	2,924
Free cash flow	1,266	2,027	1,523	1,103	3,250

Operating performance, '000 t	2017	2018	2019	2020	2021
Steel output	16,850	17,285	15,531	15,667	17,191
Steel output (with NBH)	17,076	17,493	15,696	15,833	17,400
Steel product sales	16,469	17,591	17,069	17,520	16,846
Finished steel sales	10,759	10,762	11,056	10,535	11,214
Sales to home markets	10,650	10,573	11,376	10,744	11,429

Sustainability performance	2017	2018	2019	2020	2021
NLMK Group headcount, '000 people	53.2	53.4	52.8	51.9	50.6
Labour productivity, t of steel/pers., NLMK Lipetsk	321	328	322	325	344
Specific air emissions, kg/t of steel	19.5	18.9	20.2 (18.9) ³	19.8 (18.6) ³	18.1
Specific CO ₂ emissions, t/t of steel + commercial pig iron (Scope 1)	1.73	1.70	1.75	1.72	1.67

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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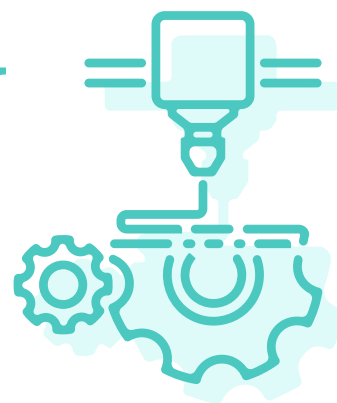
40–3, Bolshaya Ordynka St.,
Moscow, 119017 [GRI 102-3](#)

¹ Excluding NBH, unless otherwise specified.

² Net profit attributable to NLMK shareholders.

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

3D PRINTING OF SPARE PARTS



NLMK Lipetsk has launched a new 3D printing centre that will be used to manufacture spare parts for operating equipment. The project will enable annual savings of close to RUB 200 million on the procurement and supply of spare parts for the Lipetsk site and other NLMK Group companies.

Traditional casting process



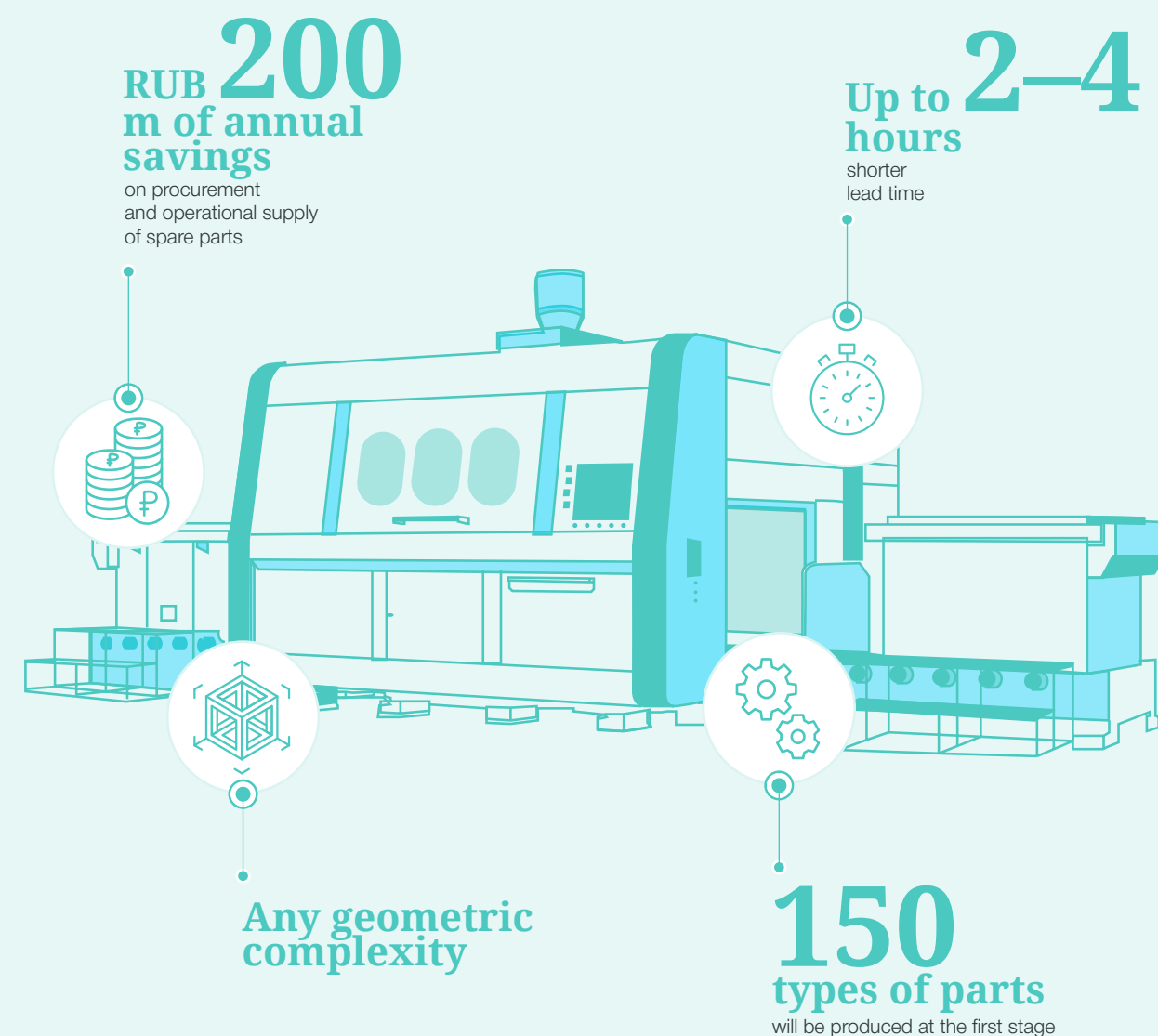
Casting using 3D printed spare parts



The centre's 3D printers will manufacture moulds for casting parts using material jetting technology by applying powder and gluing it with a binder. Previously, such moulds would be made with wooden patterns.

Digital simulation will make it possible to manufacture shapes of any geometric complexity and check them for defects before casting, as well as reduce the lead time to several hours.

Successful 3D printing tests, in particular, with molds for casting blast-furnace tuyeres, preceded the decision to set up a 3D printing centre. It will start off by producing about 150 different types of spare parts.



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Zinc-aluminum-magnesium coating with micro-additive

Scale 1 : 10,000

Climate change



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.

Key highlights

- Climate change
- Air emissions

Key events in 2021

- NLMK Group developed a Climate Programme providing for a reduction in specific emissions to 1.69 t CO₂/t Fe by 2030 (–10% vs. 2023) and a scenario for achieving carbon neutrality by 2050.
- The company filled out the CDP Climate Change questionnaire for the first time and received a B- rating, which is above the industry average.
- NLMK implemented a number of investment projects aimed at reducing the carbon intensity of its operations (achieving higher iron content in raw materials, reducing coke consumption, and improving energy efficiency). The full effect of the above projects will manifest itself in 2022.
- Deloitte verified CO₂ emission benchmarks for NLMK Lipetsk blast furnaces calculated according to the EU Emissions Trading System methodology, and confirmed that NLMK is among the 10–15% companies with the best performance in the EU.
- An in-depth assessment of the most significant climate risks and opportunities for the company was carried out.
- Memorandums were signed with Gazpromneft and NOVATEK, including memorandums on the development of CO₂ capture, utilization and storage projects.
- An agreement was signed with Rosenergoatom on cooperation in the field of low-carbon electricity supply. In 2021, Rosenergoatom provided nuclear energy to Group companies.
- NLMK Group took part in the 26th UN Climate Change Conference (COP26) in Glasgow.

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



Key 2021 figures

1.84 t

CO₂-equivalent per tonne of Fe¹
(Scope 1 + Scope 2) (–1% yoy)

1.89 t

of CO₂-equivalent per tonne of steel
(Scope 1 + Scope 2) (–1% yoy)

–0.4 m t

of CO₂ through projects implemented in 2021
(Scope 1 + Scope 2)

–1.55 m t

of CO₂ through purchasing low-carbon power

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, supporting measures, 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 (emission volumes avoided due to NLMK's products are comparable to emission volumes from the Group's steel production) and attain their decarbonization goals.

On average steel produced by NLMK Group consists of 35% of recycled resources such as ferrous scrap and other materials that are climate neutral and can significantly reduce

the company's carbon footprint. Specific CO₂ emissions from scrap steelmaking are approximately four times lower than from primary raw materials.

This year NLMK Group published its second report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)¹.

Climate strategy priorities

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.

In the reporting period, a working group on climate change issues was created under the Board of Directors, which included six of its independent members. Meetings of the working group are held several times a year. In 2021, three meetings took place. The agenda of the meetings includes such issues

as the decarbonization strategy, climate projects, climate risks, methodology and benchmarking, and progress towards achieving the goals set. [GRI 102-31](#)

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

Our climate impact reduction targets are determined by the Strategic Planning Committee of the Board of Directors ([see Committees of the Board of Directors section for more details](#)). This issue is considered by the committee annually. Goals related to climate impact minimization are assigned by the CEO

(Chairman of the Management Board) to the functional managers of the Group, as well as the heads of production divisions at NLMK Group companies. The company evaluates progress towards achieving the goals annually. [GRI 102-19](#) [GRI 102-20](#)

The Board of Directors working group on climate change and the Management Board monitor the progress in achieving the goals and addressing the Committee's instructions, and consider proposals for new tasks and projects. Such tasks and projects are further developed and presented to the Committee for approval.

Targets to reduce greenhouse gas emissions are cascaded to the company's executives that have an impact on these indicators, including the heads of the Group's key operations.

¹ The Task Force on Climate-related Financial Disclosures (TCFD) was established 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.

PATHWAY TO CARBON NEUTRALITY

2030 2050

Medium-term targets of specific CO₂ emission reduction

In 2021, NLMK Group approved the Climate Programme to reduce specific emissions to 1.69 t CO₂/t Fe or 1.72 t CO₂/t of steel by 2030. The key project of the Programme is the new metals and mining facility at Stoilensky, Green Horizon. The project provides a foundation for major company transformation and paves the way for transition to an electric arc method of steel production based on DRI/HBI (coke-free iron ore with a high iron content) as feedstock. Even with the current energy consumption structure, the above route allows for a twofold reduction of CO₂ emissions compared to the BF-BOF route. Going forward, when sufficient volumes of “green” hydrogen and technologies of industrial recovery with this gas become available, the decarbonization potential of the process would be over 90% (vs. the current levels).

Moreover, the next stage of the company’s strategic development includes a number of other projects aimed at reducing the current chain’s carbon footprint (consuming less carbon feedstock and fuels).

NLMK Group’s business model has a number of advantages that support a successful transition to a new, less carbon-intensive production chain. The first one is the availability of a world-class resource base, which enables the Group to produce pellets with a high iron content (an essential prerequisite for DRI/HBI production, including within the framework of the Green Horizon project). The second one is NLMK Group’s access to natural gas and low-carbon nuclear electric energy. Finally, since the Group has no coal assets, it is motivated to reduce coal and coke consumption.



Reducing of specific emissions to

1.69

t CO₂ /t Fe
or

1.72

t CO₂ / t of steel
by 2030



Long-term CO₂ reduction goals

On top of Strategy 2030, NLMK Group has set long-term goals to reduce specific emissions by 2050 to at least 1.2 t of CO₂/t of steel (40% reduction vs. the current level) with a full transition to an HBI+EAF chain using the Group’s existing iron ore, as well as natural gas and electricity from the grid at its current level of carbon intensity.

When the industrialized hydrogen-based iron reduction technologies (where hydrogen is used instead of natural gas) and a sufficient amount of low-carbon electricity become available, the HBI+EAF process chain will reduce the Group’s carbon intensity to 0.2 t of CO₂/t of steel (90% reduction vs. the current base). The remaining emissions can be reduced through CO₂ capture projects or offset by absorption projects. Thus, when the necessary external conditions are met, NLMK Group aims to achieve carbon neutrality.

NLMK Group’s long-term decarbonization strategy implies a complete replacement of the BF-BOF steel production chain by 2050. The step-by step process transition will depend on the blast furnace capital repairs schedule and other technological constraints. Decisions to close blast furnaces will be made so as to prevent over-investment in capacity maintenance and steel production decline.

NLMK GROUP AND ROSENERGOATOM AGREE ON STRATEGIC PARTNERSHIP IN ENERGY

In 2021, NLMK Group and Rosenergoatom (part of the Electric Power Division of Rosatom State Corporation), a leading Russian generation company, signed a partnership agreement on low carbon power energy supplies.

The agreement covers the possibility of supplying low-carbon energy from Rosenergoatom power stations to Stoilensky’s new metals and mining facility.

Increasing the share of low-carbon energy sources is one of NLMK Group’s priority initiatives aimed at reducing the carbon intensity of production and greenhouse gas emissions. Nuclear energy is one of the main decarbonization tools, currently accounting for a third of global low-carbon electricity production.

In 2021 NPPs supplied over 3 billion kWh to NLMK Group sites allowing to cut 1.55 million tonnes of CO₂ Scope 2 emissions.

NLMK GROUP JOINS FORCES TO REDUCE CLIMATE FOOTPRINT

NLMK Group and one of Russia’s largest oil companies have signed a memorandum of cooperation to attain climate impact reduction goals.

The companies plan to jointly develop projects aimed at reducing greenhouse gas emissions, including the development of technologies for the production, transportation, storage, and use of hydrogen in steelmaking. As part of the agreement, the companies will also jointly research and test carbon capture, utilization, and storage technologies.

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

Performance and targets

Global climate change challenges society to reduce greenhouse gas emissions. To that end, NLMK Group introduces new technologies, increases production efficiency, and monitors and controls its emissions.

NLMK Group is constantly enhancing the level and quality of greenhouse gas emission disclosures.

In 2021, the Group began to use the market-based method for quantifying Scope 2 emissions in its internal calculations in addition to the location-based method. The location-based method takes into account the average specific greenhouse gas emissions per power system arising from electricity generation. The market-based method takes into account the emissions from electricity generation that the company received from a specific source, such as a specific power plant or a group of power plants. In such cases the emission factors take into account the concluded energy purchasing contracts¹.

The company also works with suppliers to obtain information about the carbon footprint associated with the purchased products. In 2021, the company took part in the CDP Climate Change² survey for the first time, immediately receiving a high B- rating, which is higher than the industry average (level C).

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 IPCC Guidelines for National Greenhouse Gas Inventories /2019 Refinement;

INDEPENDENT AUDITOR VERIFIES NLMK'S GHG REPORT

International audit firm Deloitte has verified 2020 CO₂ emissions data associated with NLMK's key transformation products (coke, sinter, pig iron, lime, and calcined dolomite) in line with the methodology used in the EU to set CO₂ emissions quotes for Europe. Verification of the indicators provides NLMK with a reliable benchmarking with the EU emissions trading system.

NLMK's CO₂ emissions per tonne of pig iron totaled 1.39 t of CO₂/t. By way of comparison, 10% of steelmaking companies with the lowest emissions in the EU emit 1.36 t of CO₂/t. NLMK's performance is significantly better than the European steelmakers' average emissions of 1.49 t of CO₂/t.

This was the first time that NLMK's greenhouse gas emission volume was verified in line with the EU ETS methodology. In future, NLMK plans to confirm the data annually.

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 No. 300 of the Russian Ministry of Natural Resources and the Environment dd. 30 June 2015; 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.

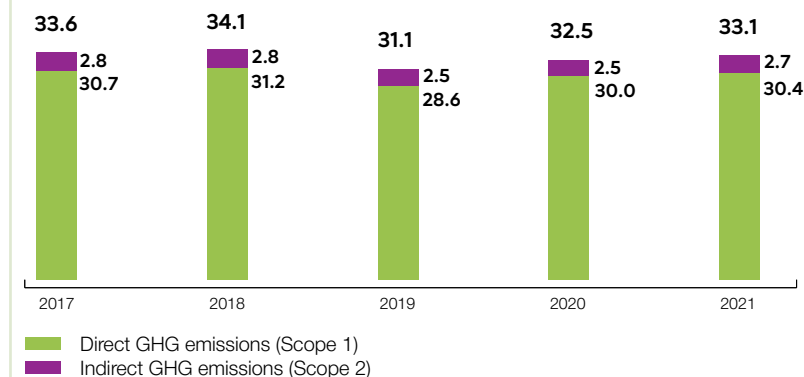
In addition to the fact that Scope 2 emissions are now determined based on two methods, the approach to selecting average CO₂ emission factors for electricity purchased from the grid for the Group's Russian sites was changed. In 2021, the website of the wholesale electricity market Trade System Administrator was chosen as the source of information³. The Trade System Administrator has been publishing data on the average CO₂ emission factor for the First Synchronous Zone of the United Energy System of Russia for two years. All the Russian sites of the Group operate in the First Synchronous Zone. To enable proper comparison of 2021 emissions against previous years, emission data for 2016–2020 were recalculated applying the average 2020 annual coefficient taken from the Trade System Administrator website.

In 2022, the reductions generated from this low-carbon energy will be used to offset CO₂ emissions from some of the company's steel products.

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.

NLMK Group 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. The charcoal supplied to the company is FSC certified¹.

GHG emissions trends (Scope 1 + Scope 2, location-based), m t of CO₂-equivalent



Direct and indirect energy emissions, '000 t of CO₂-equivalent GRI 305-1 GRI 305-2

Indicator	2017	2018	2019	2020	2021
Direct GHG emissions (Scope 1)	30,740	31,232	28,601	30,036	30,436
CO ₂	30,665	31,158	28,531	29,964	30,365
Including from stationary sources	30,459	30,956	28,311	29,753	30,151
CH ₄	47	46	42	44	44
N ₂ O	28	28	28	28	28
Indirect energy emissions (Scope 2)², location-based	2,839	2,832	2,546	2,458	2,698
Indirect energy emissions (Scope 2)³, market-based	2,869	2,871	2,586	2,502	1,711
Total (Scope 1 + Scope 2), location-based method	33,579	34,064	31,147	32,494	33,134
including CO ₂ for stationary sources (location-based)	33,295	33,785	30,854	32,210	32,847
Total (Scope 1 + Scope 2) market-based	33,609	34,103	31,187	32,537	32,147
including CO ₂ for stationary sources (market-based)	33,325	33,824	30,893	32,253	31,860
CO ₂ emission from biomass combustion (for reference)	16	17	25	25	26

By type of activity, blast furnace operations (50%) and energy production (15%) are the largest contributors to direct greenhouse gas emissions (Scope 1).

¹ Scope 2 emissions according to the market-based method was calculated using residual mix coefficients for electric energy purchased from the grid and 0 coefficient for electric energy purchased under free bilateral contracts with Rosenergoatom. However it should be noted that only EU countries regularly define residual mix data. For other countries of NLMK presence regional coefficient was used as residual mix (in line with Scope 2 GHG Protocol Guidance).

² A non-profit charitable organization that operates a global disclosure system for investors, companies, cities, states and regions to manage their environmental impact, including climate impact. CDP ratings through disclosure drive companies towards sustainable transformation and are one of the global rating systems.

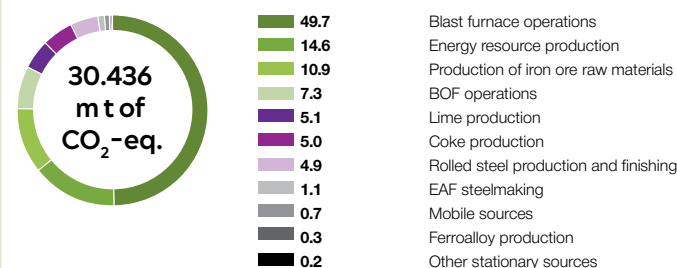
³ See <https://www.atsenergo.ru/results/co2> for more details.

¹ Forest Stewardship Council.

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

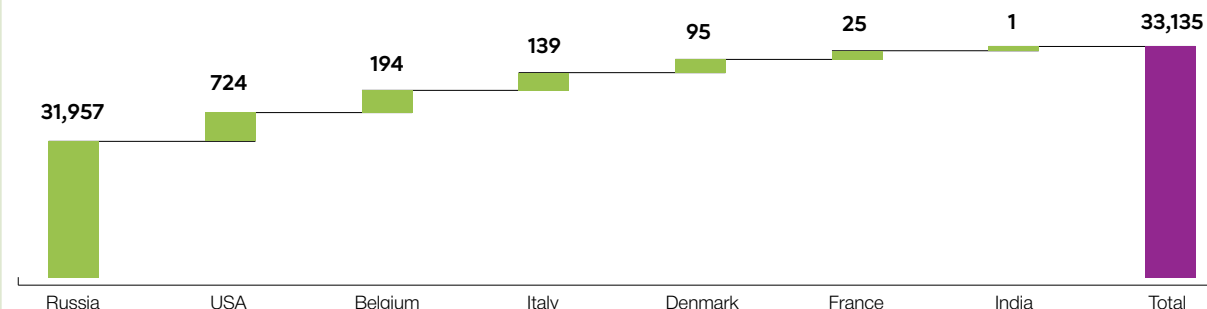
³ Emissions related to supplies of external electricity (in case of Rosenergoatom, based on free contracts of electricity sales and purchase).

Direct GHG emissions by type of activity (Scope 1) in 2021¹, %



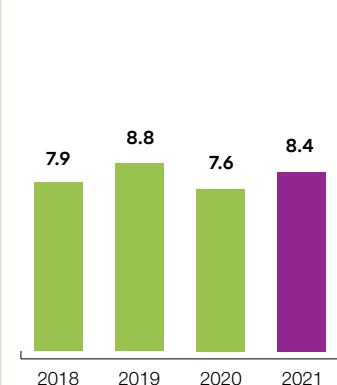
The company continues to assess other indirect greenhouse gas emissions associated with the production of the main types of external resources used by NLMK Group companies (upstream emissions) and their delivery to the companies' gates, as well as the transportation of raw materials and semi-finished products between Group companies². Estimated coverage is at least 95%. For the purchased electricity, Scope 3 included emissions related to fuel production, processing, and delivery, as well as losses in networks during electricity transmission.

NLMK Group total direct and indirect energy emissions of GHG (Scope 1 + Scope 2, location-based) in 2021 by country, '000 t of CO₂-equivalent

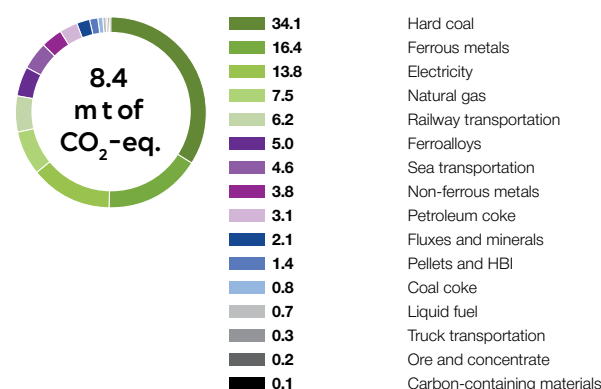


Upstream GHG emissions (Scope 3), m t of CO₂ equivalent

GRI 305-3



Other indirect GHG emissions (Scope 3) upstream along the value chain by major category, %



The largest part of other indirect GHG emissions is linked to coal — 34% of the total volume. The category is mostly made up by methane emissions

in coal mining. Emissions under "Ferrous metals" include sourcing of metals for production of steel from third parties.

¹ The CO₂ emissions from process gas combustion (blast furnace and coke oven gases) outside the gas sources but within the Group's facilities, are considered equal to emissions from the combustion of an energy-equivalent amount of natural gas adjusted for combustion efficiency. The corresponding CO₂ deduction is made for process gas sources. The "Energy resources production" category includes emissions generated by production of heat, electricity, and technical gases.

² Emissions associated with the semi-finished products manufactured within the Group are not included in this category, as they are already taken into account in Scopes 1 and 2. Upstream emissions do not include emissions associated with the delivery of products to customers.

Specific CO₂ emissions, stationary sources¹, t of CO₂ eq./t

GRI 305-4

Indicator	2017	2018	2019	2020	2021
Specific direct emissions (Scope 1):					
per tonne of Fe	1.75	1.72	1.77	1.74	1.69
per tonne of steel	1.78	1.77	1.80	1.88	1.73
Specific indirect energy emissions (Scope 2, location-based):					
per tonne of Fe	0.16	0.16	0.16	0.14	0.15
per tonne of steel	0.17	0.16	0.16	0.16	0.15
Specific indirect energy emissions (Scope 2, market-based):					
per tonne of Fe	0.16	0.16	0.16	0.15	0.10
per tonne of steel	0.17	0.16	0.16	0.16	0.10
Specific total emissions (Scope 1 + Scope 2, location-based):					
per tonne of Fe	1.91	1.87	1.92 (1.87) ²	1.89 (1.86) ²	1.84
per tonne of steel	1.95	1.93	1.97 (1.93) ²	2.03 (1.91) ²	1.89
Specific total emissions (Scope 1 + Scope 2, market-based):					
per tonne of Fe	1.91	1.88	1.93 (1.88) ²	1.89 (1.86) ²	1.78
per tonne of steel	1.95	1.93	1.97 (1.93) ²	2.04 (1.91) ²	1.83

In addition to the commonly applied industry indicator – specific emissions per tonne of steel – calculations were carried out per tonne of end-product iron output (Fe), which is generally taken as the sum total of iron contained in the output of steel, commercial pig iron³ and commercial HBI. A significant share of the Group's total output is delivered in the form of commercial pig iron. The newly introduced metric enables better visibility into specific emission trends and will take into account the improvements planned for the coming decade and further ahead.

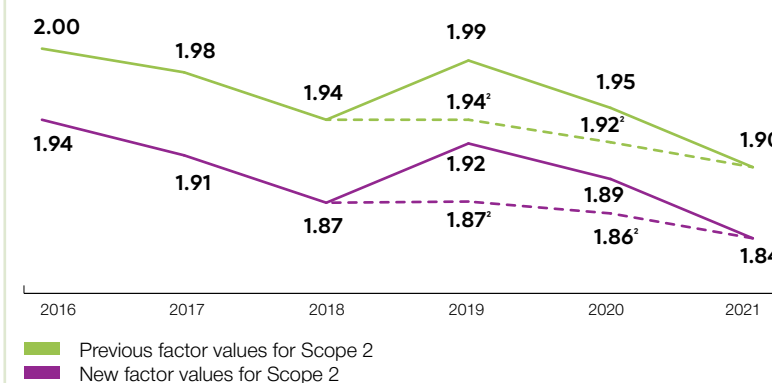
The increase in specific CO₂ emissions per tonne of steel in 2019 and 2020 vs. past periods was caused by a temporary decline in production output at Lipetsk during the implementation of the programme to upgrade blast furnace and steelmaking operations. The emission value in 2020 was additionally impacted by lower output in Europe and the US amid COVID-19. With normalized output volumes, NLMK Group's specific emissions have been decreasing over 2016–2020. In the market-based calculation, Scope 2

specific emissions went down by 4% from 2020 to 2021, and down by 5% from the 2018 baseline.

Last year's Annual Report specified CO₂ emissions per tonne of steel and per tonne of commercial pig iron. It was decided in 2021 to replace this approach in favour of a more comprehensive indicator. Specific emissions of past periods have been recalculated also per tonne of end-product iron output. Specific CO₂ emissions from stationary sources (Scope 1 + Scope 2, location-based) calculated per tonne of steel and commodity pig iron with the previous emissions factors for Scope 2 (the approach used last year), totalled 1.88 t of CO₂/t of steel and commercial pig iron in 2021 vs. 1.92 (1.90³) in 2020, which delivers a reduction of 2% (1%).

GRI 305-4

Specific CO₂ emissions (Scope 1 + Scope 2, location-based) from stationary sources, t/t of Fe



¹ In line with the corporate approach to setting targets on CO₂ emission indicators.

² Specific emissions excluding the transient impacts due to decreased production.

³ Specific emission per tonne of steel is still included into the report.

NLMK GROUP REDUCES CLIMATE FOOTPRINT THROUGH USE OF HYDROGEN-CONTAINING SECONDARY RESOURCES

NLMK Group utilizes secondary resources – steelmaking by-product gases – to reduce its fossil fuel consumption, thus cutting its annual greenhouse gas emissions by 3.5 million tonnes of CO₂.

NLMK uses blast furnace and coke off-gases to generate energy to support production, and as a direct energy carrier for the main process equipment. At NLMK Lipetsk, NLMK Group's flagship site, such electric energy covers 65% of the site's needs (the goal is to ensure 100% coverage by 2023). Among other factors, the energy value of off-gases is determined by their pure hydrogen content, from 7% in blast furnace gas to 60% in coke gas.

Annual consumption of blast-furnace and coke-oven gas across NLMK Group is 23 billion m³ per year. This volume of recyclable gas contains 3 billion m³ of hydrogen, which can be leveraged to further reduce reliance on carbon fossil fuels.

Consistent efforts are undertaken to reduce the company's environmental footprint. From 2010 to 2021, emissions of CO₂ per tonne of end-product iron output went down by 15% across the Group, and by 9% at the main production site in Lipetsk. This reduction has mostly been driven by improvements in operational efficiency of production (specific consumption of coal at Lipetsk was reduced by 185 kg/t of pig iron during the period), as well as by the growing use of electric-arc furnaces in steelmaking.

The 2023 target for specific CO₂ emission per tonne of steel (Scope 1 + Scope 2) is 1.91 t/t, down from 2.00 t/t in 2019

(a 5% decrease), the target per tonne of Fe is 1.87 t/t vs. 1.94 t/t in 2019 (a 4% decrease), the target per tonne of steel and marketable pig iron is 1.84 t/t vs. 1.92 t/t last year. The targets are informed by location-based calculations of Scope 2 emissions¹.

NLMK Group continues to develop and implement projects aimed at GHG emission reduction. These rely on well-known continued actions to improve energy efficiency and reduce fuel consumption, as well as on some innovative solutions. The latter include recycling of carbon

resources and biofuels in blast furnace operations and innovative CCUS technologies.

A series of projects to reduce CO₂ emissions was implemented in 2019–2020. The impact of each project was assessed based on the technical effects within the project timeframe: reductions in consumption of natural gas, coke and coke breeze, electrical power, oxygen, lime, dolomite, etc.

Reduction of CO₂ emissions by projects contributing to NLMK Group strategic target through 2023

GRI 305-5

Project (completed)	Go-live date	Reduction of CO ₂ emissions (Scope 1 + Scope 2), '000 t	Reduction of CO ₂ emissions (Scope 1 + Scope 2), kg / t of steel
Construction of co-gen boiler houses at NLMK Ural in the towns of Nizhnie Sergi and Beryozovsky	November 2019	31	1.8
Construction of a water-heating boiler house at NLMK Ural in the town of Revda	November 2019	8	0.4
Turbine-driven blower at Blast Furnace No. 7	November 2019	76	4.3
Implementation of a dynamic stacking model at the homogenization ore pile and of an APCS for dosing of fluxes at the charge preparation sections	December 2019	14	0.8
Stopping of BOF blowing at a certain carbon setpoint (applied to some products)	August 2020	3	0.2

¹ The emission factors for grid power remain unchanged to correct for exogenous factors in assessment of progress towards the targets.

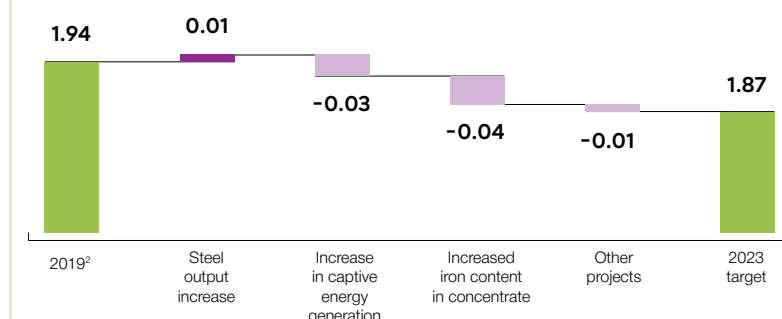
Project (completed)	Go-live date	Reduction of CO ₂ emissions (Scope 1 + Scope 2), '000 t	Reduction of CO ₂ emissions (Scope 1 + Scope 2), kg / t of steel
Replacement of manganese limestone with manganese ore	May 2021	82	4.7
Construction of an additional beneficiation section at Stoilensky ¹	July 2020	125	7.2
A set of measures to reduce lime consumption	2020	51	3.0
Other projects	2019–2020	19	1.1
Total		409	23.5

A new recovery power plant is to be launched in 2023 at NLMK Lipetsk fuelled with by-product gases from steelmaking and blast furnace operations. It will reduce CO₂ emissions by 650,000 t per year (35 kg per tonne of steel). Phased implementation of advanced beneficiation processes at Stoilensky from 2020 to 2023 will increase the Fe content in the charge and reduce BF fuel consumption at Lipetsk, thereby cutting CO₂ emissions by an additional 790,000 t per year (42,000 t per tonne of steel). Moreover, NLMK Group is pursuing a portfolio of research projects to start using hydrogen in production, i.e., recovery and utilization of CO₂, and other means of decarbonization.

The newly elaborated Climate Programme targets a specific emission reduction by 10% by 2030 vs. the 2023 base – down to 1.69 t CO₂/t of Fe or to 1.72 t CO₂/t of steel. To pursue the target the Group considers the following projects:

- Construction of an HBI module with a capacity of 2.5 million tonnes at Stoilensky

NLMK Group target for reduction of specific CO₂ emissions from stationary sources (Scope 1 + Scope 2) within the current strategic cycle through to 2023, w/o change of external emission factor, t of CO₂ / t of Fe

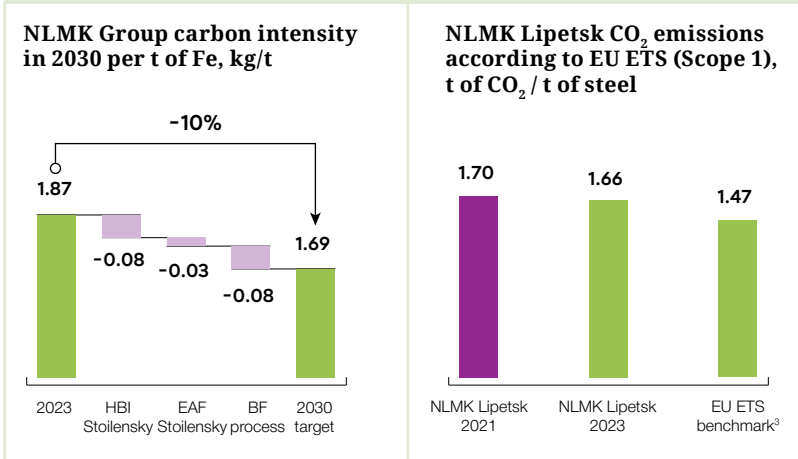


- Construction of an EAF based on the HBI module
- Implementation of effective projects to decarbonize the existing production chain, run CCUS pilots, and further enhance operational efficiency due to reduction of carbon fuel consumption and increased use of low-carbon power, as well as other actions.

¹ Includes operational efficiency improvements related to the project.

² Specific emission without the impact of temporary factors associated with reduced production output.

Specific direct emissions of CO₂ per tonne of steel at NLMK Lipetsk in 2021, calculated in line with the guidance¹ for European Union Emissions Trading System (EU ETS), was 1.70 t CO₂ / t of steel. The gap with the EU ETS benchmark² — as stricter requirements were imposed in 2021 for the period of 2021–2025 — currently stands at 16%. Within the current strategic cycle, NLMK Group aspires to reduce the gap down to 13%.



Climate-related cooperation

The company engages actively in cooperation with Russian and international partners to pursue reduction of environmental and climate impacts.

NLMK GROUP PARTICIPATES OF COP26

NLMK Group took part in the 26th Conference of the Parties to the UN Framework Convention on Climate Change (COP26).

As part of the Russian delegation, Nikita Vorobyev, NLMK Group Director of Environmental and Climate Affairs, presented the company's key efforts in decarbonization.

NLMK GROUP CONTRIBUTES TO GLOBAL DECARBONIZATION INITIATIVES

In 2020, NLMK Group joined the dialogue under the Mission Possible Partnership — a World Economic Forum coalition that seeks to accelerate decarbonization of the global industries that account for 30% of GHG emissions. In particular, NLMK Group participates in discussions of an initiative to reduce the climate impacts of ferrous metallurgy.

The dialogue parties address the matters of mitigation targets, the required legislation, market conditions, and decarbonization technologies for the steel industry.

NLMK GROUP PARTICIPATES IN THE GLOBAL WORLDSTEEL PROGRAMME TO REDUCE CLIMATE IMPACTS

Since 2020, together with Worldsteel experts, in line with Step Up decarbonization initiative NLMK Group has been developing actions to enhance equipment productivity, reduce resource consumption, improve feedstock quality, and better the reliability of production processes. These actions aim to implement best international practices in reduction of GHG emissions.

NLMK GROUP PARTICIPATES IN THE NET ZERO STEEL PATHWAY METHODOLOGY PROJECT

Launched in 2020, the project aims to develop a practical approach for ferrous metallurgy to set decarbonization targets, based on the climate science evidence and goals of the Paris Agreement. The project takes account of the actual situation in the ferrous industry and its ties to other sectors.

The Technical Working Group consisted of around 20 organizations that are related to ferrous metallurgy, including NLMK Group, as well as World Steel Association and ResponsibleSteel.

The need for a specialized methodology emerged since the Science Based Target initiative's Sectorial Decarbonization Approach (SBTI's SDA) does not properly account for or discards such factors as the different steelmaking routes (opportunities to decarbonize integrated and electric steelmaking operations are significantly different), replacement of virgin feedstocks in other industries with ferrous metallurgy by-products (which reduces the carbon footprint significantly), emission reduction due to offsetting projects, etc.

In July 2021, the final project report was published with important recommendations, but a detailed implementation guidance for target setting is yet to be developed.



¹ COMMISSION DELEGATED REGULATION (EU) 2019/331 dd. 19 December 2018 determining transitional Union-wide rules for harmonized free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council.

² EU ETS does not regulate BOF steel, but there are established benchmarks for coke, sinter, pig iron, lime and dolomite. The data given for 1 tonne of steel are calculated at the specified consumption coefficients.

³ Assuming the same consumption factors for coke and ore materials in 2021.

REDUCTION OF CO₂ EMISSIONS

ON THE CONSUMER SIDE DUE TO NLMK GROUP PRODUCTS



NLMK Group products advance low-carbon economy

Forests are the largest carbon sink globally — they absorb more CO₂ than they release into the atmosphere. Some industries drive the reduction of GHG emissions, too. For example, solar and wind power generation are replacing fossil fuels.

Calculation of CO₂ emissions averted due to consumption of certain goods is now a common practice, also applied in steelmaking and other industries.

NLMK Group produces steel plates that are used in construction of wind power installations, as well as premium electrical

steels that enable consumers to reduce specific magnetic losses in transformers and electrical motors. NLMK also produces high-strength and wear-resistant steels. This delivers metal structures of lower weight, which, in turn, leads to lower fuel and steel consumption and, ultimately, drives the transition to the low-carbon economy.

The list of products that help reduce CO₂ emissions by consumers was revised in 2021, and the corresponding reduction impacts were refined. NLMK Group estimates show that, if the planned volume of such products is successfully

sold in 2023, the volume of averted consumer-side CO₂ emissions will total about 29 million tonnes per year (on par with the Group's total annual emissions), and about 650 million tonnes throughout the entire product lifecycle (20–50 years).

The energy outputs (heat and electrical energy) supplied by Altai-Koks Coke and Chemical Plant are also driving lower CO₂ emissions from fossil fuels (coal) in the town of Zarinsk. Our analysis puts the reduction at 0.7 million tonnes of CO₂ per year.

Plans for 2022 and the medium term

In 2022, NLMK Group plans to continue elaborating projects that help reduce CO₂ emissions from existing processes, creating opportunities for supplying “green” steel to the market, developing in collaboration with partners the avenues to implement carbon

capture, utilization, and storage projects (CCUS), and conducting operational activities to reduce CO₂ emissions. The Group intends to engage with suppliers and clients to share information on carbon footprint reduction and setting decarbonization

targets, to develop a system for carbon footprint assessment for different types of products, to participate in the CDP programme, and to evaluate the prospects of obtaining a Responsible Steel certification.

Assessment of climate risks and their 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 their impact. Strategy 2030 was developed with existing and potential climate risks and opportunities in mind.

The steelmaking industry is highly sensitive to physical climate risks, as well as low-carbon economy transition risks.

The geographical location of the company's production sites determines the various levels of vulnerability to physical risks. Even through the industry overall is sensitive to the consequences of climate change, the location of Group companies

make them relatively less vulnerable to the materialization of physical risks. In addition, NLMK's control over supply routes of raw materials and finished products further reduces the risks of disruptions in supply chains.

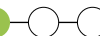
In the reporting period NLMK Group partnered up with Carbon Trust (United Kingdom), an independent sustainability consultant, to analyse risks and opportunities related to climate change. The project included an assessment of the potential impact of risks and opportunities on the company's activities. 136 individual risks and opportunities were identified, and a more detailed assessment was conducted for 82 of them (66 risks and 16 opportunities). This was followed by an in-depth

assessments of the six risks recognized as priority areas for NLMK Group. In addition, an in-depth assessment of physical risks was initiated for the Green Horizon project.

Risks and opportunities were grouped by root causes and then classified by TCFD categories. The table below indicates the main risks and opportunities identified by the analysis, their drivers aligned with TCFD categories that are relevant for NLMK, and an assessment of potential financial consequences.



TCFD category	Reasons (drivers) of the risk/ opportunity	Potential financial consequences	Description	
Low-carbon economy transition risks	Risks			
	Political and legal risks	- Payment for carbon emissions - Other payments - Product quotas - Subsidies - Product and manufacturing standards - Phase-out of products or raw materials - Potential court trials - Requirements to reports of investors, staff, suppliers, and buyers	- Increase in operating expenses - Write-off and devaluation of assets, as well as premature decommissioning of existing assets due to policy changes - Increased costs and/or lower demand for products due to fines and court decisions - Lower demand for products	Various climate scenarios imply different uses of regulatory mechanisms, such as CBAM, apparent and hidden taxes on CO ₂ emissions, and restrictions on greenhouse gas quota trading. The potential increase in the number of court cases due to the development of requirements to CO ₂ emission reduction might affect NLMK's activities
	Process risks	- Commercialization of low-carbon products - Commercialization of low-carbon production technologies - Circular economy	- Costs of research and development (R&D) in new and alternative technologies - Capital investment in technology development	Development of green steel production technologies may lead to the devaluation of capital investment in upgrades of the BF-BOF production route
	Market risks	- Commercial market trends - Energy carrier prices - Changes in consumer demand - Changes in demand at existing markets	- Lower demand for products - Higher operational costs, lower product profitability - Abrupt and unexpected changes in electricity costs - Changes in profit structure	The global shift away from coal, and the increase in costs of natural gas and oil may lead to an increase in operational costs, while initiatives to increase the efficiency of resource utilization and transition to alternative materials or less carbon-intensive products might decrease steel demand in various industries
	Reputation risks	Expectations of investors, personnel, suppliers, and buyers	- Lower capital availability or increase in the cost of capital - Lower profits due to decreased demand or as a result of negative impact on management and availability of labour resources (for example, difficulties with hiring and employee retention)	Reputation is an important factor of business success, both in terms of talent attraction and retention and in terms of compliance with broader requirements to information disclosure and responsible business practices from investors, suppliers, and clients
Physical risks	Extreme risks	Extreme weather events	- Lower profits as a result of production capacity decrease (e.g., difficulties with logistics, disruptions in supply chains) - Increase in operational costs - Increase in capital expenditures (e.g., to recover assets)	It is believed that the frequency and scale of extreme weather events, such as floods, hurricanes, forest fires, droughts, and heat waves will increase in scenarios that imply temperature growth
	Chronic risks	- Temperature changes - Water availability - Sea level rise	Increased insurance premiums and potentially lower availability of asset insurance in "high-risk" zones	One of the most evident consequences of climate change is the increase in average temperatures. Additionally, if certain climate scenarios materialize, the risks of changes in the nature of precipitation and lower water availability will emerge. Likewise, increased atmospheric temperatures might lead to global sea level rise and flooding of coastal territories



TCFD category	Reasons (drivers) of the risk/opportunity	Potential financial consequences	Description
Opportunities			
Energy sources	- Subsidies/support measures for low carbon energy production - Energy carrier prices	- Decrease in the Group's greenhouse gas emissions and, consequently, less sensitivity to changes in payment for CO₂ emissions - Additional profits in case of captive low-carbon electricity generation	The possibility of using various energy sources depends on whether the cost of wind and sun energy will decrease and if support for projects of captive low-carbon electricity generation will be available
Products and services	Changes in demand at existing markets	Increased profits due to more demand for "greener" products	The transition to a low-carbon economy may lead to changes in demand at markets of renewable energy, transport, electricity, and construction
Markets	- Carbon markets - Emergence of new markets of goods and services - Commercialization of manufacturing technologies for low-carbon products - Subsidies and other support measures	- Increased profits due to entering new markets of goods and services - Due to demand for "green" products (increase in sales of current products that decrease carbon footprint on the customers' side and development of new products)	Opportunities related to the production of "green" steel, such as loan financing of "green" projects, monetization of gains from measures to reduce CO ₂ emissions or utilization
Sustainability	- Payment for carbon emissions - Water availability - Temperature changes	The Group companies' more convenient location and lower carbon intensity of products vs. competitors will ensure more profitability.	In case different climate scenarios materialize, the Company may benefit because of higher availability of water vs. its competitors. CBAM can potentially lead to an increase in product profitability due to lower carbon footprint vs. competitors

Risk management

Climate risk management is an integral part of NLMK Group's overarching risk management system (see the [Operational Control and Risk Management section for more details](#)). Climate risks are identified and assessed by qualitative and quantitative methods, including a scenario analysis and modelling of risk materiality, probability, and velocity. Aggregate information about the climate risk profile and related changes is disclosed in the NLMK Group Risk Radar.

For every external driver, the time horizon of potential materialization was assessed. Three time horizons were identified: short-term (up to 2025),

mid-term (2025–2030) and long-term (after 2030). It is expected that transition risks will be relevant at all time horizons, and most risks will materialize in the long term, since process transitions in steelmaking will become more prominent by the late 2020s. In addition, chronic and acute physical risks will materialize in the long term. The same can be said for the most significant opportunities materializing in the future, since by that time a more significant increase in low-carbon steel production will occur.

The criterion of risk probability or possibility is related to the considered scenarios (see their description below).

The more similarity in the assessments of risk parameters for various scenarios, the higher the probability of risk materialization. Probability varies from low to very high.

According to the company, preliminary assessments indicate that the Group is highly resistant to climate change. The Climate Programme significantly decreases the company's climate-related transition risks in the mid- and long-term perspective.

Scenario analysis overview

In order to conduct a scenario analysis of climate-related risks and opportunities, data were collected from various sources, including the International Energy Agency (IEA), the International Institute for Applied Systems Analysis (IIASA), Shared Socioeconomic Pathways (SSP), the Global Economic Forum, the World Resources Institute (WRI),

and the Climate Impact Atlas of the Royal Netherlands Meteorological Institute (jointly with the CMIP5 project). These sources consider various climate scenarios which, for the purpose of in-depth analysis, were divided into two groups: Business-as-usual and the Paris Agreement scenario

(limiting global warming to well below 2°C). For physical risks, the worst-case scenario was also analysed.



SCENARIO ANALYSIS

PARIS AGREEMENT SCENARIO

IPCC climate scenario		Social and economic development scenario		25,000 (−50% vs. 2015) Global GHG emissions in 2050, m t of CO₂ equivalent	The scenario implies quick decarbonization in line with the Paris Agreement, which implies limiting global warming to well below 2 °C vs. the pre-industrial age, with a probability of 66%. It is believed that this scenario will ensure the transition to a low-carbon economy with zero emissions in the second half of the 20th century. Like with most low-carbon economy transition scenarios, this option requires significant emission cuts by 2100 in order to limit global warming to 2 °C.
Representative Concentration Pathway	Average global temperature increase by 2050 ¹	Shared Socioeconomic Pathway	Average global temperature increase by 2100 ¹		
RCP 2.6	1.6 ± 0.3 °C	SSP 1: Sustainability	1.6 ± 0.4 °C		

BUSINESS-AS-USUAL SCENARIO

IPCC climate scenario		Social and economic development scenario		56,000 (+13% vs. 2015) Global GHG emissions in 2050, m t of CO ₂ equivalent	An interim scenario, which implies more probability of temperatures exceeding 2 °C, leading to significant consequences for global climate systems. In this scenario, the current climate and energy policies get reconsidered, including obligations assumed as part of national plans to reduce emissions and adapt to climate change (Nationally Determined Contributions, NDCs). This scenario implies significant decarbonization in the second half of the 20th century.
Representative Concentration Pathway	Average global temperature increase by 2050 ¹	Shared Socioeconomic Pathway	Average global temperature increase by 2100 ¹		
RCP 4.5	2.0 ± 0.3 °C	SSP 2: Middle of the road	2.4 ± 0.5 °C		

WORST-CASE SCENARIO

IPCC climate scenario		Social and economic development scenario		103,000 (+109% vs. 2015) Global GHG emissions in 2050, m t of CO ₂ equivalent	In this scenario, the existing climate and energy policy will not succeed. This option will lead to a significant increase in global greenhouse gas emissions. Physical risks are expected to grow significantly in this scenario.
Representative Concentration Pathway	Average global temperature increase by 2050 ¹	Shared Socioeconomic Pathway	Average global temperature increase by 2100 ¹		
RCP 8.5	2.6 ± 0.4 °C	SSP 5: Fossil-fuelled development	4.3 ± 0.7 °C		

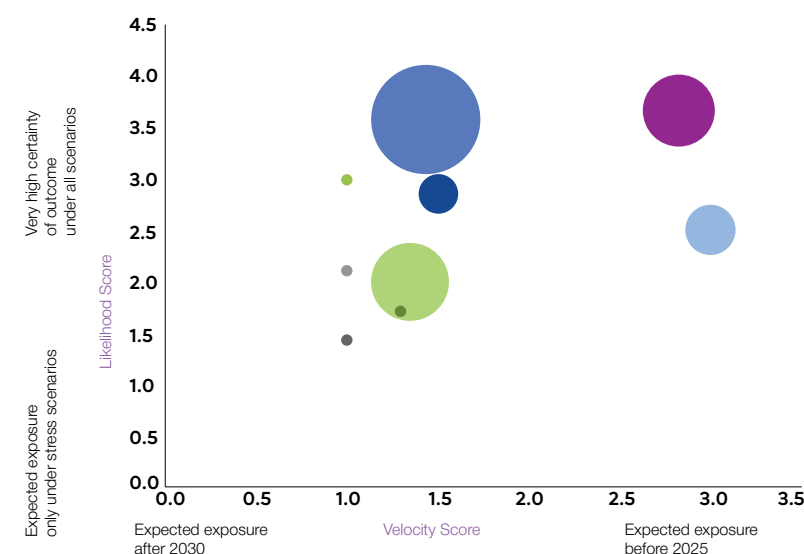
For the first two scenarios, an in-depth analysis was made for the following transition risks on the 2022–2030 horizon:

- Introduction of a carbon tariff on product exports into the EU
- Introduction of a carbon tariff on product exports into the USA
- Introduction of a tax on greenhouse gas emissions in Russia
- Global decrease in steel demand
- Increased EAF competitiveness vs. the BF-BOF route
- Stricter “green” legislation in the EU

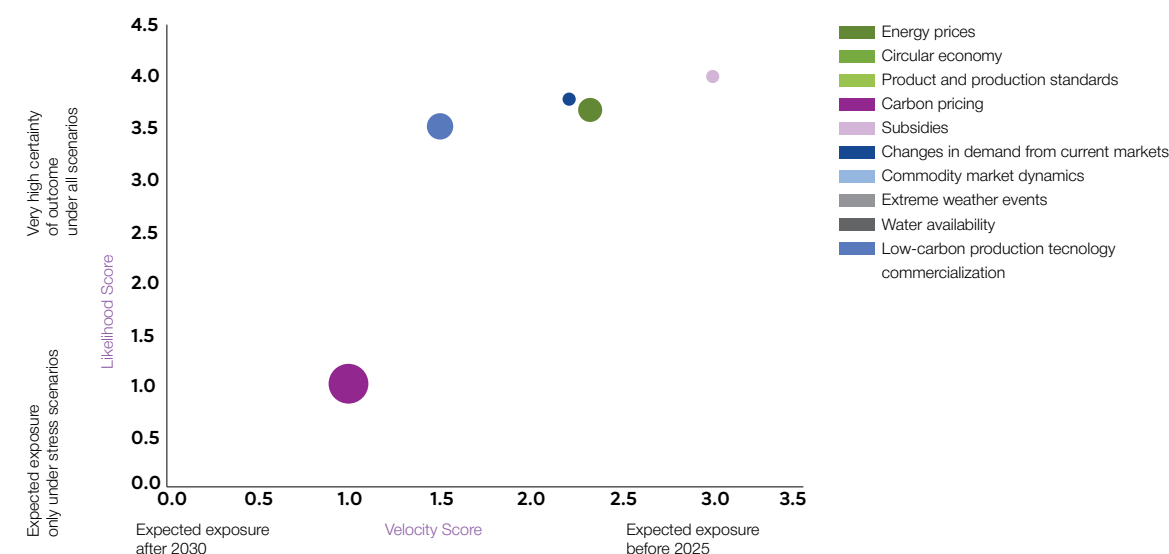
As a result of the analysis, the following materiality matrix of climate risks and opportunities was formed.

¹ Temperature anomalies vs. the pre-industrial period of the 1850–1900s.

Risk prioritization by parent root cause



Opportunity prioritization by root causes with materiality evaluation



Energy efficiency



Major themes

- Energy

Key events in 2021

- The Lipetsk site's captive generating facilities, which are fueled by secondary fuel gases, reached an all-time high in electricity generation (508.5 MW per day).
- The overhaul of BF-4 was completed with the construction of a new gas cleaning facility, which will increase the reliability of blast-furnace gas supply.
- Reconstruction of BF-4 air heaters started. The goal is to improve fuel efficiency in hot iron production and reduce carbon monoxide emissions from air heaters by 98%. The upgrade will be carried out gradually in 2022–2024 without the blast furnace shut downs.
- A set of measures to increase the production of liquid oxygen were implemented. In October 2021, the Lipetsk site achieved a record high production of liquid oxygen at 4,900 tonnes per month, of which 3,650 tonnes is liquid medical oxygen for healthcare facilities in nearby regions.
- The construction of production buildings' metal structures and the installation of the main process equipment of the new recovery power plant began.

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



Awards

A team of employees of NLMK's energy services came second at the CASE-IN International Engineering Championship (League of Young Professionals, REN Cup), which was held as part of the #TogetherBrighter Youth Day of the Russian Energy Week.

NLMK employees, as part of the Best Steel team, won the national final of the Metal Cup. Sustainable Development case championship on technology strategy.

Key 2021 figures

403.6
PJ (+1.8% yoy)

NLMK Group's total energy consumption in 2021

-0.144
Gcal/t (-2.6% yoy)

reduction in specific energy intensity of steel production at NLMK Lipetsk

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 **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.

NLMK Group's goals are to be the leader in using the best global practices to improve production energy efficiency and to achieve the lowest technically and economically feasible level of specific energy intensity and steel cash cost. The main principles of the IMS Policy are to reduce the resource intensity of production through:

- Reducing specific consumption of natural raw materials, water, and fuel and energy resources

- Improving operational efficiency
- Introducing recycling and close-loop systems and applying best available technologies (BATs)

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 and energy. 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. The purchased equipment and services are evaluated in terms of compliance with corporate energy efficiency requirements.

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. The company annually updates its portfolio of projects aimed at achieving the target indicators of energy resource use.

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:

- NLMK Lipetsk
- VIZ-Steel
- Altai-Koks

- Dolomit
- NLMK Kaluga
- NLMK Metalware
- NLMK Ural
- Stagdok
- Stoilensky

The NLMK DanSteel site has also been certified to ISO 50001. ISO 50001 certified companies account for 95% of the Group's energy consumption.

In 2021, all management systems operating at the facility level were consolidated into the integrated management system (IMS). In 2022, it is planned to complete the project at the company level.

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.

The company is also a member of the NP Market Council association, which ensures the operation of the enterprise in the wholesale electricity market,

and since November 2010 – a member of the Union of Independent Energy Audit and Energy Expert Organizations non-commercial partnership.

Energy resource consumption in 2021

In 2021, total energy consumption within the company stood at 403.6 PJ, which is 7.3 PJ higher year-on-year. The increase is due to the completion of the BF-4 overhaul, the ramp-up of BOF-3 in BOF Shop No. 2, and the increase in steel output.

NLMK Group uses a variety of non-renewable energy resources in its production activities: 27.2% of all

energy consumed comes from natural gas, and 58.6% comes from coal and coke products; it also uses renewable energy sources like electric energy from renewable sources, wood chips and charcoal for the production of ferroalloys.

In 2021, the share of electricity from renewable sources totalled 5.1% of all purchased electric energy, flat year-on-

year¹. The share of renewable energy in all NLMK Group energy consumption was 0.4%.

401.9 PJ

Non-renewable energy consumption

Renewable electric energy consumption across NLMK Group GRI 302-1

Indicator	2017	2018	2019	2020	2021
Share of renewable electric energy in purchased electric energy, %	4.81	4.86	5.10	5.14	5.14
Total share of renewable energy in total energy consumed, %	0.37	0.37	0.37	0.41	0.43
Total renewable energy consumed, PJ	1.50	1.51	1.43	1.62	1.72

Note: conversion coefficient from MWh to GJ = 3.6. Reverse coefficient: 1/3.6 = 0.278 (GOST R 51750-2001).

The share of renewable energy is shown in the total volume of electricity consumption without transit flows. NLMK Group sites made no direct purchases from renewable energy suppliers.

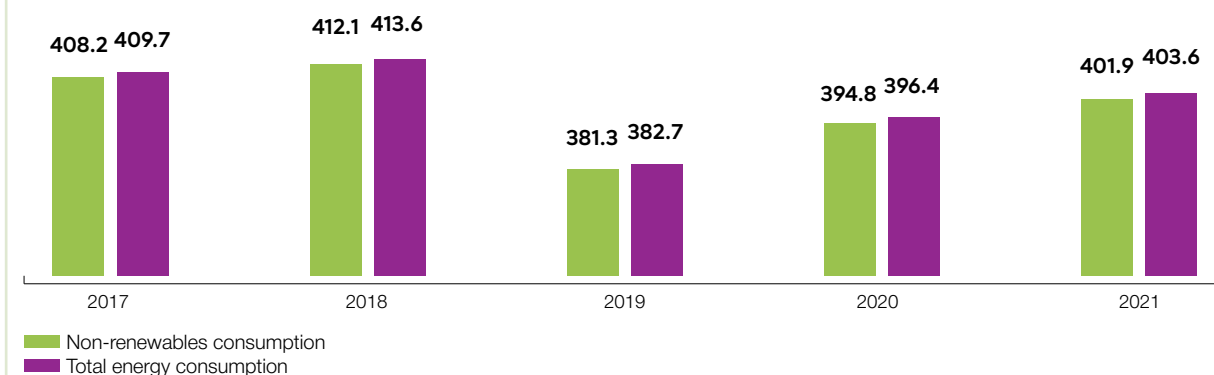
In 2021, the volume of electricity supplied from NPPs under direct contracts between NLMK Group and Rosenergoatom amounted to close to 3 billion kWh (10.8 PJ).

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

Region	Share of renewable energy	Source energy	Companies
Russia, Central Unified Energy System zone (Central and Northwestern Federal Districts)	1.5	Hydro	NLMK Lipetsk Stoilensky Stagdok Dolomit NLMK Kaluga
Russia, Ural Unified Energy System zone (Ural and Volga Federal Districts)	2.0	Hydro, wind, solar	NLMK Ural NLMK Metalware VIZ-Steel
USA	19.5	Hydro, wind, solar, biofuel	NLMK Indiana NLMK Pennsylvania Sharon Coating
Belgium	25.0	Wind, solar, biofuel	NLMK La Louvière NLMK Clabecq
France	21.4	Hydro, wind, solar, biofuel	NLMK Strasbourg
Italy	40.8	Hydro, wind, solar, biofuel	NLMK Verona
Denmark	87.1	Wind, solar, biofuel	NLMK DanSteel

¹ The share of generation from renewables is shown as assumed for Russia as of the end of 2021 according to the annual report on the functioning of the UES of Russia in 2021, for Europe – according to The European Power Sector in 2020 report, p. 8, and for the US – according to the Monthly Energy Review US report by the Energy Information Administration, p.129.

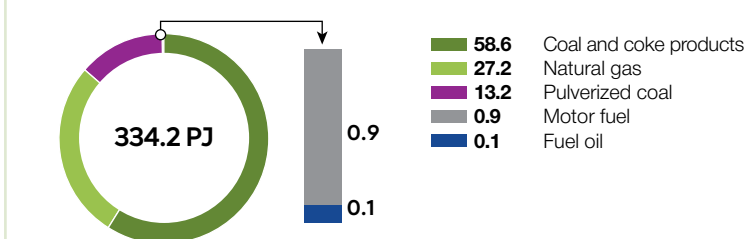
Total energy consumption by NLMK Group¹, PJ GRI 302-1



NLMK Group consumption of non-renewable fuels², PJ GRI 302-1

Fuel type	2017	2018	2019	2020	2021
Coal and coke products	217.22	208.64	185.24	197.64	195.7
Natural gas	91.65	87.75	91.26	85.86	91.01
Pulverized coal	28.40	43.30	36.15	43.36	44.13
Motor fuel (petrol, diesel, liquefied gas)	2.76	2.79	2.91	2.90	3.10
Fuel oil	0.04	0.04	0.21	0.29	0.25
Total	340.07	342.53	315.77	330.05	334.19

Breakdown of non-renewable fuel consumption by NLMK Group in 2021², % GRI 302-1



¹ The methodology for calculating the company's energy consumption: purchased energy minus sold energy (sales, shipment, transfer) at every production site; total across all sites. The calculation of the company's energy consumption in 2017–2019 has been brought to a unified methodological basis in terms of the use of coke breeze, the purchase, generation and distribution of electrical and thermal energy between companies. Since 2021, oxygen and nitrogen have been included in the company's energy balance in connection with the conclusion of outsourcing agreements for a part of the volume consumed. Methodology for calculating non-renewable types of energy: total energy consumption minus renewable energy.

² Starting from 2020, the consumption of coke products and motor fuels has been supplemented with the consumption of NLMK Ural and mining companies. Consumption of non-renewable fuels is shown minus the volume of shipment/sale of fuel in the form of products.

Consumption, generation, and sale of electrical and thermal energy by NLMK Group, PJ, GRI 302-1

Indicator	2017	2018	2019	2020	2021
Electrical energy and thermal energy obtained for consumption					
Electrical energy obtained	87.32	87.30	78.47	77.72	83.45
Thermal energy obtained as steam	0.51	0.50	0.48	0.48	0.51
Thermal energy obtained as hot water	1.52	1.59	1.33	1.03	1.09
Total	89.35	89.39	80.29	79.24	85.05
Captive electrical and thermal energy generation					
Electrical energy generation	46.34	49.36	50.01	49.93	51.34
Thermal energy as steam	23.78	21.90	21.75	22.26	22.00
Thermal energy as hot water	7.93	9.78	7.41	7.68	7.95
Total	78.04	81.03	79.17	79.87	81.29
Electricity and thermal energy sold to external consumers					
Electricity sold and transmitted	11.78	10.70	8.99	8.63	9.26
Heat energy sold and transmitted as steam	0.36	0.35	0.37	0.40	0.44
Heat energy sold and transmitted as hot water	2.56	2.76	2.35	1.92	1.96
Total	14.7	13.81	11.71	10.94	11.7

Note: conversion coefficient from MWh to GJ = 10.0945, calculated on the basis of conversion coefficient from MWh to a tonne of conventional fuel = 0.3445 (Rosstat), conversion coefficient from a tonne of conventional fuel to Gcal = 7, conversion coefficient from Gcal to GJ = 4.186.

Specific energy intensity¹ at NLMK Lipetsk, Gcal/t GRI 302-3

Indicator	2017	2018	2019	2020	2021
Specific energy intensity	5.491	5.469	5.641	5.546	5.402

Note: 1 Gcal = 4.186 GJ

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%

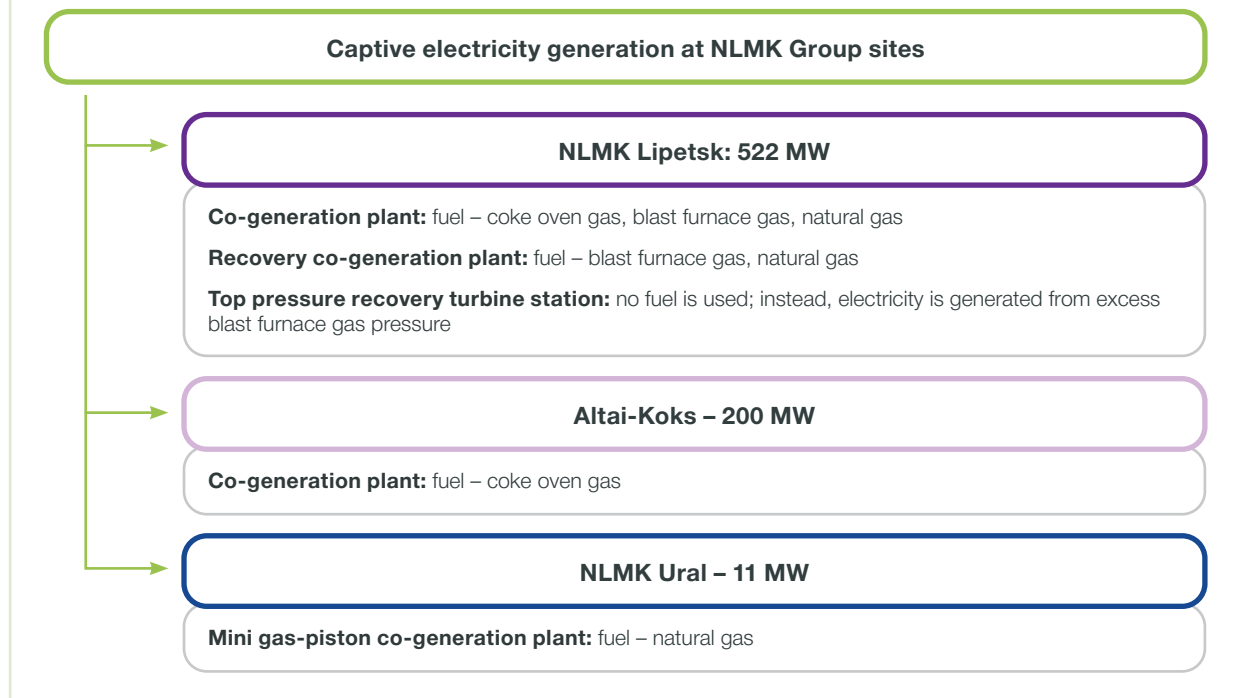
of the electricity generated at the Lipetsk site (and used for its production needs only) and 100% of the electricity generated at Altai-Koks is produced using NLMK Group's captive recyclable resources (steelmaking gases).

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.

Captive electricity generation at NLMK Group sites



CONSTRUCTION WORKS ARE ONGOING AT A NEW RECOVERY CO-GENERATION PLANT (RCGP-2) UTILIZING SECONDARY ENERGY RESOURCES, WHICH WILL BRING NLMK LIPETSK'S SELF-SUFFICIENCY IN ELECTRICITY TO 94%

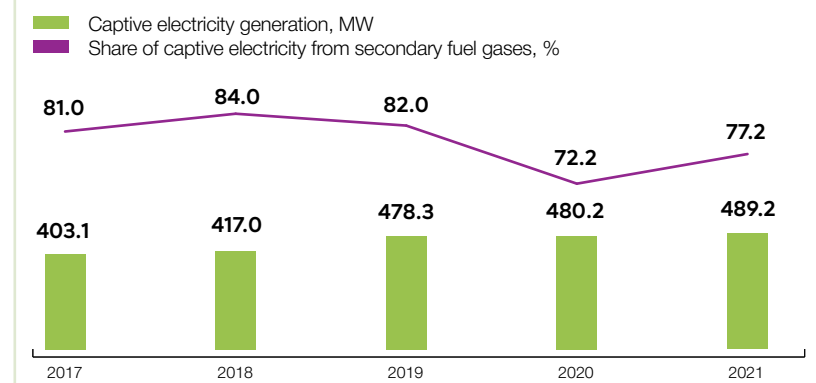
In 2019, NLMK Group launched a project to construct a new recovery co-generation plant at NLMK Lipetsk. The new plant will be utilizing recyclable gases (BOF and BF) from steel production. The installed capacity of the new recovery co-generation plant will be 300 MW. The total investment in the project is estimated at RUB 35 billion.

In 2023, the launch of this new power plant running on by-product gases of blast furnace and steelmaking operations will cut CO₂ emissions by 650,000 t (36 kg per tonne of steel) annually.

Share of captive electricity in total electricity consumption at NLMK Lipetsk¹, %



Captive electricity generated at NLMK Lipetsk²



In 2021, NLMK Lipetsk generating capacities reached an all-time high level of average daily electricity generation: (CGP – 346.7 MW, RCGP – 161.8 MW, total – 508.5 MW).

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 Lipetsk and NLMK Kaluga), nitrogen, 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.

¹ The share of captive electricity generation in 2021 is lower than in 2020 due to an increase in total electricity consumption (ramp-up of BOF-3 in BOF Shop No. 2 at the Lipetsk site).

² The share of captive electricity generation utilizing secondary fuel gases increased in 2021 due to an increase in the volume of blast-furnace gas utilization after the completion of the overhauls of BF-6 and BF-7 in 2019 and BF-4 in 2020.

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, pumping, and cooling equipment

- Optimizing process charts for the production of energy resources
- 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; pumping equipment upgrades are also underway.

Optimization initiatives undertaken by NLMK Group in 2021

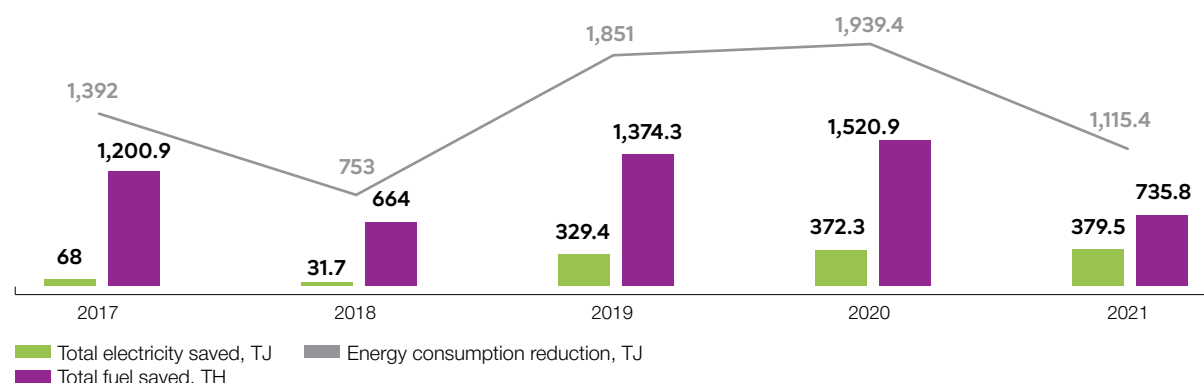
In 2021, energy-efficient optimization projects at the generating capacities of the CGP and RCGP at the Lipetsk site and CGP at Altai-Koks were aimed

at changing the operating modes and control algorithms for boilers and turbines, using new combustion air preheating technology, increasing

the area of economizers, and using systems for improved heat transfer and cleaning at turbine generator capacitors.

Reduction of energy consumption through energy-saving initiatives (programmes) at the Lipetsk site, TJ

GRI 302-4



NLMK IMPLEMENTED THE FIRST WIRELESS AUTOMATED ENERGY ACCOUNTING SYSTEM

NLMK's sinter shop launched an automated energy accounting system based on wireless data transmission technology. Every 30 minutes, 214 readers send information about the consumption of electricity and water to the plant's unified management system. Data analysis prevents emergencies and optimizes energy costs.

This technology is based on LoRaWAN (Long Range Wide Area Network) wireless data transmission, an alternative to the classical method of transmitting information over wires with lower implementation and maintenance costs. The solution enables wide coverage (up to 1.5 km) with high noise immunity, while lowering power consumption (up to 10 years without changing the battery).

Rostelecom and NLMK IT employees ensured the integration of the companies' systems running on different platforms, established an integration service for the simultaneous exchange of meter readings, debugged and tested the solution.

Motor fuel consumption

NLMK Group has determined technically feasible levels of specific fuel consumption for all categories of transport (motor fuel is covered by the company's energy management system). The Logistics Development Strategy until 2022 sets fuel consumption targets, which the company strives to achieve.

In 2021, activities to reduce motor fuel consumption were aimed at:

- Equipping diesel locomotives with an electronic fuel injection system. This measures makes fuel consumption 10–16% more efficient, depending on the type of locomotive. In 2022 it is planned to expand this system to NLMK's entire fleet of locomotives, which will reduce diesel fuel consumption by 2,445,000 litres
- Revising and selecting optimal routes for motor transport, cutting empty runs and downtime (thus saving close to 500,000 litres of diesel fuel)
- Switching to alternative fuel (diesel fuel consumption reduced by almost 30,000 litres)

Efforts to reduce diesel fuel consumption will continue in 2022. In preparation for the new strategic cycle, the company will focus on the use of vehicles using alternative energy sources, which will reduce or eliminate harmful emissions into the environment.

STOILENSKY TO START USING HYBRID MINING DUMP TRUCKS BY 2025

By 2025, Stoilensky will be the first in Russia to start using trolley trucks – giant mining dump trucks with a hybrid engine.

In the normal driving mode, the internal combustion engine will generate electricity for the operation of the motor-wheels, and while driving along the main road in the mine, over which the trolley line will be stretched, the dump truck will receive energy from the high-voltage line.

The average speed of the dump truck will increase by 40%. Today, loaded dump trucks in the mine are moving uphill at a speed of 16–18 km/h, trolley trucks under the same conditions will run at 25 km/h. This means that diesel fuel will be saved, and as a result, emissions of nitrogen oxides will decrease.

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 energy resources
- 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 digital 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

The company is working on a portfolio of technological development projects in the energy sector. The focus areas in 2022 will be the development of renewable energy generation projects (including at sites in Europe), the assessment of opportunities for the application of industrial energy storage technologies and the analysis of alternative hydrogen production technologies.

Environmental protection



Major themes

- Atmospheric emissions
- Water
- Waste
- Biodiversity
- Supplier environmental assessment
- Environmental compliance

Key events in 2021

- Two large-scale overhauls of NLMK's dedusting systems completed. The project will reduce dust emissions by more than 300 tonnes per year
- The HSM effluent tank was upgraded at NLMK Lipetsk eliminating 400 m² dam and land contamination with petroleum products
- A large-scale environmental upgrade of the beneficiation plant air purification system started at Stoilensky
- NLMK Kaluga eliminated industrial runoff in 2021 with a closed-loop water system
- A number of projects on secondary raw materials recycling were implemented
- At Stoilensky, the first stage of irrigation system construction started at the tailings dam, thus eliminating dusting
- At Stoilensky, the elaboration of environmental solutions for the Green Horizon project started. The project aims to expand existing and set up new production facilities. The solutions include among other initiatives to reduce nitrogen oxides and sulfur dioxide emissions and create a closed water-loop system

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



Key 2021 figures

Pollutants discharge into water bodies reduced

by **33%**

compared to 2018 baseline

97%

of water in production is recycled and reused

100%

of secondary iron waste recycled

Over **\$2 bn**

allocated to investment projects with an environmental impact since 2000

\$339 m

allocated to operational and investment projects with an environmental impact in 2021

Awards

Worldsteel has recognized NLMK Group as Sustainability Champion.

NLMK Group ranked second in the Environmental Transparency Rating of Mining and Metals Companies according to the World Wildlife Fund (WWF) Russia and National Rating Agency.

NLMK Group received the ComNews Awards 2021 for the best digital ESG solution.

NLMK Group was awarded the gold medal of the 27th international industrial exhibition Metal-Expo 2021 for its upgrade of NLMK's steelmaking production, which allowed to increase the productivity of one of the BOF shops by 15% while reducing the environmental impact (reducing dust and CO emissions by 2,000 tonnes).

NLMK won the Leaders of Russian Business competition, held by the Russian Union of Industrialists and Entrepreneurs, in the Environmental Responsibility category.

NLMK won the III national competition **Reliable Partner – Environment** with The best project in the field of environmental digitalization.

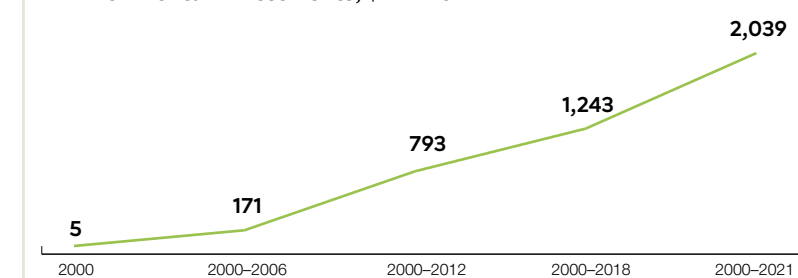
The results of two-decade efforts to reduce environmental impact

The company consistently reduces its environmental impact by efficiently using natural resources, introducing innovative technologies to improve environmental performance, and annually investing heavily in environmental projects.

Since 2000, the company has invested more than \$2 billion in environmental projects, or about 30% of all investments in maintaining production facilities.

Thanks to large-scale environmental investments, since 2000, all the main process stages that have a major impact on the environment have been upgraded: coke oven batteries, blast furnaces, BOFs, over 200 dedusting systems have been upgraded or built

Environmental investments, \$ million



(half of all the systems in operation today) in the sintering, blast furnace, BOF and refractory shops. The company also switched to anhydrous slag cooling technology and stopped flaring of exhaust gases – now they

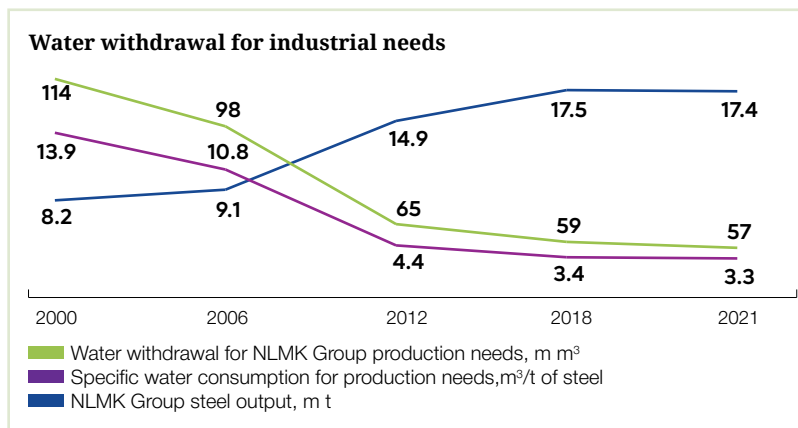
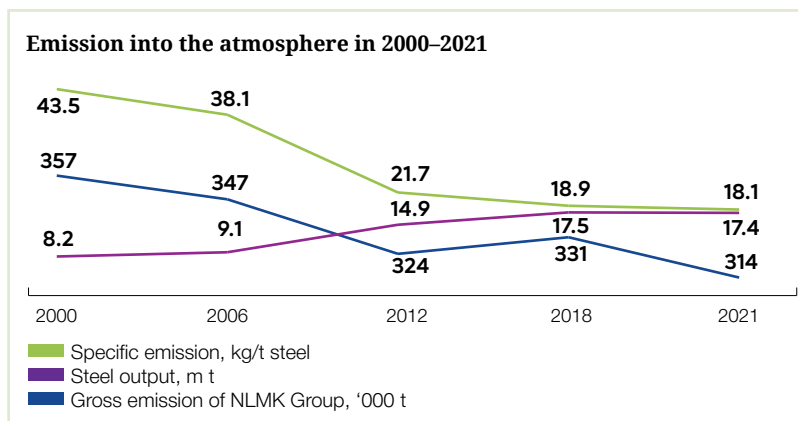
are used for efficient power generation. With the completion of the project for the construction of a second recovery co-generation plant in 2023, the Lipetsk site will achieve 100% utilization of off-gases from the core steelmaking units.

Specific emissions into the atmosphere per tonne of steel have decreased by 2.4 times since 2000. Despite the expansion of the Group and more than a two-fold increase in steel output, the Group's gross emissions decreased by 12%.

In terms of water impacts, a project to build a closed-loop water supply system at the Lipetsk site was implemented, which enabled complete elimination of industrial and storm effluents into the river and return this water for reuse in the production cycle. As a result, water withdrawal from the Voronezh River reduced by 5 times. Thanks to the construction of closed-loop water supply systems at all the Group facilities, since 2000, specific water consumption per tonne of steel has decreased by 4.5 times, and specific wastewater discharge – by almost 3 times, while steel output has doubled.

In its activities, the company strives to adhere to circular production and re-use not only off gases and water, but also solid secondary resources. Since 2015, the Group is implementing its Raw Materials Recycling Programme, which includes several dozen projects aimed at increasing the internal processing of recyclable materials and their re-use in production.

In 2019, the processing of a 25 ha slag dump that existed since 1934 was completed, on which 6 million tonnes of materials were accumulated during the Soviet period. All these materials were used either as raw materials for the production of iron and steel, or as process raw materials for construction in the Lipetsk Region. As much as 350,000 tonnes of iron were extracted, which not only reduced the consumption of fossil fuels, but also reduced greenhouse gas emissions by 100,000 tonnes.



NLMK achieved 100% utilization of secondary iron-containing raw materials. To this end, in 2019, a unique facility was launched – the Briquetting Plant for the processing of generated and previously accumulated dust and sludge (dust and other fine solid particles mixed with water). Recycled briquettes are re-used in blast furnaces as material for the production of iron and steel. This innovative facility, in which RUB 4.5 billion was invested, allows saving up to 500,000 tonnes of fossil iron ore annually. In addition, all the dust collected in the de-dusting units was returned into production.

In general, over the last 20 years the recycling rate of the main production site in Lipetsk reached all-time highs.

↑ **100%**
Recycling of secondary iron-containing raw materials

↑ **99%**
Recycling of secondary raw materials

Environmental management priorities

Our approach to managing environmental protection

A responsible attitude towards the environment and the efficient use of natural resources – are key principles of **Sustainable Development Policy of NLMK Group**. 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 – both on the part of the Board of Directors and the CEO (Chairman of the Management Board) of the company.

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.

The fundamental document in the field of environmental protection is the **Integrated Management System (IMS) Policy of NLMK Group**. The policy reflects the company's responsible and rational approach to environmental protection management.

Organizational structure

GRI 102-19 | GRI 102-20

NLMK recognizes the importance of effective environmental management. 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. **GRI 102-31** 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 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 Group 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, 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.

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 last five years increased by 77% totalling \$339 million in 2021.

In 2021, the funding of the Group's environmental investment projects remained flat year-on-year. Due to these capital investments, the Lipetsk site completed large-scale reconstructions of the de-dusting system in the BF-3 cighthouse and de-dusting system for capturing fugitive emissions at one of the two mixers in BOF Shop No. 1

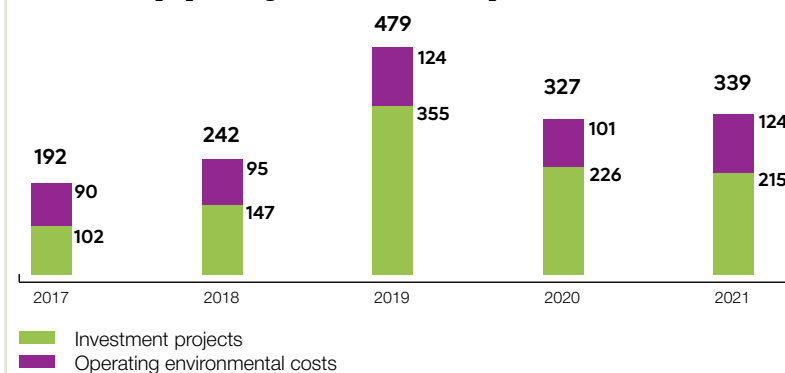
with the total dust emissions reduction of more than 300 tonnes. The company has started installation of the main process equipment for the new recovery co-generation power plant, utilizing BOF gas. Total investment in environmental projects since 2000 has exceeded \$2 billion. NLMK Group's specific air emissions reached its all-time low at 18.1 kg/t of steel.

Targets and key performance indicators

NLMK recognizes the importance of efficient environmental management. As part of its current Environmental Programme the following targets has been established:

- Minimizing the impact that the Group's Russian and international companies have on the environment, and complying with all applicable

NLMK Group spending on environmental protection¹, \$ m GRI 103-2



environmental standards and environmental risk management commitments

- Increasing recycling rates
- Reducing specific air emissions
- Reducing the impact on water resources

NLMK Group's strategic environmental goals until 2023

Target	KPI	Units	2018 (base year)	2020	2021	2023 target
Compliance of environmental indicators of NLMK Group with best practices	Specific emissions	kg/ t of steel	18.9	18.6 ² (19.8)	18.1	18.0
	Waste recycling share	%	89	95	95	92
Reducing specific air emissions	CO (NLMK Lipetsk)	kg/ t of steel	16.3	16.0 ² (16.8)	15.7	14.8
	NO _x (NLMK Lipetsk)	kg/ t of steel	1.2	1.2 ² (1.3)	1.2	1.1
	SO _x (NLMK Lipetsk)	kg/ t of steel	1.7	1.7 ² (1.7)	1.5	1.6
	Dust	kg/ t of steel	1.4	1.2 ² (1.4)	1.2	1.2
	1st Class substances (Russian companies)	g/ t of steel	0.08	0.07 ² (0.08)	0.07	0.07
Reducing the impact on water resources	Specific water discharge (NLMK Lipetsk) ³	m³/ t of steel	0.8	0.7 ² (0.7)	0.6	0.6
	Pollutants discharge into water bodies	'000 t	17.6	13.9 ² (12.5)	11.8	13.2
Increasing utilization of overburden, tailings and iron-containing wastes	Share of utilized secondary iron materials ⁴	%	93	99	100	101

¹ In 2021, the approach to assessing environmental investments changed: spending on revamping, upgrading and constructing new environmental facilities that were not previously taken into account have been added. Data for 2017–2020 were adjusted to ensure comparability.

² Without the impact of temporary factors associated with lower production.

³ Total, production and household wastewater.

⁴ Excluding overburden and tailings, taking into account accumulated sludge.

ENVIRONMENTAL PROGRAMME 2027 APPROVED

In 2021, the Strategic Planning Committee of the Board of Directors adopted NLMK Group's Environmental Programme until 2027. The key long-term goal for reducing environmental impact is to reduce total air emissions by 16% compared to 2023, while dust emissions to be reduced by 16% and sulfur dioxide emissions – by 6%. The programme also targets cessation of industrial run-off at the Group's Russian facilities and household run-off at the Lipetsk site. The company is planning to invest close to \$200 million in these efforts.

Main impacts of the Environmental Programme 2027

Emission reduction, '000 t/year			
Substance	Volume	Reduction vs. 2023, NLMK Group, %	Reduction vs. 2023, NLMK Lipetsk, %
All substances	51.3	16%	20%
Dust	3.4	16%	17%
NO _x	1.7	6%	11%
SO _x	1.8	5%	8%
Industrial and domestic wastewater reduction, '000 t/year of pollutants in the run-off (Russian companies)			
All substances	12.8	99.7%	100.0%

Supplier environmental assessment

Starting from 2007, all suppliers of NLMK Group have been subjected to audits, which cover compliance with environmental standards. Since 2015 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. 10% of suppliers have so far confirmed that they have a certified environmental management system in place that complies with the ISO 14001 international standard.

The qualification, assessment, and audit procedures are set out in NLMK Group's regulatory documents. The procedures stipulate that counterparties that are recognized as not meeting the established criteria based on the qualification results are not allowed to supply raw materials, materials and equipment and perform services for NLMK Group enterprises.

The procedures provide that counterparties that are recognized as not meeting the established criteria based on the qualification results are not allowed to supply raw materials, materials and equipment and perform services for NLMK Group enterprises. 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. 100% new suppliers and contractors were screened for environmental criteria in 2018–2021 GRI 308-1. There were no suppliers or contractors who were not allowed to work with NLMK Group due to non-compliance with environmental requirements.

GREEN HORIZON

The new project for the development of Stoilensky until 2030 is titled Green Horizon. The name is telling: the process solutions, which are being considered, will enable the growth of industrial development with little or no increase in environmental footprint, including through the upgrade of existing production facilities and the use of the best global environmental practices in new operations.

The most ambitious environmental initiatives of the Green Horizon project include:

- Using conveyor belts to deliver ore from the open pit to the beneficiation plant, thus eliminating railway transport and minimizing dusting
- Switching from traditional diesel dump trucks to electric trolley trucks, thus reducing emissions of nitrogen oxides
- Raising the bar for environmental standards applied to transport
- Using best available technologies in the field of de-dusting to drastically reduce concentration levels
- Construction of purification systems to cut nitrogen and sulfur oxides content in gas for pelletization and direct reduction of iron
- Creating closed water-loop system to cease industrial effluents

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.

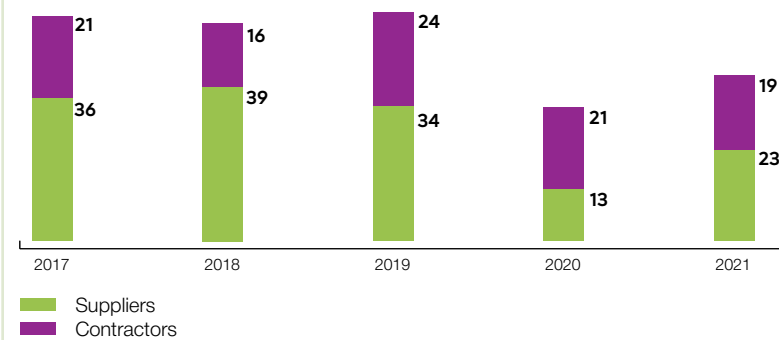
In 2021, NLMK Group audited 57 suppliers of raw materials, supplies and equipment, of which 23 were screened for environmental compliance. Based on the results of the audit, 11 suppliers developed measures to eliminate environmental risks **GRI 308-2**. An audit of 19 contracting organizations was also carried out, 15 of which developed measures to eliminate environmental risks.

After the audits, corrective action plans are developed together with suppliers and contractors to eliminate environmental risks. In 2021, 11 supplier audits revealed 19 instances of non-compliance and four recommendations were issued; as for contractors – 15 audits revealed 23 instances of non-compliance and five recommendations were issued. If a counterparty is unable to confirm that the identified gaps were eliminated, it is submitted to the conciliation committee which will decide if further cooperation is possible.

Evaluation of contractors is carried out on the basis of internal corporate documents through a specially developed qualification survey. The Standard Environmental Protection Requirements for Contractors is publicly available on the company's official website.

On an ongoing basis, for all employees of contractors, a four-hour training in environmental protection requirements is provided before obtaining work permit to production facilities and the company premises.

Suppliers of feedstock, materials, and equipment to NLMK Group screened using environmental criteria during audits **GRI 308-2**



Suppliers with corrective action plans following audits (% of total audits conducted) **GRI 308-2**

Indicator	2017	2018	2019	2020	2021
Share of suppliers with corrective action plans, %	69	80	41	38	48
Share of contractors with corrective action plans, %	90	63	50	43	79

Membership and participation in organizations

NLMK works with Russian and international associations to establish an effective dialogue on sustainable use of natural resources. In particular, NLMK Group is a member of worldsteel's expert groups on the environment, sustainable development and climate. As part of its collaboration with worldsteel, NLMK Group collects and submits data on sustainability indicators on an annual basis and participates in steel products life cycle assessment. In early 2022, NLMK Group signed an updated Sustainability Charter. In 2021, NLMK Group was recognized

as a Sustainability Champion. The title, which is the main industry award in this area, is awarded annually to steel companies that have proven their commitment to the principles of sustainable development.

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, as well as the working group responsible for developing steel decarbonization strategy in Russia.

NLMK is a member of the Committee on Ecology and Nature 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 RUE Committee on Climate Policy and Carbon Regulation, where NLMK's Director on 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 2021, NLMK Group ranked second in the Environmental Responsibility Openness Rating of Mining and Metals Companies, a project of the World Wildlife Fund (WWF) Russia and the National Rating Agency, improving its result by four notches compared to 2020.

NLMK Group and the Austrian Metallurgical Competence Centre K1-MET continued their partnership

to develop a recycling technology for steelmaking waste. In cooperation with the shareholders of K1-MET – Voestalpine Stahl, Primetals Technologies Austria, Montan-University of Leoben and the University of Linz – NLMK implements projects for the efficient use and processing of secondary raw materials from steelmaking.

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 companies. These procedures have been agreed with state supervisory bodies and are regulated by legal documents. **GRI 303-2** The Group's enterprises operate the Internal Environmental Improvements System (IEIS). IEIS provides internal control over compliance with established

standards and rules. Also, within the framework of the IEIS, compliance with design and legislative environmental requirements is monitored during audits by the Environment function. IEIS helps to prevent violations of environmental requirements and reduces the likelihood of instructions from regulatory authorities.

Supervisory bodies conduct regular annual checks, both scheduled and ad-hoc, of the Group's companies to ensure they comply with Russian legislation as well as stakeholder expectations. In 2021, territorial environmental control bodies conducted 45 inspections. At the same time, no

significant fines or non-financial sanctions have been brought against NLMK Group companies, and no lawsuits have been initiated to compensate for damage to the environment or third parties. There have been no environmental accidents in 2021. **GRI 307-1**

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 2021, 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 1% (vs. 26% in 2017).

Payments for negative environmental impact, \$ m

Indicator	2017	2018	2019	2020	2021
NLMK Group ¹	2.6	2.3	1.7	1.8	1.5
Russian assets	1.9	1.3	1.0	0.9	1.0

¹ For the Group's international companies, costs of procuring permits are taken as payments for negative environmental impact.

NLMK USES DIGITAL TOOLS TO MONITOR AND ANALYSE VISIBLE EMISSIONS

In 2021, a system for analyzing visible emissions using machine vision algorithms and deep learning methods was developed and implemented at the Lipetsk site. The purpose of the system is to identify any non-typical atmospheric emissions recorded by CCTV cameras, determine their location, estimated volume and send notifications to the plant's specialists for detailed analysis and establishing the root causes of emissions. The service collects and stores data on all emissions, which helps acquire in-depth analytics. In 2021, this solution received three awards: at ComNews Awards 2021 it was recognized as the best digital ESG solution, at the III Russian competition **Reliable Partner – Environment** it topped the best project in the field of digitalization of ecology category, and at STAR 4.0 digital industrial innovations (part of Innoprom 2021) it won in the Sustainable Development category.

The company also engages its employees in the environmental control process. In 2021, NLMK Group's Lipetsk site launched a rapid response system for environmental incidents. By calling the hotline or leaving a 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 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 2021, NLMK Group continued implementing its project to equip air emissions and wastewater 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.

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 2021, innovative air quality monitoring systems were purchased for the Lipetsk site and Stoilensky. The systems will be installed at the borders of the sites' sanitary protection zone. Using these systems, it will be possible to monitor the state of atmospheric air, timely detect atypical emissions of nitrogen dioxide, carbon monoxide, sulfur oxide, hydrogen sulphide, and dust particles for subsequent analysis of the causes of their occurrence and development of measures aimed at their reduction or elimination. In 2022, a similar project is planned to be implemented at Altai-Koks.

In addition to innovative monitoring systems, it is planned to purchase portable gas analysis equipment for mobile and rapid measurements of harmful substances in the atmospheric air at the Lipetsk site. This will make it possible to timely control the quality of atmospheric air in places not equipped with stationary equipment.

Since May 2021, the company has been publishing environmental monitoring data on the main controlled substances (carbon monoxide, hydrogen sulphide, sulfur dioxide and nitrogen dioxide) in the air of Lipetsk. The map shows the indicators of average monthly values in MPC shares both from the posts of Roshydromet and from 12 additional control points on the border of the sanitary protection zone of the plant and in the city. An interactive environmental monitoring map is available to the public on the [NLMK website](#).

In 2021, Stagdok organized an online monitoring post for the noise and seismic effects of blasting. At a distance of 500 m from the boundaries of the mine, a noise monitoring station and a recorder of external vibration effects were installed, which provide information in real time. According to the results of the control, the permissible impact standards are observed, there are no excesses. A new monitoring station was installed

at the initiative of the company for additional control, information on measurements is regularly published on the [company's website](#).

In 2021, the roll-out of the Environment IT system began at the Group's Russian assets, which will automate environmental reporting, systematize and store actual data on the environmental performance of enterprises.

In 2021, the Environment mobile app project was initiated, which will help to get rid of paper logs and maintain an electronic archive.

Training

NLMK devotes special attention to fostering a culture of environmental awareness among its employees and local communities in the regions where it operates. A series of educational courses were developed for the benefit of all the Group's staff. In particular, in 2021, Management of Production

and Consumption Waste and Waste Atlas e-courses were developed, aimed at improving the culture of separate waste collection. At least 10% or 5,000 employees take environmental training sessions and development courses every year.

NLMK Group has been running the Green Office programme for several years already. It aims to enhance the commitment of the Group's employees to eco-friendly culture. In 2021, the Group companies installed additional 270 containers for the separate collection of waste: paper, cardboard, glass, plastic; there are also collection points for used office equipment. For the second year in a row, NLMK won the Green and Healthy Office competition in the Best Separate Waste Collection System category.

ENVIRONMENTAL AUDIT OF MINING ASSETS

As part of the development of an environmental liability insurance programme and the development of a procedure for identifying environmental risks and risks of man-made incidents with an impact on the environment, environmental audits were conducted at the company's mining assets in 2021.

The audits did not identify risks with a high probability of materialization, and also confirmed the high level of maturity of environmental risk management.

NLMK STARTED USING A MOBILE DUST SUPPRESSION SYSTEM

In 2021, an innovative solution for dust suppression of fugitive sources was implemented at the Lipetsk site. The mobile dust suppression system will be used year-round in areas where bulk materials are stored during loading and unloading operations characterized by heavy dusting, as well as during work on the dismantling of buildings and structures.

The volume of investments amounted to close to RUB 17 million

NLMK HELD THE ANNUAL NLMK YOUNG LEADER 2021 COMPETITION DEDICATED TO GREEN PRODUCTION

In 2021, the theme of the Young Leader annual corporate competition was Green Production. All projects participating in the competition reduced environmental impact, and some had an economic effect. A ferroalloy furnace operator won the competition with a project to reduce CO₂ emissions in ferrosilicon production.

GREEN CITY: ENVIRONMENTAL SEMINARS AT ALL LIPETSK SCHOOLS

The project tells the residents of Lipetsk about the current environmental situation in the city and the company's initiatives to reduce the impact on the environment. The seminars cover several important topics: health of the Lipetsk residents, areas impacted by the industry, programmes for improving the environment at the plant and in the city, green tools. Open communication between NLMK and the city are key to an effective partnership in the field of environmental safety.

Certification

NLMK’s continuous efforts to systematize its environmental management operations in accordance with modern international standards are reflected in its Environmental Management System, which helps to identify and monitor environmental issues and risks. The EMS functions within the framework of the company's integrated management system, which allows for a comprehensive approach to environmental issues for the Group as a whole, taking into account risk-based approach.

The ISO 14001:2015 standard has been implemented at 14 of the Group’s production facilities, where 89% of the Group employees work and which account for 96% of the Group's steel output.

Every year, internal audits are carried out at the company's facilities to confirm the compliance of the current EMS

NLMK CONFIRMED COMPLIANCE WITH INTERNATIONAL ENVIRONMENTAL STANDARDS

NLMK Group extended the validity of its ISO 14001 certificate. The document confirms that the Environmental Management System employed by the Group companies complies with this international standard. The audit was conducted by the British Standards Institute (BSI).

with the requirements of international standards. In 2021, 86 internal audits were carried out.

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 implementing its environmental programmes, NLMK focuses on the introduction of the best available

technologies. As part of a four-party agreement between NLMK, the Ministry of Natural Resources, Rosprirodnadzor and the administration of the Lipetsk Region, the company has already implemented six out of nine projects planned until 2024. They aim to implement the Ecology federal project. These projects reduce emissions by 9,200 tonnes, which is 49% higher than the planned effect.

Plans for 2022–2023

In the next reporting periods, NLMK plans to implement environmental initiatives, including through the overhaul of major production facilities using the best available technologies.

Key projects planned for 2022–2023

Site	Project	Environmental impact
NLMK Lipetsk	Repair of air heaters for blast furnaces No. 3&5 Revamping of air heaters of blast furnace No. 4	Reducing CO emissions by 7,500 tonnes per year
NLMK Lipetsk	Revamping of the de-dusting system of mixer No. 1 in BOF Shop No. 1	Reducing dust emissions by 100,000 tonnes per year
Stoilensky	Technical re-equipment of the de-dusting system of the medium and fine crushing section of the beneficiation plant	Reducing dust emissions by 791 tonnes per year
NLMK Lipetsk	Setting up accumulation area for waste generated in wagons cleaning	Elimination of the soil contamination risk on an area of 1,000 m ²
NLMK Lipetsk	Elimination of the risk of dusting when liming oily scale	Elimination of the soil contamination risk on an area of 120 m ²
Altai-Koks	Revamping of the dust collection system of the dust-free coke dispensing unit on coke oven batteries No. 3 and No. 4	Reducing dust emissions by 254 tonnes per year
Stoilensky	Reconstruction of the storm sewer	Exclusion of the risk of soil pollution on an area of 1,100 m ²
NLMK Indiana	Arrangement of a waste storage warehouse	Elimination of the soil contamination risk on an area of 500 m ²

Water resources

GRI 303

Water stewardship priorities

NLMK Group is committed to reducing the volume of water that it consumes, and devotes considerable efforts to lowering its water withdrawal volumes in favour of reusing water. Indicators for reducing the impact on water resources are set in the company's Strategic Goals. The most important impact mitigation tool for the company is the consistent building of closed water-loop systems at the Group companies, which make it possible to withdraw fresh water only to compensate for the inevitable losses from water evaporation.

The company regularly monitors and assesses the risks of water availability in all its home regions, using data from regular reports on the state and utilization of water resources published by the Ministry of Natural Resources and Ecology of Russia and authorized state control bodies of other countries, as well as: <https://www.wri.org/>; <http://www.sage-ill-nappe-rhin.alsace/>; <https://watersgeo.epa.gov/watershedreport/>.

In 2021, NLMK Lipetsk continued 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. NLMK experts evaluate and optimize technical solutions for the upgrade of Lipetsk's wastewater treatment facilities based on the company's experience in upgrading its own storm water treatment facilities, which made it possible to reduce concentrations of all substances.

Water withdrawal and consumption

GRI 303-1 GRI 303-3

NLMK companies withdraw a small proportion of their water from external sources (less than 3% of the Group's total industrial water supply). 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 fresh water from surface water bodies, underground sources, and rainwater. NLMK Group companies do not use wastewater from third-parties. All water withdrawn by the company is fresh water.

The Group 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 fresh 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](#)

WATER-RELATED RISKS IN NLMK'S FOCUS

In 2021, the company completed an analysis of the risks and opportunities associated with climate change and the activities of NLMK Group, including risks associated with water availability in the regions where it operates. The results of the assessment show that in the short and medium term, this risk has a low probability of impact on the Group's operations.

Water scarcity risk

Water stress is projected to increase across Zarinsk, Farrell, PA, Clabecq, Lipetsk and Stary Oskol. In areas currently under low water stress, e.g. Zarinsk this is unlikely to have a significant impact on operations, however at sites already located in areas of high or extremely high water stress, e.g. Stary Oskol and Clabecq, this could have an impact on operating costs as competition for water increases prices rise. The impact of cost increases for water consumption is most significant in Pennsylvania where the cost of water is highest. In total, water availability risks were found to account for less than 1% of the overall estimated value at stake. In 2021, there was no conflict of interest with stakeholders associated with the risk of water shortages. [GRI 303-1](#)

Flood risk

Flood risk in Lipetsk is an event driven risk that has not been consistently recorded for a long enough duration of time. The latest flood event was reported in the region in June 2016, however no disruption to operations at the Lipetsk site was observed due to mitigation measures in place at the site (industrial storm drains and shop floor water pumps).

Drought risk

The risk of drought has been assessed within the Lipetsk Region and research found that Lipetsk has been impacted by drought previously, however the drought had no significant impact on the operations of NLMK's Lipetsk site. The assessment of NLMK's Lipetsk operations during historic droughts supports the conclusion that vulnerability at the site to droughts, of the magnitude experienced previously, risk is low.

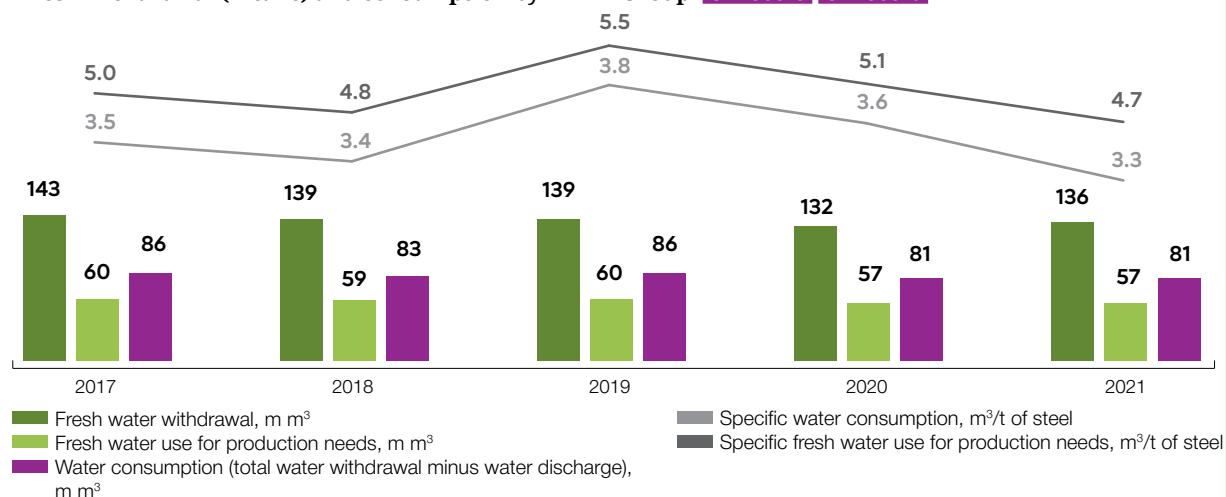
For more details on the risks associated with climate change, see the [Climate Change](#) section.

NEW LONG-TERM TARGET 2027 – ZERO RUNOFF

Water protection has always been and remains the focus of the company's attention. Over the past 40 years, fresh water withdrawal at the main production site in Lipetsk has been reduced by a factor of nine, since 2000 – by a factor of five. Back in 2009, the technical water supply system was upgraded at the Lipetsk site in order to create a closed water-loop system. The discharge of industrial and storm sewage into the Voronezh River was ceased. As a result, the fresh water withdrawal reduced many-fold, as runoff that used to be discharged is now returned to production cycle instead of fresh water withdrawal.

In December 2021, the Strategic Planning Committee of the Board of Directors approved the Environmental Programme through to 2027, which sets the goal of complete cessation of wastewater discharges into water bodies at the Russian companies of the Group.

Fresh withdrawal (intake) and consumption by NLMK Group¹ GRI 303-3 GRI 303-5

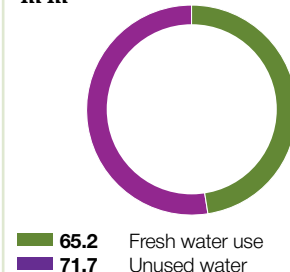


Fresh water withdrawal (intake) by NLMK Group, by source and region, and use of withdrawn water, m³ GRI 303-3 GRI 303-5

Indicator	2017	2018	2019	2020	2021
Total water used, including	70.0	68.9	70.6	65.1	65.2
• for production needs	59.6	58.6	59.8	57.3	57.1
• for household needs	10.4	10.3	10.8	7.8	8.1
Share of used water, % of water withdrawal (intake)	49%	49%	51%	49%	48%
Unused water	74.9	72.3	70.3	67.9	71.7
Fresh water withdrawal by NLMK Group ¹ , including	143.1	139.4	139.4	131.6	135.5
• Russian companies	107.8	104.8	103.7	98.9	101.6
• international companies	35.3	34.7	35.8	32.7	33.9
Process water	121.4	120.5	120.9	113.8	116.3
• Surface water, including	64.0	63.3	64.6	61.5	62.6
– Russian companies	31.9	31.5	31.8	31.3	31.4
– international companies	32.1	31.8	32.8	30.1	31.2
• Groundwater, including	57.3	57.1	56.1	52.2	53.5
– Russian companies	54.7	54.8	53.8	50.2	51.5
– international companies	2.6	2.3	2.4	2.0	2.0

Indicator	2017	2018	2019	2020	2021
• Rainwater collected and stored by the Group	0.1	0.1	0.1	0.1	0.1
– Russian companies	0.1	0.1	0.1	0.1	0.1
– international companies	0	0	0	0	0
Potable water	21.7	19.0	18.6	17.8	19.2
• Surface water	0	0	0	0	0
• Groundwater, including	18.1	17.9	17.6	17.0	18.3
– Russian companies	17.8	17.6	17.3	16.7	18.0
– international companies	0.3	0.3	0.3	0.3	0.3
• Municipal water, including	3.6	1.0	1.0	0.8	0.8
– Russian companies	3.4	0.9	0.7	0.6	0.6
– international companies	0.2	0.2	0.2	0.2	0.2
Urban wastewater converted for treatment	1.8	1.7	1.5	1.4	1.4
Water consumption	85.6	83.3	85.7	81.3	81.0

NLMK Group's water use in total volume of water withdrawal (intake), 2021, m³

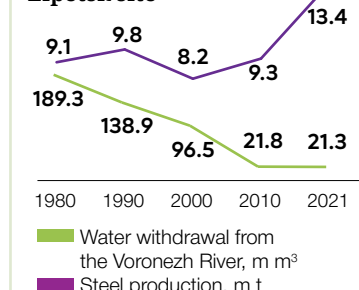


In 2021, there were no incidents related to interruptions in access to water (work stoppages / plant closures, etc.) that had any impact on the Group's financial state or production activities.

Unused water is drainage water from the mines that is discharged without being used in the production process, as well as direct-flow water used for non-contact cooling of production units, lost water and third-party water. This water is not consumed in the production process and is not polluted. Unused water accounted for 52% of water withdrawal in 2021.

In 2021, a five-year low of fresh water consumption for industrial needs was reached, thanks to operational measures to control water consumption, eliminate leaks, and return wastewater for reuse. A total of 75% of fresh water withdrawal falls on the Russian companies of NLMK Group.

Fresh water withdrawal from the Voronezh River, Lipetsk site

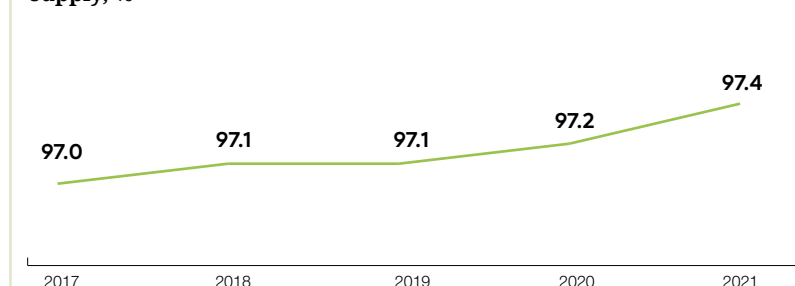


Recycled and reused water

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

Closed water-loop systems 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.

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



¹ The approach to the presentation of data on fresh water withdrawal (intake) has been adjusted vs. the previous year. Water withdrawal is shown taking into account third-party, transit and lost water.

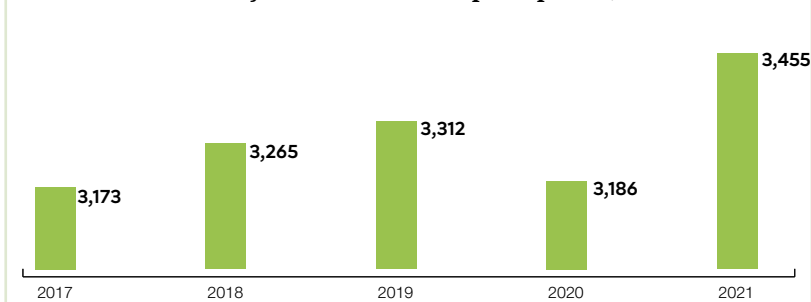
The regions where the Group operates offer a high availability of water resources. The Group has no operations in water-stressed areas¹. According to the UN methodology, a region or country is considered water-deficient if its annual water supply is below 1,700 m³ per capita.

Only one location, namely the Belgorod Region where Stoilensky is situated, is exposed to potential local water shortage. 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 through 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 2021, a project was also approved to redirect pumped clean drainage water from the Stoilensky open-pit mine directly into a water body without using it in the closed loop: this way up to 8 million m³ per year uncontaminated water, a valuable resource, will be returned to the natural environment.

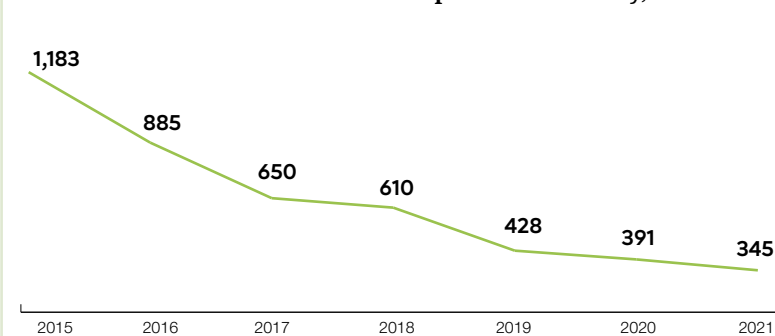
Water discharge

Monitoring of effluent discharge into water bodies at all sites is an important environmental aspect of NLMK Group operations. Summary data for NLMK Group on the volume of water discharge and pollutants content are formed on the basis of official statistical reports (2-TP Water Management) for Russian companies and reporting data of the Group's international companies. The bulk of pollutants are suspended solids, dry residues and biological oxygen demand. At all wastewater outlets, regular monitoring of water quality is organized according to the quality and quantity indicators established

Volume of water recycled at NLMK Group companies, m m³



Potable and household water consumption at Stoilensky, '000 m³



by the discharge permits. These permits establish wastewater quality standards on the basis of the profile of water bodies and the so-called fisheries standards (standards for water bodies intended for fish breeding), which in Russia are significantly stricter than foreign similar requirements for industrial wastewater and drinking water quality. The number of controlled indicators for the Group's main production sites is approaching 20. According to a number of them, enterprises should produce cleaner water than the one they withdraw. NLMK Group companies do laboratory checks of all monitored indicators for compliance with established standards and requirements. Compliance with water discharge regulations is subject to regular monitoring by supervisory bodies. **GRI 303-2**

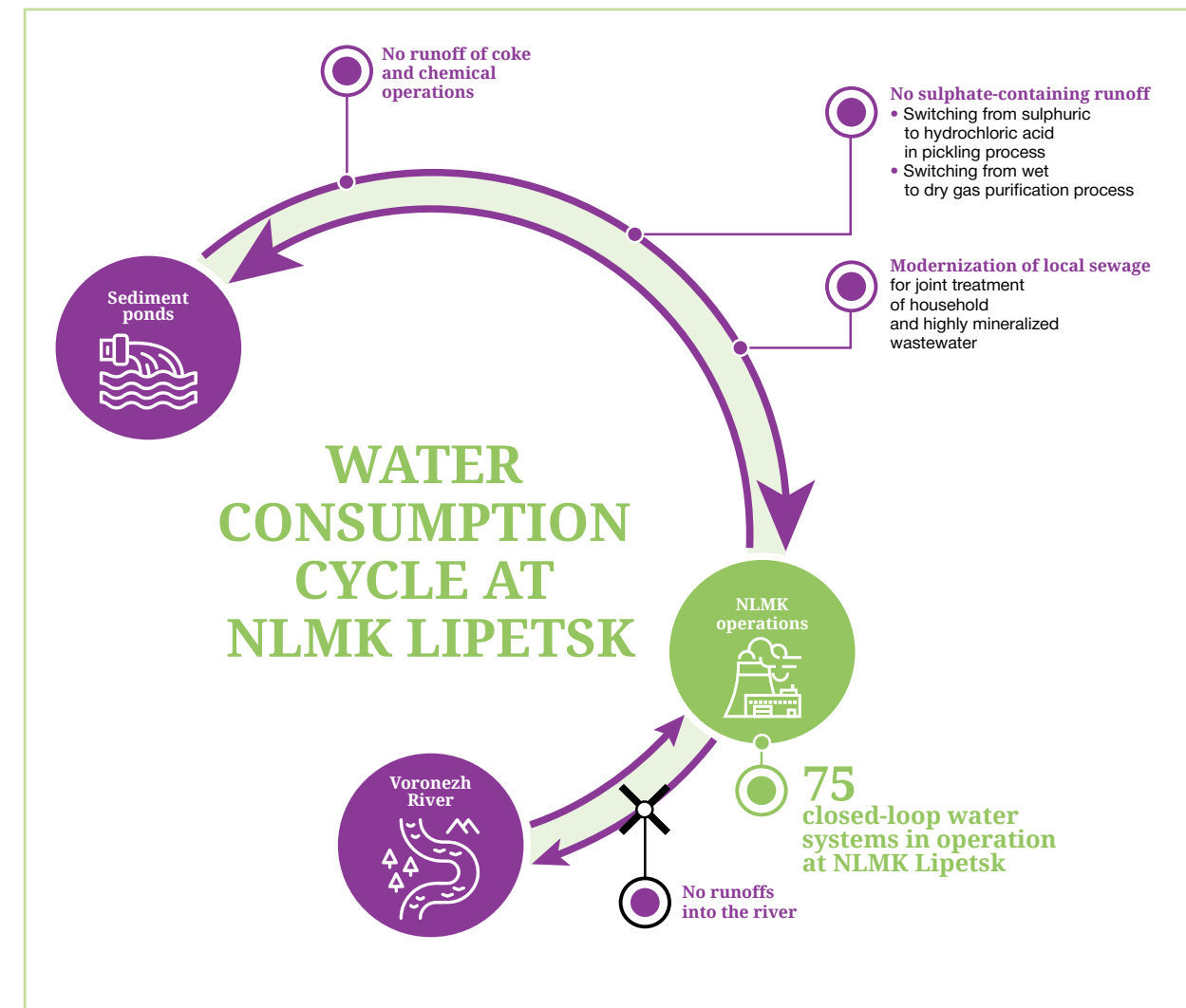
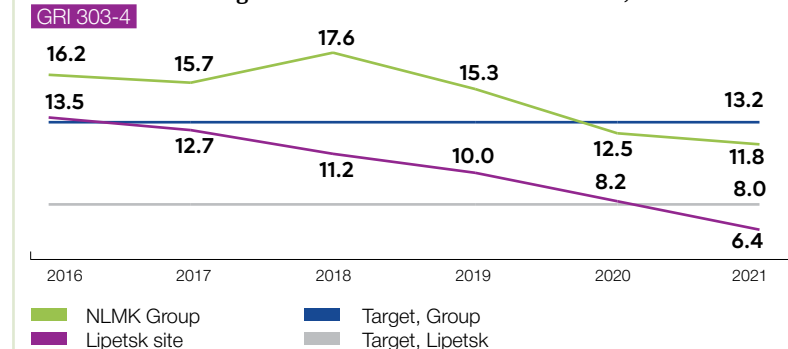
Measurements are carried out by accredited laboratories. The water level in NLMK's settling ponds and the tailing pond of Stoilensky is also monitored to eliminate the possibility of spills and unauthorized water discharges. There have been no cases of water level approaching critical levels in 2021.

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 conditions as it was withdrawn, without disrupting the natural state of the environment.

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

of effluents as well as water used for industrial and household purposes meets the standards set by applicable regulations. No untreated discharges are made into water bodies. **GRI 303-4** All discharged effluents have mineral content of less than 1 g/l. The total mineralization of effluents is defined as the ratio of the mass of pollutants to the volume of effluents. The trend of the total mineral content in effluents shows an improvement in the quality of wastewater. From 2018 to 2021, total mineral content decreased by 28%.

Pollutants discharge into water bodies with effluents, '000 t



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

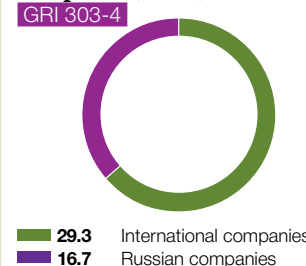
The company's Environmental Programme sets the goal of reducing the discharge of pollutants with wastewater into water bodies by 25% compared to 2018. In 2021, compared to 2018, the pollutants discharge was reduced by 33% due to the upgrade of local treatment facilities at the Lipetsk site, completed in 2020, and a set of measures to reduce effluents.

In 2009 NLMK Lipetsk ceased industrial run-off into the Voronezh River. In 2021, a set of measures was implemented to reduce the discharge of household wastewater into the Voronezh River. At the end of 2021, compared to 2020, the volume of effluent discharge reduced by 0.7 million m³ (–8%) and the flow of pollutants into the water body was reduced by 1,800 tonnes (–22%).

Since 2016, the volume of water discharge at the Lipetsk site has decreased by 3.5 million m³ (–32%), the amount of pollutants discharge into the river has been reduced by 6,300 tonnes (–46%). Over the same period, water discharge at NLMK Ural more than halved, the amount of pollutants discharged into water bodies reduced by more than 6 times due to the closure of several outlets. At NLMK Kaluga, industrial effluent discharge was completely stopped, there is no pollutants discharge into water bodies.

The goal of the Strategy 2022 to reduce pollutants discharge into water bodies was achieved in the reporting year. The new Environmental Programme has set a new goal of zero discharge of pollutants with effluents at the Group's Russian companies by 2027.

Total volume of water discharge by NLMK Group, including unused water, by Russian and international companies, 2021, m m³
GRI 303-4



Waste handling and sound use of natural resources GRI 306-1

Circularity measures and priorities

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 through to 2023 is to increase waste utilization and recycling at NLMK Group to 92%¹. Utilization includes reuse, recycling, and waste disposal. Potential negative impact on the environment is minimized through compliance with the requirements for safe waste management and the implementation of appropriate measures. GRI 306-2

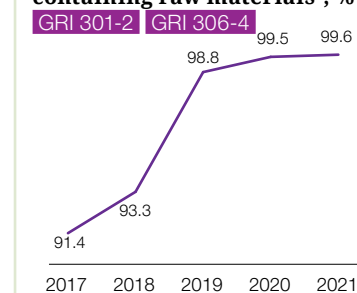
Even today, the vast majority of secondary resources are processed within the Group's facilities. To achieve the targets, the company has adopted a large-scale Recycling Programme. The implementation of the Recycling Programme will ensure an increase in the rate of internal processing of secondary raw materials at the Lipetsk site from 87% to 95%. By optimizing the process of secondary raw materials processing, it is planned to halve the volume of waste disposal from 237,000 tonnes to 107,000 tonnes. In 2021, a project was launched to develop and implement a strategy and system for managing recycled raw materials, taking into account the circular economy principles. This will allow NLMK Group to achieve one of the strategic Sustainable Development Goals "Ensure sustainable consumption and production patterns" (SDG 12), by increasing captive waste processing to a level of at least 98%. The main effects for the Group are achieved through the extraction of additional iron, the use of secondary energy resources, as well as the sales of products generated from sorting and separate collection of waste. The Recycling Programme includes not only projects to utilize iron waste in production, but

also projects for the recycling of carbon waste (plastic, wood waste, paper) and other technogenic raw materials

An example of the utilization of secondary resources in production and an increase in the sales of by-products is the project for the processing of concrete and reinforced concrete breakage, which started in 2021. The project will enable recovery of up to 5,000 tonnes of iron per year and up to 100,000 tonnes of secondary crushed stone – to be sold to third parties as by-product. GRI 306-4

In 2021, work was organized to process waste from the cleaning of railway cars. The project enabled recovery of over 600 tonnes of ferrous scrap, as well as significantly reduced the costs of waste disposal at third-party landfills. GRI 306-4

Recycling of secondary iron-containing raw materials², %
GRI 301-2 GRI 306-4



Total volume of water discharge by type, quality, and receiving water body, NLMK Group, m m³
GRI 303-4

Indicator	2017	2018	2019	2020	2021
Wastewater after use ¹	23.5	26.3	24.1	20.7	20.8
Including household effluents at	9.2	8.6	7.3	6.7	6.0
• the Lipetsk site					
• Stoilensky	4.0	7.6	6.5	4.9	6.4
• Other Russian companies	2.0	1.8	1.5	1.4	1.4
• International companies	8.3	8.3	8.8	7.7	7.1
Specific water discharge ¹ after use, m ³ / t of steel	1.4	1.5	1.5	1.3	1.2
Total water discharge ² , NLMK Group	47.4	49.0	47.7	43.4	46.0
• to surface water (rivers, lakes, reservoirs and canals)	45.2	46.9	45.7	41.6	44.1
• Including to seawater	0.2	0.3	0.3	0.3	0.3
Converted to third parties for treatment	2.1	2.1	2.0	1.8	1.8
Specific total water discharge ² , m ³ / t steel	2.8	2.8	3.0	2.7	2.6
Water discharge as % of total water supply	1	1	1	1	1
Share of unused water (drainage water, rainwater, non-contact cooling, third-party effluents) in the total volume of water discharge, %	52	48	51	52	55
Pollutants discharged into water bodies, '000 t	15.7	17.6	15.3	12.5	11.8
Effluent mineralization, g/l	0.33	0.36	0.32	0.29	0.26

¹ Industrial and household effluents.

² Including unused water (direct flow cooling water, third-party effluents, rainwater and drainage water). Water discharge volume does not include water collected and converted to third-party organizations / municipalities and the loss of withdrawn water during transportation. In 2021, the volume of such unused water totalled 10 m m³).

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

² 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.

Total waste generated and utilized by NLMK Group, m t GRI 306-3 GRI 306-4 GRI 306-5

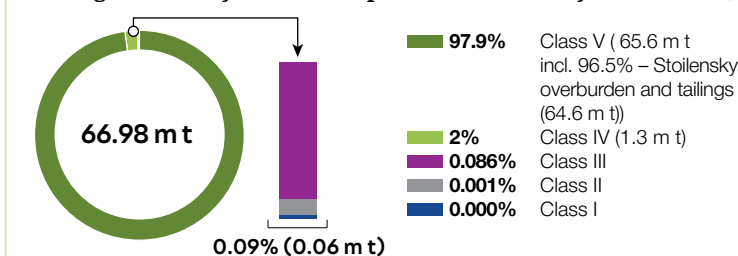
Indicator	2017	2018	2019	2020	2021
Waste generation ¹	1.5	1.5	1.5	1.4	1.6
• hazardous ²	0.1	0.1	0.1	0.1	0.1
• non-hazardous	1.4	1.5	1.4	1.3	1.5
Secondary raw materials recovered in-house	1.9	1.8	1.9	2.0	1.3
Total waste and recovered recyclables	3.4	3.4	3.4	3.4	2.8
• hazardous ²	0.1	0.1	0.1	0.1	0.1
• non-hazardous	3.3	3.2	3.2	3.2	2.7
Secondary raw materials recovered by third parties	1.0	1.2	1.2	1.2	1.4
• hazardous ²	0.1	0.1	0.1	0.1	0.1
• non-hazardous	1.0	1.1	1.2	1.2	1.3
Waste disposal at third-party landfills	0.2	0.1	0.1	0.1	0.1
• hazardous ²	0.0	0.0	0.0	0.0	0.0
• non-hazardous	0.2	0.1	0.1	0.1	0.1
Incinerated waste	0	0	0	0	0
Secondary raw materials accumulated at year-end	5.7	5.9	6.1	6.1	1.6
Recycling of secondary iron-containing raw materials, %	91.4	93.3	98.8	99.5	99.6
Recycling, total ³ , %	96.9	97.6	98.0	98.8	98.9

In 2021, a pilot project was successfully launched at the Lipetsk site together with the Russian company Eco-Gradient to clean oily scale using the coalescence method. This technology is an environmentally friendly method of cleaning mill and BOF scale from oil products. The new technology will make it possible to feed recyclables back into sinter operations without burning oil and to recover high-quality oil product for further sale.

By creating a competitive environment between final processors and consumers of secondary raw materials, as well as by optimizing logistics processes, the cost of third-party disposal in 2021 was reduced by 10% compared to 2020.

In NLMK Group, waste includes substances or items that are not processed in-house, which are formed during production, performance of works, provision of services or in consumption, which are processed/disposed of by third-parties or are buried/landfilled. GRI 306-2

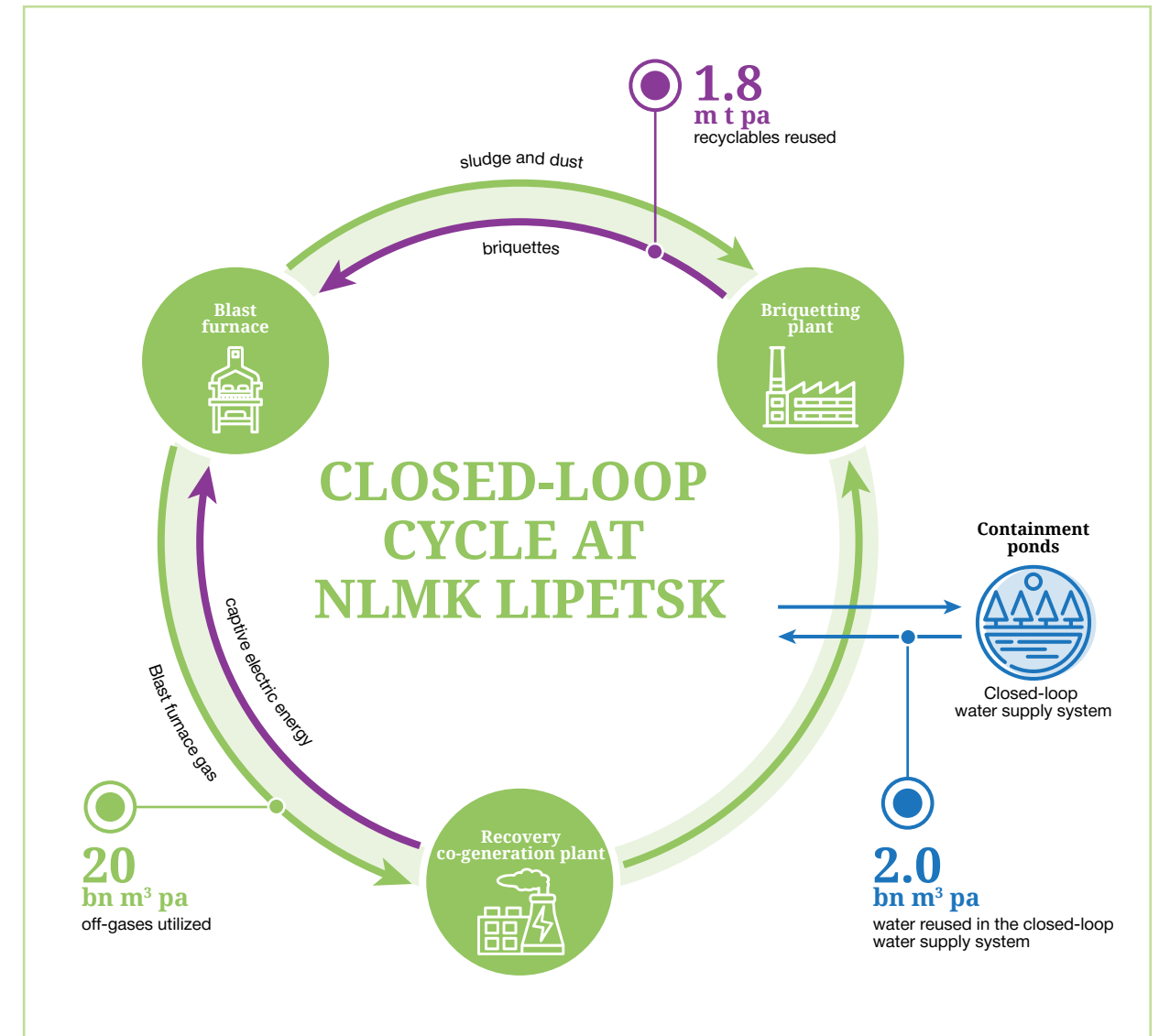
Waste generated by NLMK Group's Russian assets by hazard class, m t



In 2021, waste generation increased by 0.2 million tonnes due to a 10% increase in steel output. In 2021, 4.5 million tonnes were excluded from the previously accumulated secondary raw materials. At the same time, the recycling of iron-containing raw materials approached 100%, thanks to the processing of iron-containing sludge at the briquetting factory built in 2019.

The share of processed sludge increased from 47% in 2018 to 100% in 2021. Further, it is planned to process the entire volume of generated sludge at the plant and gradually process

the previously accumulated sludge. The total share of recycling, excluding processing of previously accumulated raw materials, amounted to 98.9%, and taking into account the accumulated waste – 129.5%.



Overburden and beneficiation tailings generated and utilized by NLMK Group, m t GRI 306-3 GRI 306-4 GRI 306-5

Indicator	2017	2018	2019	2020	2021
Stoilensky overburden and beneficiation tailings	53.9	46.6	53.7	61.4	64.6
Share of utilized Stoilensky overburden and beneficiation tailings, %	9	10	10	8	8
Overburden generation ¹	48.5	39.8	51.3	60.5	60.7
Share of utilized overburden, %	25	26	29	29	28
Generated beneficiation tailings	18.2	19.5	20.5	21.4	23.9
Utilized beneficiation tailings, %	25	25	26	24	23

¹ The total volume of generated overburden is indicated. For Stagdok and Dolomit, overburden is not waste and is utilized for backfilling post-mining areas, as the mine is developed sideways, in contrast to Stoilensky, where the mine is being developed primarily "into the depths", and the resulting overburden is mostly considered waste by Russian law, even though it is a non-hazardous inert material.

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

² Hazardous waste includes I-III hazard class waste.

³ Recycling includes waste disposal and by-product recovery without processing of accumulated recyclables.

NLMK Group continuously implements measures to minimize the generation of hazardous waste. Part of the generated hazardous waste is disposed of by the Group at its own sites, part is transferred for disposal or neutralization to specialized organizations that have the appropriate licenses.

In 2021, sorting and separate collection of plastic tableware was organized at the Lipetsk site. The use of plastic tableware is one of the preventive sanitary measures amid the pandemic. Thus, the transfer of all types of plastic to a specialized company for recycling in 2021 increased by 14% compared to 2020.

Production lifecycle

NLMK Group companies produce 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.

NLMK Group products are part of circular economy: 100% of the products can be recycled and recovered, 35% of the Group's steel is produced from ferrous scrap. **GRI 306-4**

Tailings dams and hydraulic engineering structures

The organizational structure of NLMK Group includes dedicated services and units responsible for the safety of hydraulic structures. On an ongoing basis, measures are taken to monitor and control

ENERGY EFFICIENCY WHILE REDUCING HAZARDOUS WASTE

In 2021, a large-scale project to modernize the lighting systems at the Russian sites of the Group was launched. One of the objectives of the project is the complete elimination of mercury-containing light sources, with the replacement of lamps with modern LEDs. Implementation of the project in the near future will make it possible to cease generation of Class I hazardous mercury-containing waste. Another task is to increase the efficiency of lighting systems in the production units of NLMK Group's Russian companies to ensure standard illumination of workplaces while reducing power consumption. In total, more than 90,000 light units will be replaced.

99.9%

of the waste, generated by NLMK Group's Russian companies in 2021, is non-hazardous.

the state of the environment throughout the entire life cycle of deposits and tailings. All deposits developed by the company are at the stage of industrial development or exploration. Currently, iron ore reserves have been explored for over 130 years ahead, and the mine closure is not planned.

In 2021 a comprehensive survey of Stoilensky tailings dams and hydraulic engineering structures was conducted together with specialized government agencies, general designed and experts. The survey assessed the safety level of the Stoilensky tailings dams and hydraulic engineering structures as 'normal' (the best possible option).

The Group duly informs local communities about the existence of the tailings dam and holds regular public hearings regarding the development of the facility. All development projects of the company are coordinated with stakeholders.

Stoilensky's tailings dam is the only NLMK's tailings dam, built in 1984. Throughout its operation, no environmental incidents related to the tailings dam systems and structures have been recorded.

The dam has a local warning system, which is checked monthly by employees of Stoilensky and experts from Rostekhnadzor. A plan for the liquidation of accidents of tailings dams and hydraulic structures has been developed, which is updated annually. Staff training is carried out at least once a month. In September 2021, scheduled training sessions were held with the involvement of employees of the Russian EMERCOM. According to the conclusion of the specialized state committee, monitoring of seismic activity for the area of the tailings is not required.

The Stoilensky tailings facility uses an efficient and environmentally friendly method of processing waste rock after beneficiation, which involves the extraction of liquid and further forced transportation of tailings in a condensed state. This saves natural resources: 80% of the process

water used during transportation is returned into production. In addition, the dusting is significantly reduced, since thickened tailings are not subject to weathering.

No excess water intake with beneficiation tailings in the tailings dam eliminates the risks of its overflow and reduces pressure on the dams. Taking into account tailings thickening and measures to ensure the safety of hydraulic structures, the risk of dams breach at Stoilensky is under control and has a conditionally acceptable level.

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. The cost of the tailings storage maintenance programme amounted to RUB 416 million in 2021.

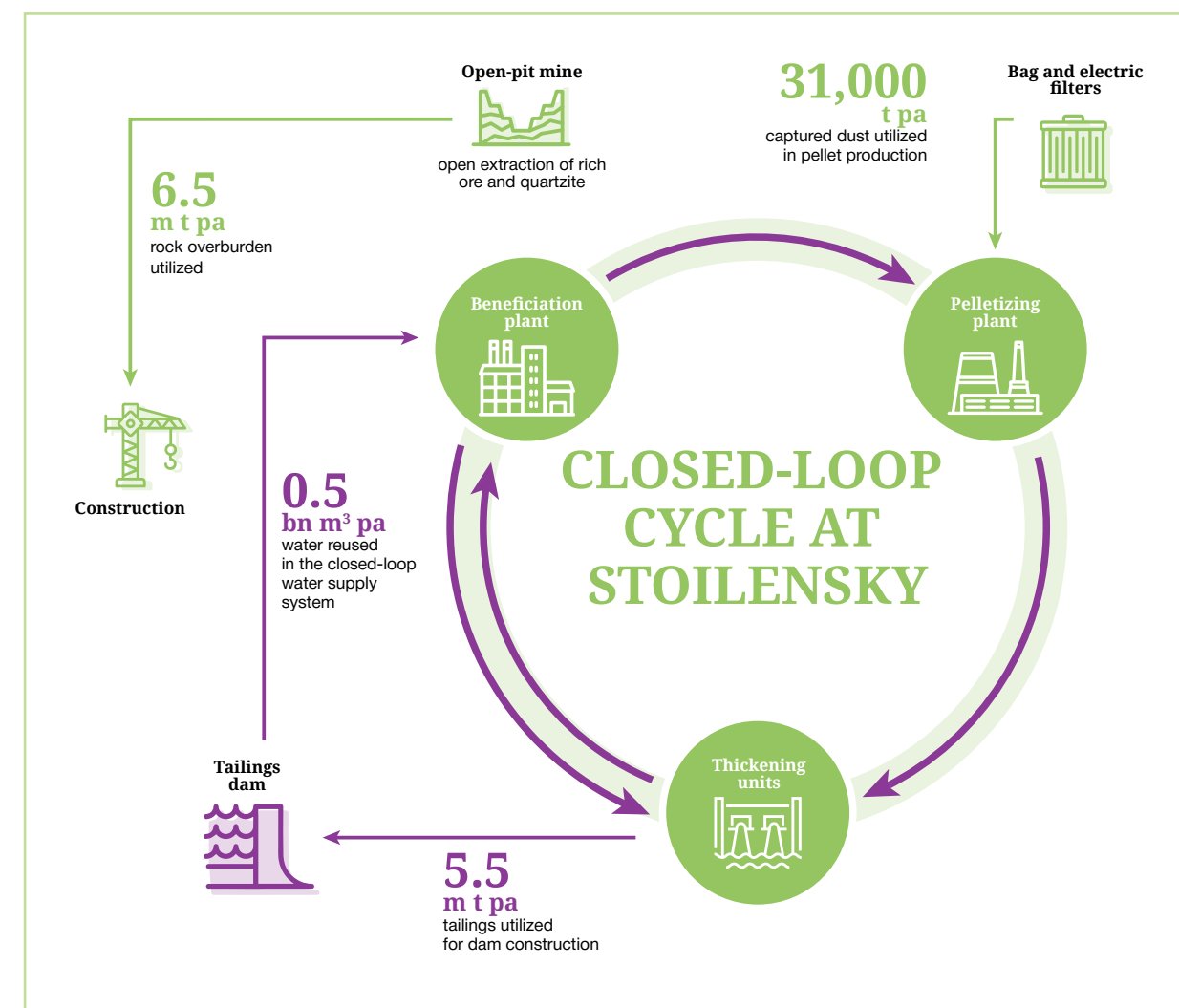
NLMK VTORCHERMET, A LEADER IN SCRAP FERROUS METAL PROCESSING

One NLMK Group asset, NLMK Vtorchermet, 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. Processing scrap metal helps both rid the environment of scrap and significantly reduce consumption of natural resources and energy.

NLMK Vtorchermet annually processes 5 million tonnes of scrap metal.

DUST CONTROL IN THE STOILENSKY MINE

In the Stoilensky mine, a watering machine with a tank volume of 110 m³ was put into operation, which makes it possible to irrigate the faces and roads in the mine twice as fast compared to 35 m³ tank trucks. An experimental project to create such equipment was implemented by experts from Stoilensky and the Grodno Mechanical Plant.



Atmospheric air protection

Air protection priorities

NLMK Group devotes considerable efforts to reducing its air emissions and has set a target of reducing specific air emissions from 18.9 kg/t in 2018 to 18.0 kg/t of steel by 2023, or by 5%.

In 2021, the company began to develop priority projects under a long-term programme for the modernization of de-dusting systems. The new

Environmental Programme 2027 also provides for operational measures for the repair and maintenance of de-dusting systems to improve cleaning efficiency.

Since 2000 NLMK Group's specific emissions more than halved, from 43.3 to 18.1 kg/tonne of steel. Overall, with almost a two-fold increase in production the amount of cumulative impact on the environment was reduced by 58%.

Emission of controlled substances

In 2021, gross emissions decreased by 17,300 tonnes (by 5%) compared to 2018 (base year of the Strategy 2022), with comparable steel output. Specific emissions per tonne of steel were also reduced. Specific emissions display a planned decline towards the target of 18.0 kg/t of steel in 2023 with production output kept flat.

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 (IAP) reduced almost ten-fold from 2000 to 2021.

BEACHES WITHOUT DUST

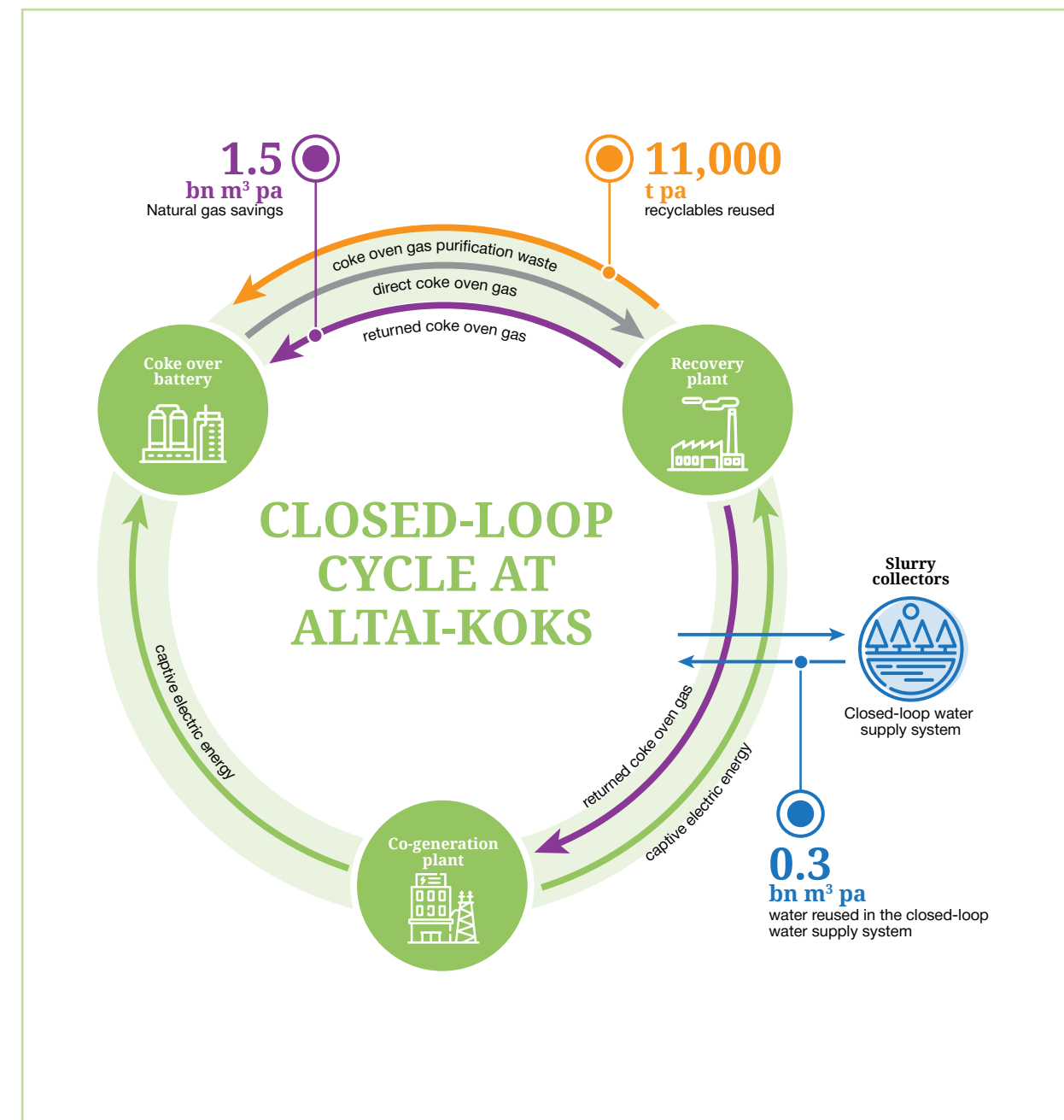
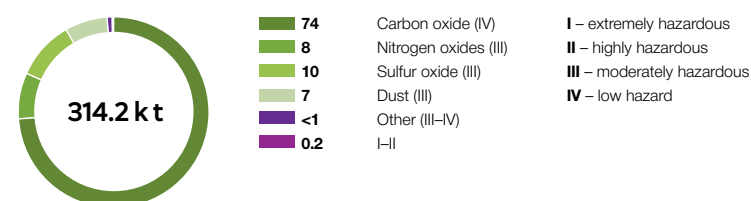
A project was implemented at Stoilensky, which made it possible to radically reduce the formation of dust on the dry beaches of the tailings. The new dust suppression system includes an adaptive water irrigation infrastructure and an innovative processing technology with a special component that suppresses the formation of dust even in windy conditions. Investments in the project amounted to RUB 150 million.

STABLE AIR QUALITY

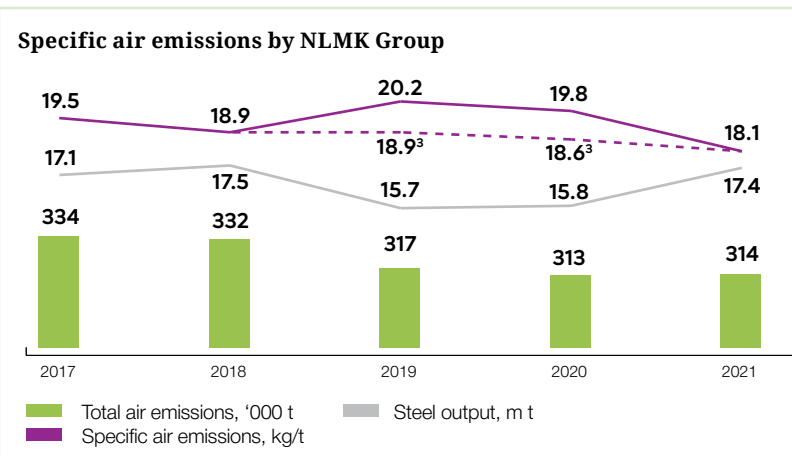
NLMK summed up the results of the annual environmental monitoring of the state of atmospheric air at the border of the sanitary protection zone of the site. Analysis of the data confirmed the low impact of production on the adjacent territories – 99.7% of all measurements showed that the content of substances in the air is below the maximum permissible concentrations, that is, it is safe for the population.

A total of 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, 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.

NLMK Group's emissions by hazard class, %



NLMK Group is developing non-standard and innovative solutions to meet environmental challenges. For example, in 2021, pilot tests of a blast-furnace slag dry crystallization unit using an innovative waterless cooling technology were carried out at the Lipetsk site. The technology allows not only to reduce the release of hydrogen sulphide in comparison with water cooling of the slag, but also to obtain new products. In 2022, NLMK plans to continue testing this technology on BOF slag.



PURIFIED GAS FERTILIZER

In 2021, NLMK began supplying a new type of nitrogen fertilizer, granular ammonium sulfate, which is a by-product of coke oven gas treatment.

NLMK is the only producer of ammonium sulfate in the Central Black Earth region. It is produced at the new coke oven gas capture and purification complex, which was put into operation in 2019. The best available technologies enable returning 100% of ammonium sulfate dust into the process, as well as significantly reducing the emissions of hydrogen sulphide – by 31%, phenol – by 71%, ammonia – by 79%, naphthalene – by 23%.

Emission reduction projects

Emission reduction projects completed under the Environmental Programme in 2019–2021

Site	Event	Ecological effect
Lipetsk site	Revamping of de-dusting systems, replacement of air heaters and technical re-equipment of blast-furnace slag granulation plants during the BF-6 overhaul	Reducing H ₂ S, SO ₂ , dust and CO emissions, elimination of visible emissions Achieving a purification rate of 99.9%, recovering 100% of the captured dust Total effect is 5,663 tonnes per year
	Revamping of de-dusting systems during the BF-4 overhaul	Reducing dust emissions, eliminating visible emissions Achieving a purification rate of 99.9%, recovering 100% of the captured dust Total effect is 234 tonnes per year
	Revamping of the off-gas ducts of BOFs No. 2 and No. 3, construction of a system for cleaning fugitive emissions in BOF Shop No. 2	Reducing dust and CO emissions, eliminating visible emissions Achieving a purification rate of 99.9%, recovering 100% of the captured dust Total effect is 3,096 tonnes per year
	Revamping of the aspiration-technological unit (ATU-24) in the refractory shop	Reducing dust emissions at the site by more than 90% Increasing productivity of the aspiration system by 20% – up to 240,000 m ³ /hour Total effect is 64 tonnes per year
	Revamping of capture departments with integration of coke oven gas flows of coke oven batteries	Reducing phenol emissions by 66% and H ₂ S by 31% at the site
	Construction of a new waterless cooling section for the entire slag generated in BF Shop No. 1	Switching to waterless slag cooling, reducing H ₂ S emissions The overall effect is a 3.5-fold reduction in hydrogen sulphide emissions at the site
	Revamping of the BF-3 casthouse de-dusting unit	Reducing dust emissions by 60% at the source Effect – 200 tonnes per year
	Revamping of the aspiration system for capturing fugitive emissions of mixer No. 2, BOF Shop No. 1	Reducing dust emissions by 80% at the source Effect – 100 tonnes per year
Stoilensky	Technical re-equipment of the technological aspiration unit ATU-1 of the crushing and screening section at the beneficiation plant	The possibility of additional capture of 700 tonnes of dust has been implemented. The risk of exceeding the maximum allowable emissions at the source has been eliminated, the concentration of dust at workplaces has been reduced four times The degree of purification of emissions increased from 35 to 96%

Volume of significant air emissions by NLMK Group by substance type GRI 305-7

Indicator	2017	2018	2019	2020	2021
Total, NLMK Group, '000 t	333.8	331.5	317.0	313.3	314.2
• per unit of production, kg/t	20.5	19.8	18.9 ¹ (20.2)	18.6 ¹ (19.8)	18.1
NO _x emissions, '000 t	27.1	27.2	26.2	26.1	26.3
• per unit of production, kg/t	1.6	1.6	1.7	1.7	1.5
SO ₂ emissions, '000 t	31.8	31.7	29.5	31.0	30.6
• per unit of production, kg/t	1.9	1.8	1.9	2.0	1.8
Dust emissions, '000 t	25.7	24.4	22.5	23.0	20.7
• per unit of production, kg/t	1.5	1.4	1.4	1.4	1.2
CO emissions, '000 t	245.9	244.8	235.3	230.1	233.6
• per unit of production, kg/t	14.4	14.0	15.0	14.5	13.4
Volatile organic compounds, '000 t	2.6	2.7	2.8	2.6	2.6
Hazard class I substances ² , t	1.2	1.3	1.2	1.2	1.1
• per unit of production ² , g/t	0.07	0.08	0.08	0.08	0.07
Hazard class II substances ² , t	552	547	514	480	490
• per unit of production ² , g/t	0.03	0.03	0.03	0.03	0.03
NLMK Lipetsk					
• CO, per unit of production, kg/t	16.5	16.3	17.7	16.0 ¹ (16.8)	15.7
• NO _x , per unit of production, kg/t	1.2	1.2	1.3	1.2 ¹ (1.3)	1.2
• SO _x , per unit of production, kg/t	1.6	1.7	1.7	1.7 ¹ (1.7)	1.5

Note: Specific indicators for NLMK Group are calculated based on NLMK Group steel output volumes, taking into account NBH, for NLMK Lipetsk – based on its output volumes for the reporting period.

¹ Without the impact of temporary factors associated with a decrease in production.

² Russian companies.

³ 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.

NLMK CONTINUES UPGRADES OF ENVIRONMENTAL PROTECTION EQUIPMENT

NLMK is completing a large-scale reconstruction of the exhaust systems in the Blast Furnace No. 3 casthouse and in the mixing unit in BOF Shop No. 1. The project will reduce dust emissions by 350 t.

AIR PURIFICATION SYSTEMS REPLACED AT STOILENSKY

In 2021, Stoilensky launched a major project to modernize the aspiration system in the medium and fine crushing building of the beneficiation plant. The commissioning works are scheduled to compete in Q1 2022. The implementation of the project will significantly reduce the concentration of dust in the air of the working area and halve the gross emission of dust into the atmosphere. Total investment in the project exceeds RUB 600 million.

The replacement of the aspiration system at the crushing and sorting site of the concentrating plant is also continuing. The phased replacement of the air purification system will improve the condition of workplaces, reduce dust emissions by six times and allow the introduction of the best available technologies. Total investment in the project exceeds RUB 200 million.

Long-term programmes for biodiversity recovery

NLMK Group aims to manage biodiversity matters based on best industry practices and recommendations of reputable international organizations, such as, among others, IUCN (International Union for Conservation of Nature and Natural Resources); TNFD (Taskforce on Nature-related Financial Disclosures); WWF (World Wild Fund for Nature); SBTN (Science-based targets for nature). The approach to target setting is based on preliminary assessment of the current state and baseline biodiversity indicators at the company's territory to prepare measurable and relevant metrics for biodiversity management and progress assessment. In 2021, the company began to develop its strategy and programme for biodiversity

conservation using a hierarchy of mitigation measures, reaching first a No Net Loss, and then a Net Positive Impact on biodiversity for all Group companies using the Prevent – Reduce – Recover – Compensate principle.

NLMK Group's Environmental Programme 2023 already features overall targets and metrics with a direct or indirect impact on biodiversity:

- NLMK Group's CO₂ emission reduction programme (reducing specific emissions, t/t of steel)

- Reducing air impact with individual substances (CO, NO_x, SO_x, dust, Class I and II substances, kg/t of steel)
- Reducing impact on water resources (specific water discharge, m³/t of steel)
- Reducing pollutant discharge into water bodies ('000 t)
- Increasing usage of overburden, tailings, and iron-containing wastes (share of overburden and tailings utilization, recycling of secondary iron-containing raw materials, %)

Ecosystem development

In 2021, NLMK Group assessed its impact¹ on biodiversity in line with the stages stipulated in the Natural Capital Protocol² and its auxiliary document, Integrating Biodiversity into Natural Capital Assessments. This enabled the company to make decisions more effectively and to manage risks. The assessment showed that the company's operations have no direct significant impact on biodiversity. **GRI 304-2**

The company's measures are structured in line with the universally accepted AR³T approach (Avoid, Reduce, Restore & Regenerate, Transform) to setting science-based biodiversity conservation targets. This approach is described in the Science Based Targets for Nature³ guidance. The structure of the AR³T approach covers measures for preventing potential impact, reducing current impact, regenerating and recovering ecosystems, and transforming the ecosystems that companies operate in.

In line with A³T, managing the human impact of Group companies on biodiversity is mainly linked to measures aimed at restricting and reducing their footprint. The main biodiversity efforts are aimed at reducing any existing impact and taking offset

measures in line with legislation. The measures that the Group undertakes to recover disturbed territories are sufficient according to Russian legislation.

NLMK Group conducts operations on industrial lands and residential areas in line with applicable law. Group assets do not operate in environmentally protected land or on land with a high biodiversity value. The company's activities do not pose any threat to animal or plant species registered on the IUCN Red List or in the Russian Red Book, or to species threatened with extinction. **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 water withdrawal inlets are equipped with fish protection devices. The sites' location does not prevent the movement of migratory birds and animals.

NLMK Group has organized a comprehensive assessment of possible involvement in biodiversity conservation projects. Such programme actions have been developed at NLMK Group's Russian companies.

The company acknowledges the importance of deforestation issues. NLMK Group has a deforestation policy in place: if a tree is cut down, two new ones must be planted in its stead.



Cut down | Planted

The Group regularly implements measures that aim to rehabilitate land affected by the operations of its extractive companies. The treatment of deposit sites includes phased rehabilitation work to restore the landscape and its plant cover and to enable plants to grow again in the soil. **GRI 304-3** Reclamation programmes have been developed and are publicly available on the websites of the Group's mining companies. The programmes are being implemented as planned. In 2021, rehabilitation was carried out on 49 hectares of disturbed land.

Area occupied by Group companies and reclaimed land, ha **GRI 304-3**

Indicator	2019	2020	2021
Area ¹	11,973	11,971	11,959
Land rehabilitated	15	10	46

Company	Action	Environmental effect	Costs, RUB '000
Stoilensky	Research work and environmental monitoring of the impact of Stoilensky's industrial operations on biodiversity	Cataloguing the biological diversity of flora and fauna Making a list of rare and protected species in order to preserve populations	850
NLMK Lipetsk	Replenishing bird populations	Natural bioindicator of good environmental conditions Preserving Red Book bird species	13,180
Altai-Koks	Releasing 11,218 juvenile carp into the Ob river.	Replenishing aquatic biological resources	280
	Repairing the fish protection devices at the bank water intake	Minimizing harm to aquatic biological resources	140
NLMK Lipetsk Dolomit VIZ-Steel	Technical and biological recultivation	Recovering 49 ha of land disturbed by mining operations	2,015
NLMK Lipetsk Stoilensky Altai-Koks Dolomit	Reforestation	Planting 27,000 trees and shrubs Caring for 18,500 ha of planted forests three times a year Landscaping 26,000 m ² of territory	54,080
Total			70,545

¹ The assessment was made for the Group's Russian companies.

² Natural Capital Protocol is a system that supports decision-making and allows organizations to determine, measure, and assess their direct and indirect impact, as well as their level of dependency on natural capital.

³ <https://sciencebasedtargetsnetwork.org/wp-content/uploads/2020/11/Science-Based-Targets-for-Nature-Initial-Guidance-for-Business.pdf>.

¹ The data has been adjusted in comparison with the Annual Report 2020.

Cooperation with stakeholders

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 environmental park occupies more than 5 hectares of land situated between the BOF shops of the Lipetsk site. The lake is filled with process water from the Lipetsk site that has undergone treatment following its use in production. The park is inhabited by 550 birds of 52 species, including five species from the Russian Red Book and the Lipetsk Region Red Book. Every year, up to 200 waterfowl from the urban surroundings flock here for the winter. All birds are fed here according to the diet of the Moscow Zoo, there are enough provisions for both local and guest birds. The lake is also inhabited by fish, 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 2021, populations in the park have been replenished. Birds of 22 species have moved to Swan Lake from the Penza and Lipetsk zoos, Vorob'i (Sparrows) and Malinki (Raspberries) bird parks from the Rostov and Kaluga regions, respectively.

BREEDING CENTRE FOR RARE CRANE SPECIES IN THE OKA NATURE RESERVE

NLMK cooperates annually with a breeding centre for rare crane species as part of the Eurasian Regional Association of Zoos and Aquariums' programme for the conservation of cranes in 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 and genetic features of individual populations that will help both breeding in captivity and reintroduction into nature. Cranes from the Russian Red Book live in the Swan Lake Environmental Park.

STOILENSKY CONTINUES RESEARCH AND MONITORING OF BIODIVERSITY JOINTLY WITH BELOGORYE NATURE RESERVE

In relative proximity to the production site of Stoilensky lies Yamskaya Steppe, one of the sections of the Belogorye Nature Reserve. This reserve is one of the smallest and oldest protected natural territories in Russia. It was founded in 1999 based on the Les Na Vorskle reserve, which existed since 1924. The objective was to preserve and study the typical and unique ecosystems of the Cretaceous South in the Central Russian Upland. Yamskaya Steppe covers a surface area of 566 ha, and the width of its preservation zone is 1 km. It is located 12 km to the South-West of Gubkino. The section of meadow steppe is located near the watershed of the small Chufichka and Dubenka rivers, which belong to the Oskol River basin.

Since 2020, NLMK has been carrying out biodiversity activities and monitoring based on contracts with the reserve. In 2021, the two parties continued joint research work and environmental monitoring of the impact of Stoilensky's industrial operations on biodiversity:

- Developing methodological frameworks for environmental monitoring of the impact on the reserve's condition
- Continuing the inventory of biological diversity, including in the nature reserve
- Assessing the condition of rare and endangered species of plants and animals in the nature reserve and adjacent territories
- Validating the monitoring methods and air quality evaluation in the Yamskaya Steppe nature reserve
- Characterizing the condition of surface water quality in the Chufichka River basin

NLMK LIPETSK RENEWS ITS PLANTED GREENERY

The greenery at the site was renewed as part of a territory landscaping programme.

With a view to maintain an environmentally efficient green barrier, almost 2,500 trees and about 12,000 shrubs were planted on the industrial site and along the internal roads, and about 25,000 square meters of lawns and flowerbeds were arranged and renovated. The territory of the site was decorated with new seedlings of poplar, fir tree, maple, and linden, as well as spirea and cotoneaster bushes.

The works are carried out as part of a 5-year programme created with the Voronezh State University of Forestry and Technologies for the inventory and replenishment of the plant's greenery. In 2019–2021, the condition of trees and shrubs was examined on a surface area of 41.7 hectares. The inventory results provide reliable information about the condition of the plants, any trees in emergency condition, the state of the soils, and the most suitable types of trees and shrubs to plant.

In 2019–2021, 167,000 trees were planted at NLMK Group's production sites.

NLMK GROUP COMPANIES OFFSET FISH STOCKS

Every year NLMK works to release juvenile fish into water bodies in order to replenish fish stocks. The incubation and release of the fish is carried out by specialized organizations as part of contractual relations.

In 2020, the Altai-Koks environmental team began a six-year programme to release juvenile fish into one of the water bodies of the Verkhneobsky basin. As part of this programme, the company plans to release more than 100,000 juvenile carp into the rivers. In 2021, over 11,000 juvenile carp have been released into the Ob River, bringing the total number since the beginning of the programme to 38,000.

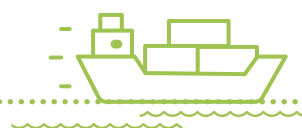
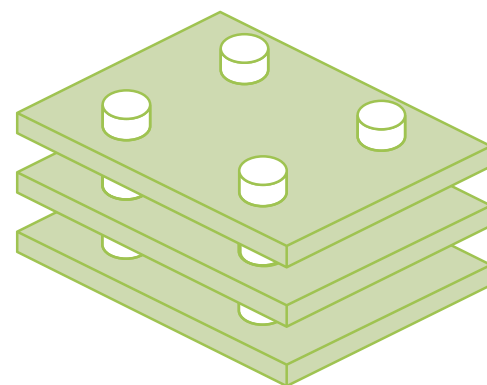
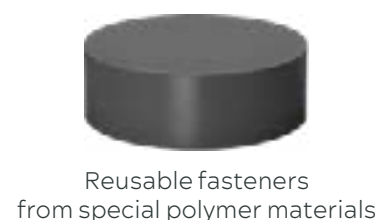
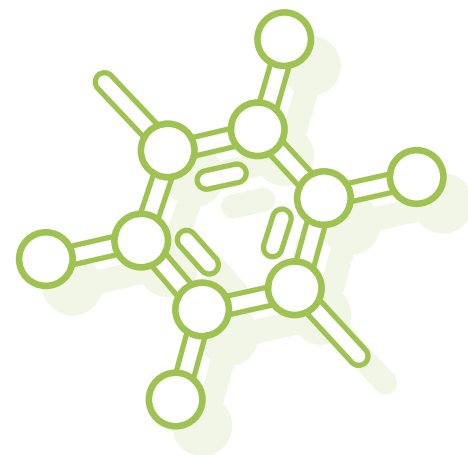
Plans for 2022 and the medium term

NLMK's biodiversity preservation programme for 2022 includes such measures as planting tree seedlings on a surface area of 6.7 hectares, caring for the planted forests at Group

sites, releasing over 10,000 juvenile fish at Stoilensky and Altai-Koks to replenish aquatic biological resources, and continuing biodiversity research and monitoring jointly with natural reserves.

POLYMER AGAINST DEFORESTATION

NLMK Group has introduced the use of polymer materials instead of timber for the transportation of steel semis, for the first time in the history of international commercial shipping. The new transportation scheme saves more than RUB 100 million annually. The new transportation scheme is now being used on the Kaliningrad – Frederiksværk (Denmark) route. The scheme will be scaled up within the NLMK Group supply chain.



Kaliningrad (Russia)

Previously, timber was used as lining when transporting metal by sea. Every year, close to 13,000 m³ of timber, or almost three railway trains, would be used for this purpose. In the new scheme, timber is replaced with reusable fasteners made from special polymer materials.

Now, 20 times less timber is required for shipping a batch of metal. At the same time, there is no need to recycle used timber, whereas demand for recycling household plastic waste into polymer material is incentivized.

Fifty thousand 1.5-litre plastic bottles are needed to produce new polymer fasteners for transporting a 5,000-tonne batch of slabs. The new fasteners are easy to use, accelerating the process of loading steel semis onto a ship.



20 times
less timber
is required for shipping
a batch of metal



50,000
1.5-litre plastic
bottles
reused as feedstock



Frederiksværk (Denmark)



>RUB 100
million saved
annually
with the new transportation scheme



SOCIAL PARTNERSHIP



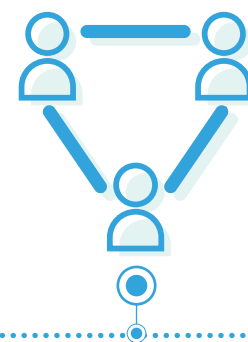
A single colony
of triple eutectic —
the main structural
component
of a high-strength
zinc-aluminum-
magnesium coating

Scale 1 : 10,000

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Stakeholder dialogue

Our approach to stakeholder engagement



38,900
employees

participated in NLMK Pulse survey

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](#)

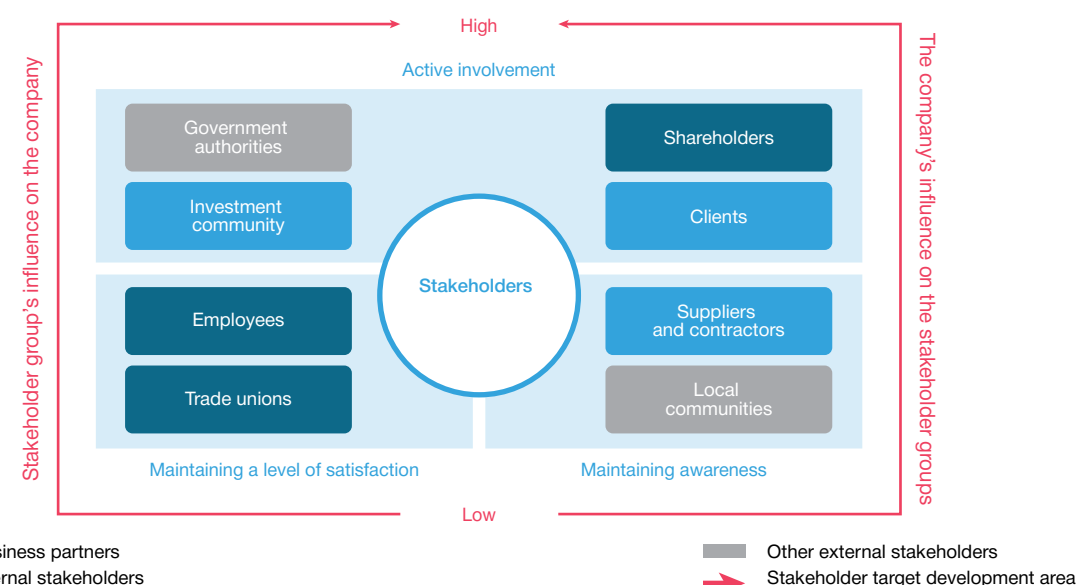
NLMK's key stakeholder groups are:

- Shareholders
- Company clients
- National, and regional government authorities
- Investment and banking 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 Group, as well as expert assessments from the company's management, and is regularly reviewed and updated as necessary. In 2021, the stakeholder map did not undergo any significant changes. [GRI 102-42](#)

NLMK stakeholder map in 2021



NLMK uses various means to engage with stakeholders, thereby enabling the company to rapidly identify risks and opportunities when working together with its stakeholders. In 2021, 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](#)

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 operational activities. Given the intense competition and market volatility, it is essential to have a stable regulatory environment that provides opportunities for long-term planning and sustainable 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
- Access to markets of finished products and materials

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
- Representing company interests in procedures of limiting market access

Consumers

Importance for NLMK

The consumers of NLMK products include leading manufacturers from various regions 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, loyalty, and trust and help grow sales of NLMK products.

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

NLMK is continuously monitoring customer experience through Customer Journey Mapping. This method helps study the points of contact between the client and the company on various customer journeys (such as the development of new products, delivery, etc.). At each point, customer experience is analysed and corrective measures are elaborated, if necessary.

In the current strategic cycle, NLMK Group has set and is monitoring the following key customer service indicators:

- 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)

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

Another principle guiding the company's activities is preventing any potential risk of harm related to the use of the Group's products or packaging. This principle concerns chemical, radiation, fire, and phytosanitary safety. The framework we use to determine the safety characteristics of our products includes European Union directives and regulations (RoHS2, ELV, WEEE, and REACH).

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

Stakeholder interests

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

Forms of engagement

- Developing a sales channel network
- Monitoring 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

Shareholders and the investment and banking 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, and also actively engages with banks, which are a source of capital for the company.

The key goals of our engagement with investors, shareholders and banks 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.

Shareholders and the investment and banking community

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, stability and sustainable practices of the company

Forms of engagement

- Disclosing information in various public sources: the company publishes 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, in 2020 and 2021 investor visits to sites were suspended 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 380 meetings with investors in various formats
- Regular exchange of information and responses to requests

[For more details on shareholder and investor engagement, see the Information for Shareholders and Investors section](#)

Employees

Importance for NLMK

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

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

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

The company seeks to increase employee engagement by improving feedback channels, conducting team-building activities, and offering social support. The company regularly organizes live events with the CEO, where employees can ask him their questions.

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

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

Stakeholder interests

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

Forms of engagement

- Offering continuing education, training, and staff development programmes.
[For more details on employee training, see the Training and Development section.](#)
- Organizing regular safety training session, improving workplace conditions.
[For more details on the results of these activities, see the Occupational Health and Safety section.](#)
- Implementing measures to provide social support for employees, their families, and retirees (former employees)
- Holding regular meetings with the management at various levels
- Monitoring and sustaining employee engagement.

[See the Social Policy section for more details.](#)

In 2021, our corporate NLMK Pulse Survey had a coverage of 38,900 employees, or around 83% of the headcount at the Group's Russian sites.

- 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

Amid the pandemic, NLMK seeks to maintain a high level of transparency and provide timely information to employees about the current situation and measures taken within the company.

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, as well as the company's overall reputation. Such activities are an integral part of NLMK Group's corporate social responsibility.

NLMK Group companies are some of the largest employers and taxpayers in the regions where they operate. The company's social assets (medical clinics, health resorts, and corporate sports facilities) are available to local communities, making a significant contribution to the social infrastructure of the regions.

The company has an interest in improving the living standards of local communities 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 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, including the employment of people with disabilities
- 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 topic-specific conferences and events
- Processing stakeholder requests

For more details 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. At industry level, NLMK Group representatives regularly participate in working groups and commissions of the Association of Russian Steelmakers, a representative authority, in order to enhance the Industry Tariff Agreement and negotiate with the Russian Mining and Metals Trade Union. At the organizational level, social and labour relations are regulated by collective bargaining agreements, which are concluded with the primary trade unions of the companies. These documents guarantee compliance with the requirements of the International Labour Organization, including support for freedom of association, the right to liberty and security of person, the prohibition of slavery and child labour, the prohibition of trafficking in persons, the prohibition of discrimination based on sex, social status, or race, ensuring safe working conditions, occupational health and safety, respect for the right to a minimum wage, and a system of benefits and remuneration. NLMK's effective engagement with trade unions helps to strengthen its brand as a socially responsible employer.

Stakeholder interests

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

Forms of engagement

- Conducting collective bargaining: in 2021, we continued a series of collective negotiations with the trade union organizations of NLMK Group companies. Steps were taken to harmonize the basic benefits provided under such collective bargaining agreements
- Concluding collective bargaining and other agreements and signing joint resolutions: in 2021, the terms of collective agreements were renegotiated for NLMK Construction and Assembly Trust and NLMK Engineering. In 2020–2021, collective bargaining agreement terms were renegotiated for 11 NLMK Group sites
- Working jointly on various commissions and committees
- Holding employee conferences

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

Most of the Group'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 main principles of such collaboration are outlined in the Supplier and Contractor Code of Conduct, which sets out our requirements for suppliers and contractors and underscores our aspiration to support the highest standards in compliance and corporate ethics. The Code also promotes compliance in ensuring a fair and equitable approach to procurement, anti-corruption, managing conflicts of interest, respect for human rights, environmental protection, and occupational health and safety.

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
- Compliance with sustainable development principles

Forms of engagement

- Conducting pre-qualification of suppliers
- Developing competitive procurement procedures for goods and services
- Developing electronic data interchange (EDI) with 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, as well as a hotline for suppliers and contractors
- Conducting business meetings with suppliers and participating in conferences and industry associations
- Organizing supplier days (workshops) for various procurement categories with production site visits
- Organizing online conferences for 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, supplier status, production capacity, and compliance with sustainable development requirements, such as occupational health and safety, industrial safety, and environmental requirements

For more details on the results of supplier and contractor engagement, see the [Supply Chain Management](#) section.



Supply chain management¹



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.

Key 2021 figures

RUB 230.9 bn

spending on goods and materials procured in Russia

Major themes

Supplier environmental assessment

Key events in 2021

- Expanded use of electronic document management with suppliers
- Part of investment procurement process automated via SAP Ariba Sourcing
- NLMK started operating an automated warehouse complex
- Claim management automation project introduced
- the process of evaluating and informing suppliers about its results is automated
- NLMK Group acknowledged as "The Company of the Year in Procurement" by the results of the main occupational competition of Russian procurement experts

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



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

77 suppliers
of goods and services were audited

Our approach to supply chain management

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

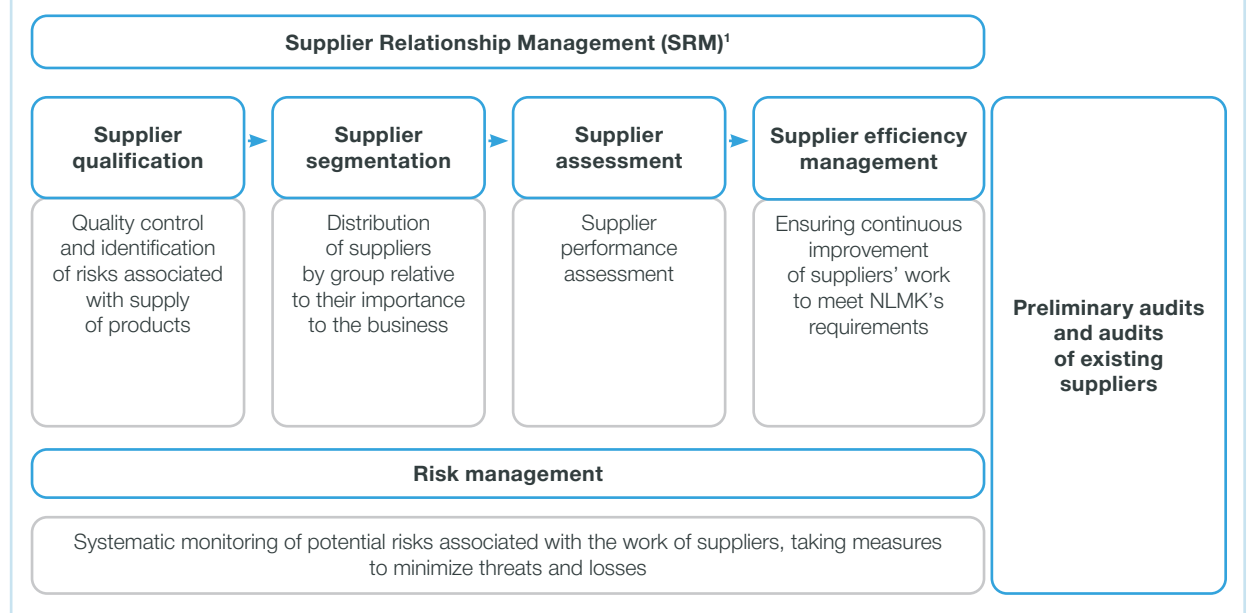
The procurement team's main goal is to meet the expectations and needs of specific groups of NLMK stakeholders, including shareholders, employees, customers, internal customers, and regulatory bodies. The procurement team's key objectives are to unify and standardize procurement systems and processes, 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:
 - Contractors Qualification Regulations
 - Contractor Assessment Regulations
 - Regulations on Contractors Selection in Cooperation with the Tender Commission, etc.
 - Regulation on Category Strategies Development
 - Regulation on Cross-functional Groups

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.

Supplier management process within NLMK Group



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

¹ Supplier Relationship Management

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. The company does not purchase any conflict minerals (conflict mineral resources such as tin, tungsten, tantalum and gold), linked with human rights abuses in the Democratic Republic of Congo and the neighbouring countries.

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 2021, a project was launched to automate claim management for instances when suppliers fail to respect delivery timelines.

In 2021, the company changed its supplier evaluation procedure and methodology. Suppliers are evaluated and informed automatically based on the results of the quarter and calendar year performance. All counterparties are rated.

The company also identifies critical suppliers, using the following criteria: high-volume suppliers, impact of supplied goods and materials on production continuity and regularity (critical component suppliers), impact on final product quality, non-substitutable suppliers, and location of the suppliers.

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 transaction support centre (Corporate Solutions Centre) ensures the efficiency of procurement processes. Having a single service centre for processing transactions reduces costs, improves levels of internal customer satisfaction, and speeds 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. NLMK's achievements in automating procurement activities were recognized within the broader professional community. In 2021, NLMK Group was named Company of the Year in Procurement at the main professional competition for Russian procurement experts.

EFFICIENCY ASSESSMENT

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 carefully analysed, and measures are then developed to further improve the team's work.

Selection and qualification of suppliers and contractors

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

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

The Group also expects its suppliers and contractors to comply strictly with all applicable legal requirements,

including environmental protection and occupational health and safety regulations. The 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.

Evaluation and audit of 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.

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. The company prioritizes partners striving to promote reasonable consumption of resources and ensuring compliance with legal and social standards within the supply chains. For instance, when

purchasing office goods and furniture, NLMK selects companies that demonstrate a highly responsible approach to compliance with environmental safety standards.

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 principles, and with a developed sustainable development strategy
- Supporting small and medium-sized businesses, and cooperation with suppliers and contractors owned by women or representatives of vulnerable groups of the population

- 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

NLMK takes reasonable steps to eliminate the risks of human trafficking and slavery in the supply chain.

Conciliation Committee performance

Indicator	2019	2020	2021
Number of suppliers on which partnership restrictions were imposed	18	15	7
Number of suppliers with which NLMK Group decided to temporarily suspend relations	6	7	6
Number of suppliers with which NLMK Group decided to terminate relations	11	13	18

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, product quality, and company sustainability, 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
- Adherence to human rights, 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.

Supplier and contractor audits

Subject of audit	2016	2017	2018	2019	2020	2021
Goods and materials	22	35	39	34	13	57
Services	1	21	17	24	20	20

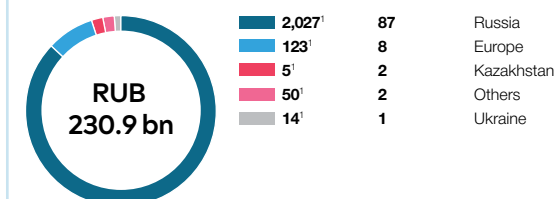
For more details on supplier and contractor environmental assessments, see the Supplier Environmental Assessment section of the Environmental Protection chapter.

2021 performance

The company continued to actively improve its procurement processes and centralize the procurement of basic materials, raw materials, and services. Most notably, the company launched a process aimed at simplifying the electronic form used for self-registration by counterparties. The efficiency of interaction with suppliers was improved through the digital assistant functionality. Thus, 60% of purchase orders were generated automatically, and robotization of tender procedures was launched (over 800 tenders have already been held by a robot).

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. Supply continuity risks were mitigated through

Procurement from suppliers of goods and materials by supplier country, % of total [GRI 102-9](#)



Note: data on procurement of goods and materials from third parties are presented for the Group's Russian companies. The amount does not include transportation and handling expenses and customs duties.

establishing intermediate warehouses at supplier sites; using formula pricing to mitigate the risk of non-deliveries due to rising raw material prices, and expanding supervision of key deliveries under contracts.

Procurement volume in 2021 by key categories, RUB m (VAT excluded) [GRI 102-9](#) [GRI 301-1](#)

Goods and materials category	Procurement volume
Coal and coal concentrates	99,738
Raw materials (without the main raw material categories)	40,254
Provision of repairs and maintenance	36,876
Refractory products	14,930
Process equipment	9,182
Iron ore (concentrate, pellets, and ore)	8,239
Provision of technology	7,263
Coatings	5,635
Coke and chemical raw materials, fluxes	2,068
Petroleum, oil, lubricants	2,337
Rolls	1,808
Information technologies	1,620
Work wear	675
Other	274
Total	230,898

There were no significant changes in the Group's supply chain structure during 2021. [GRI 102-10](#)

In the reporting year, procurement from local suppliers for the Russian companies accounted for 87%, or RUB 201 billion. [GRI 204-1](#)

PLANS FOR 2022 AND THE MEDIUM TERM

The Group intends to continue with its work to further automate and improve procurement processes. More specifically, the Group's plans include:

- Developing sustainable development practices
- Formalizing assessment of counterparties for exposure to environmental risks
- Identifying and assessing critical non-tier 1 suppliers
- Developing marketplaces (catalogues) for basic contractors
- Extending robotization of standard procurement procedures
- Upgrading warehouse logistics



¹ Number of suppliers.

Human Rights



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.

Key 2021 figures

0 violations of human rights

were recorded during the reporting year

Major themes

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

Key events in 2021

In 2021, the company successfully integrated human rights provisions into the standard terms of business with contractors. NLMK's vendors and counterparties confirm that at the time of contract execution they respect and recognise human rights envisaged by the Russian law and international legal instruments.

United Nations Global Compact principles

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

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

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

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

UN Global Sustainable Development Goals



Managing human rights issues

NLMK also devotes special attention to ensuring the right to freedom of association and collective bargaining, as well as to the issues

concerning child labour and forced or compulsory labour, human trafficking, and ensuring equal pay for equal work. [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
- The UN Guiding Principles on Business and Human Rights

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

The following internal documents ensure a unified approach to respecting human rights in the Group's activities at all sites: [NLMK Group's Human Rights Policy](#), [NLMK Group Corporate Ethics Code](#), [NLMK Group Anti-Corruption Policy](#), and collective bargaining agreements.

NLMK's human rights principles and their integration into Group's activities

NLMK's human rights principles

Provision of safe working conditions

Respect for the right to a minimum wage

Prohibition of discrimination

Prohibition of forced labour

Prohibition of child labour

Integrating fundamental human rights principles into NLMK Group's activities

Fundamental principles	Areas of activity
Provision of safe working conditions	In organizing production, the company prioritizes the health and safety of its employees above all. The company's management monitors and reduces risks associated with hazardous working conditions, increasing safety levels at the sites of every NLMK company 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. See the Occupational Health and Safety and Environmental Protection sections for more details.
Respect for the right to a minimum wage	Ensuring decent working conditions, including competitive salaries and providing both employees and retirees with a social benefits package are key priorities for NLMK Group. See the Our Employees section for more details.

Fundamental principles	Areas of activity
Prohibition of discrimination	NLMK Group does not tolerate discrimination based on gender, religion, and other grounds in its staff management activities, including hiring, and adheres to the same principles when determining wages. See the Our Employees section for more details.
Support for freedom of association and collective bargaining	NLMK Group fulfils all of the requirements set forth in collective bargaining agreements, and regularly engages with trade unions. The company also ensures that conditions are in place to facilitate the creation of associations by making corporate communications tools available and by supporting employee volunteering initiatives. GRI 407-1 See the Our Employees and Stakeholder Dialogue sections for more details.
Prohibition of forced labour and child labour	NLMK Group only signs employment contracts with individuals that meet the minimum age requirements stipulated by the legislation. The company does not make use of child labour. The company forbids the use of forced labour, penal and military labour, slavery, and human trafficking. All employment at the company is exclusively voluntary in nature. GRI 408-1 GRI 409-1
Respect for the rights of indigenous peoples	NLMK Group estimates that there are no indigenous peoples present in the regions where the Group companies operate GRI 411-1

NLMK's activities aimed at protecting human rights across all regions where it operates are coordinated by the HR Function and cover 100% of the company's facilities. Whenever necessary, experts from other functional areas of the company are invited to participate (in particular, the Occupational Health and Safety team) in order to safeguard corporate interests and to manage risks. NLMK's senior management team is always engaged in making important decisions. NLMK Vice President for HR

and Management System is responsible for supervising the execution of the Human Rights Policy. [GRI 102-20](#)

The company communicates its Human Rights Policy to its stakeholders, including its employees, subcontractors, and business partners. In 2020, the Human Rights Policy was translated into the languages of all regions where the company operates.
[GRI 412-2](#)

NLMK encourages all stakeholders to report actions that violate human rights. Employees, customers, suppliers, contractors and other stakeholders can use any feedback channel (including in languages other than Russian) listed on the [NLMK website](#).

In 2021, NLMK recorded no cases of discrimination related to human rights violations [GRI 406-1](#) [GRI 102-17](#), 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. The company's employees regularly undergo trainings on human rights issues, including those organized for the participants of the UN Global Compact that the Group joined in 2019. In addition, human rights issues are included in the educational electronic corporate course developed in 2021 on the Corporate Ethics Code and Anti-Corruption Policy. [GRI 412-2](#)

[GRI 412-1](#) The salient human rights risks associated with the operations of NLMK Group companies relate to non-discrimination based on gender, age, disabilities and other criteria, the right to safe working conditions, freedom of association and collective bargaining, as well as the right of local communities to a clean environment. These risks have the most significant impact on the employees

and contractors of the Group's sites, as well as on the citizens living in the immediate vicinity of the sites. In 2021, a mandatory human rights clause was included in the standard agreements with the Group's contractors in order to mitigate the risks of human rights violations among the company's vendors. [GRI 412-3](#) [More detailed information on avoiding the risks of discrimination is available in the Diversity and Inclusion section; on the health risks, in the OHS Risks section, and on environmental risks in the Climate Change section. Information on exercising the right to freedom of association is available in the Trade Unions section.](#)

In 2021, the company has successfully integrated human rights provisions into the standard terms of business with the contractors. Thus, NLMK's vendors and counterparties confirm that at the time of contract execution they adhere to and respect human rights envisaged by the Russian law and international legal instruments including:

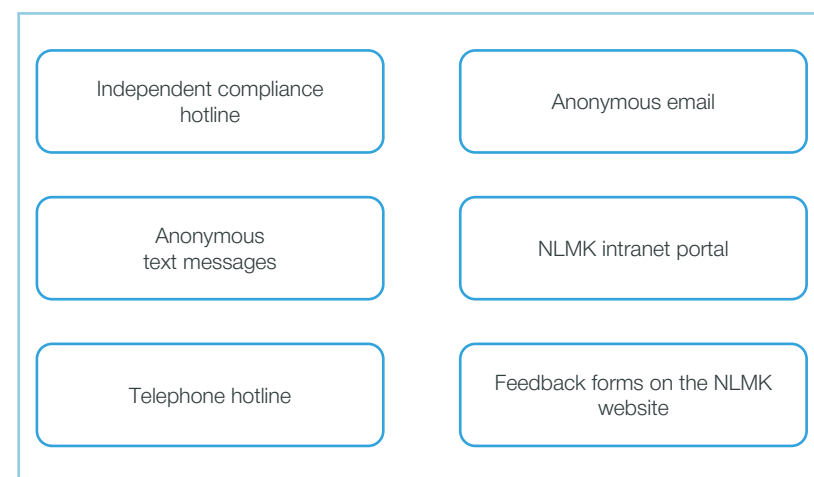
- Support for freedom of association
- The right to liberty and security of person
- Respect for the prohibitions of the child and forced labour, human trafficking, as well as the prohibition for discrimination
- Ensuring the occupational health and safety of workers, as well as safe working conditions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

In 2021, considerable attention was paid to the issues of non-discrimination and ensuring equal opportunities for all, including persons with disabilities. The company shared its experience in the area taking part in the federal and regional conferences, including the round table of the Federation Council Committee on Social Policy devoted to Cooperation of Higher Education Institution, Non-Profit Organizations and Business on the Employment of People with Disabilities on 5 October, 2021.

NLMK participates in the 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.

Human rights reporting channels

All messages and complaints received by the company 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. Complaints of human rights violations can be directed to both the Hotline and the Independent Compliance Hotline (negotiated by an independent operator and compliance unit of the Legal Department). [See the Compliance and Corporate Ethics section for more details.](#)

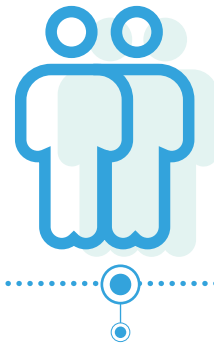


PLANS FOR 2022 AND THE MEDIUM TERM

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

In future reporting periods, we plan to engage the company's stakeholders in the human rights agenda by holding joint events and inviting experts to work out joint actions on this issue. Another task will be to develop methodological approaches to assessing how well 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 2021

- Developing online trainings, introducing new professional training formats
- Working on an international project to create competency maps and assessment tools for key steelmaking professions

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



Prizes and awards

In 2021, NLMK Group received a gold award in the Forbes' Best Employer in Russia ranking, organized together with the KPMG audit company. NLMK Group received the highest grade (Platinum) in the Environment and Corporate Governance categories, the combined result was Gold.

NLMK Group came first in the Crystal Pyramid HR Awards 2021. The company topped the Corporate University of the Year nomination, and NLMK Group's Vice President, HR and Management System Mikhail Arkhipov was named HR Manager of the Year.

NLMK Group's Digital Diary project received a silver medal in the People are the most valuable capital nomination at the annual SAP Value Award.

NLMK won the InterComm 2021 main award in the field of corporate communications. The company's Pictures of the war years documentary topped the Event category, which focused on projects in the field of organizing corporate events.

Key 2021 figures

RUB 3,654 m

total investment in staff training and development

2.9 m

man-hours of training

7.2%

voluntary staff turnover at NLMK Group

34%

Women account of the management and administrative staff

25%

Women account of the total number of employees

HR strategy priorities

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. Much attention is paid to the digitalization of production and non-production processes, aimed at increasing efficiency and reducing labour costs.

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

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. In addition, the company provides training to employees on risk management, cybersecurity, etc.

The Group seeks to apply a unified approach to managing its staff, including at its foreign companies.

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

In 2021, NLMK Group's average headcount was 50,600 people, of whom 47,200 (93.2%) were employed at the company's Russian assets, 2,100 (4.2%) at its European divisions, 0,200 (0.4%) at international auxiliary companies, and 1,100 (2.2%) in the USA. [GRI 102-7](#) [GRI 102-8](#)

Approximately 96% of NLMK Group employees work under permanent contracts, and around 4% under fixed-term contracts. When working under a fixed-term contract, any employee has the right to review their salary, participate in incentive programmes, and is also provided with additional benefits in accordance with the collective bargaining agreement.

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 34% of all employees, including 50% of white-collars, 24% of white-collar managers and 4% of shop-floor (revenue-generative) managers (the total share female managers is 16%).

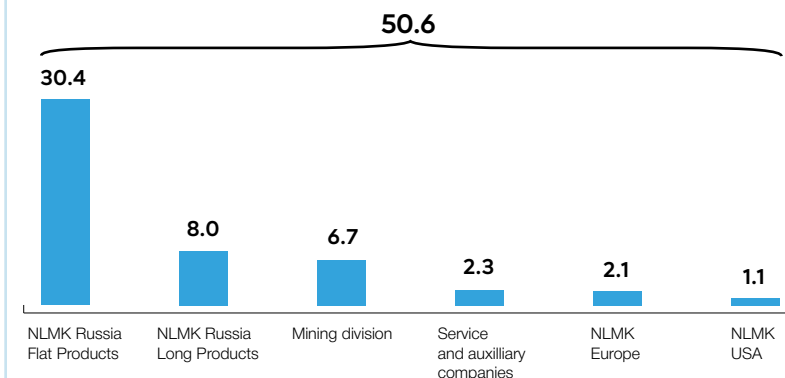
Women account for 16% in junior management positions. Among middle managers there are 18% of women, among top management (positions two levels below the CEO) – 14%.

During the reporting year, 1,632 men and 554 women were promoted. A total of 22% are women among IT and engineering professionals.

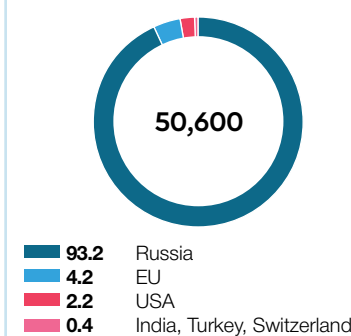
The average work experience of men and women at NLMK companies is at a comparable level: the average work experience for men is 12 years, for women – 13 years.

NLMK employees represent various age groups, which attests to the lack of age discrimination in NLMK Group's HR policy. In 2021, 23% of all employees were aged over 50, 62% were aged between 30 and 50, and 15% were under 30. Of those in management

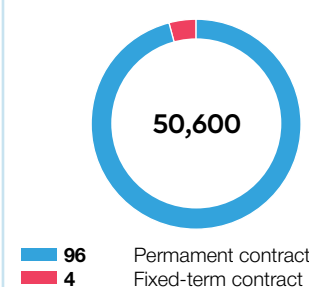
NLMK Group staff¹ breakdown by segment in 2021, thousands of people [GRI 102-8](#)



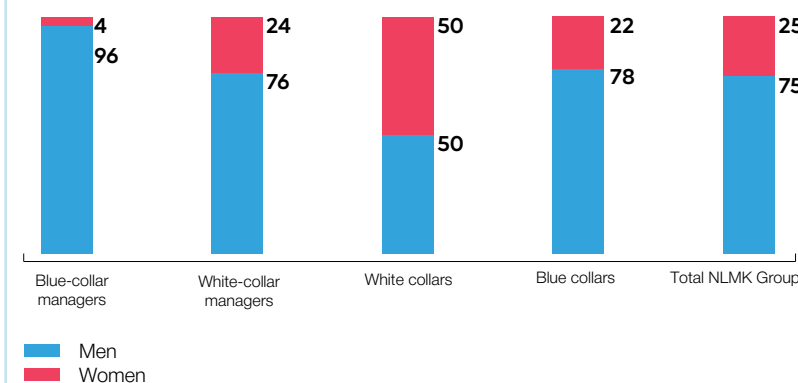
NLMK Group staff¹ breakdown by region in 2021, % [GRI 102-8](#)



NLMK Group staff¹ breakdown by contract type in 2021, % [GRI 102-8](#)



NLMK Group² staff breakdown by gender and category in 2021, % [GRI 102-8](#) [GRI 405-1](#)

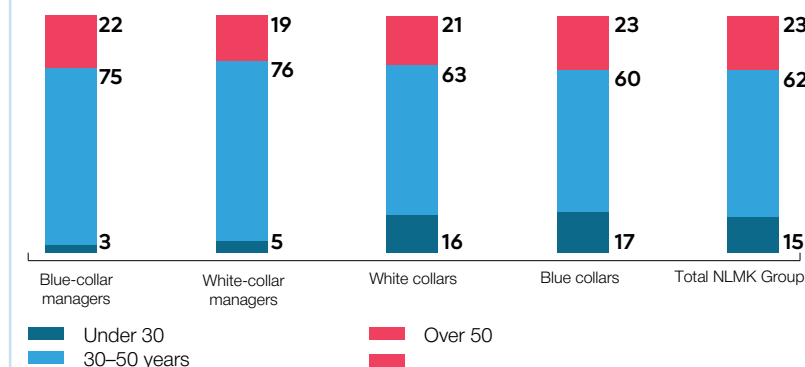


positions (white-collar and blue-collar managers), 75% were aged between 30 and 50, and 20% were aged over 50.

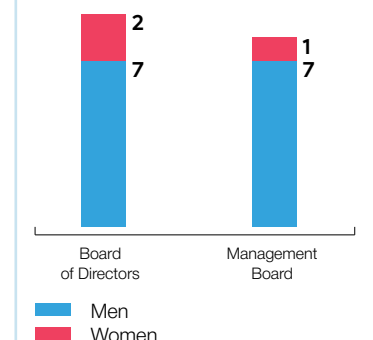
NLMK is committed to supporting gender diversity within its governance bodies in a way that takes into account the specific nature of the company's

activities. In 2021, NLMK Group's Board of Directors and Management Board were made up of both men and women.

NLMK Group¹ staff breakdown by gender and category in 2021, % [GRI 102-8](#) [GRI 405-1](#)



Gender composition of NLMK Group governance bodies as of 31.12.2021, people [GRI 405-1](#)

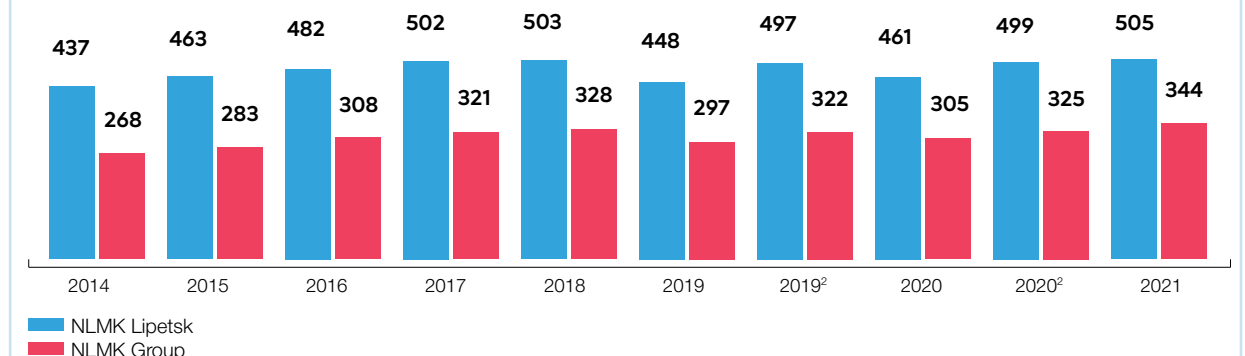


Labour productivity

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 2021, labour productivity across NLMK Group stood at 344 tonnes of steel per person, growing year-on-year as major investment projects were implemented to upgrade the sites' main equipment. The changes in the previous years are due to preliminary hires and training in anticipation of higher output in 2021.

Labour productivity, t of steel/person



¹ Headcount as of 31 December 2021.

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

¹ Average headcount.

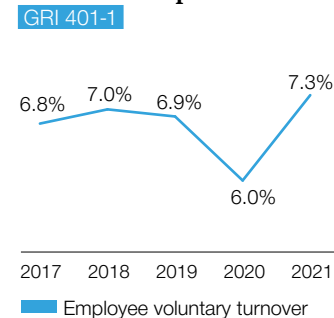
² Headcount as of 31 December 2021.

Turnover

In 2021, voluntary staff turnover increased year-on-year to 7.3%.

The increase in turnover in 2021 year-on-year is due to the delayed effect of a decrease in turnover in 2020: because of the COVID-19 pandemic and the downturn in the economy, the mobility of people decreased in 2020, but the economic recovery in 2021 led to a revival of activity in the labour market.

Employee voluntary turnover¹ at NLMK Group



Strategic planning for labour resources

As a high-tech company, NLMK strives to manage its personnel as efficiently as possible. The Group uses a number people analytics systems for strategic and tactical planning of human resources. On the basis of statistical data from past periods, development and efficiency improvement initiatives, the company, together with representatives of regional administrations and enterprises of the Lipetsk Region, forms a pool of competencies and professions required in the future, as well as recruitment to educational institutions in the required specialties, ensuring that the need for qualified personnel is covered in five-seven years ahead. People analytics represent several easy-to-use dashboards, which enable correct assessment of the current situation, the interconnectedness of events and results based on big data, and also contribute to making objective decisions and outlooks.

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, disability 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 legislation 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.

High standing of the Group in the 2021 HH.ru, Forbes, and Changellenge employer ratings attests to the company being a preferred employer in the regions where it operates.

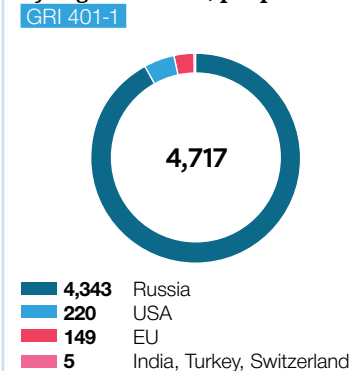
The Changellenge rating focuses on the assessment of employers by students of the TOP-30 universities in Russia. According to the results of the rating, NLMK Group was included in the TOP-50 companies in the Engineering category.

The company focuses on the digitalization of recruitment: it introduced a tool for selecting STEM specialists (podbor.io), a corporate blog and a job page on the Habr resource, and video interviews powered by the Sever.AI platform. NLMK Group's career page is also available at [NLMK.team](https://nlnmk.team).

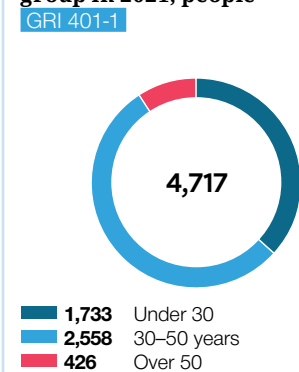
A project to provide the service of filling in a questionnaire to become a candidate for employment at NLMK Lipetsk was implemented jointly with the Authorized Multifunctional Centre for the Provision of State and Municipal Services. The questionnaires are directly uploaded into the recruitment database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

In 2021, 4,717 people (9% of the average headcount) joined the NLMK team, 23% of them were women (2% of the average headcount). A total of 96% were hired by the Group's Russian companies. [GRI 401-1](#)

NLMK Group new hires by region in 2021, people



NLMK Group new hires by age group in 2021, people



The company created more than 900 jobs in 2021, 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 (in 2021, they made up 95% of those hired).

In line with the equal opportunities for all principle, NLMK implements targeted employment projects for people with disabilities. In 2021, the share of people with disabilities hired by the company was 0.4% (20 people) of the total new hires. In total, the company employs 438 people with disabilities (0.9% of the total number of employees). Due to the specific nature of the steel industry, which involves 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.

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. The company is committed to annually increasing the level of employee 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. An annual assessment of the achievement of target KPIs (Management by Objectives) by employees is carried out in conjunction with an assessment of the corporate behaviour (Management by Behavioral Indicators), which reflects the company's

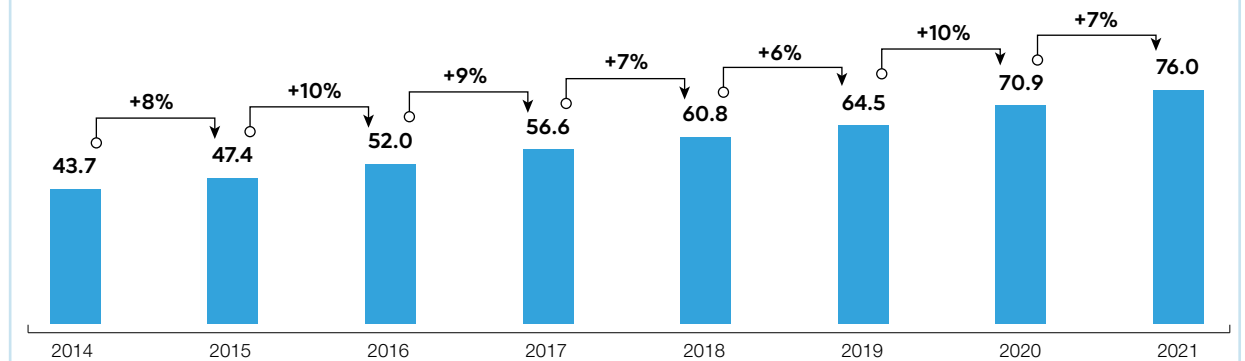
approach to management as a whole. When preparing local regulations on remuneration, the opinion of trade union organizations is taken into account.

Fixed remuneration management in the Group is based on employee performance evaluation. The current approach 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 fairness of remuneration across the Group's companies, while unlocking the potential and stimulating the professional activity of each employee. In 2021 this system covered 95% of NLMK Group's Russian company employees. In several divisions, the process of forming individual

development plans for employees was launched, with the help of which the employee will be able to strengthen those competencies that turned out to be underdeveloped. In 2022, this approach will be extended to all white collars of the Group.

The average salary¹ of NLMK Group employees at Russian companies in 2021 was RUB 76,000, a 7% increase year-on-year. The increase was significantly ahead of the inflation rate due to additional measures to support employees. At our international companies, remuneration is determined based on collective bargaining agreements and local labour legislation, and is also indexed annually.

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



The company does not tolerate any form of discrimination on grounds of gender or other factors when implementing or further developing its remuneration system. The company adheres to the equal pay for equal work principle and complies with legislative labour requirements.

The methodology for calculating this indicator implies taking into account the actual payroll for the initial grades in each of the categories. The difference in the salaries of men and women

in working and STEM professions is due to higher pay for those employed in difficult and hazardous working conditions, in which the share of women is traditionally lower.

In 2021, 47,438 employees of NLMK Group, or 93.7% of all staff, underwent an official performance assessment. [GRI 404-3](#)

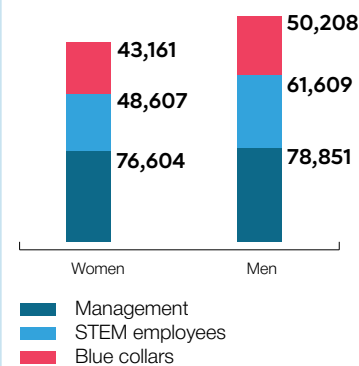
The company also continues to develop an end-to-end management system that aims to achieve the Group's goals

(Management by Objectives, or MBO). Nearly 11,000 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.

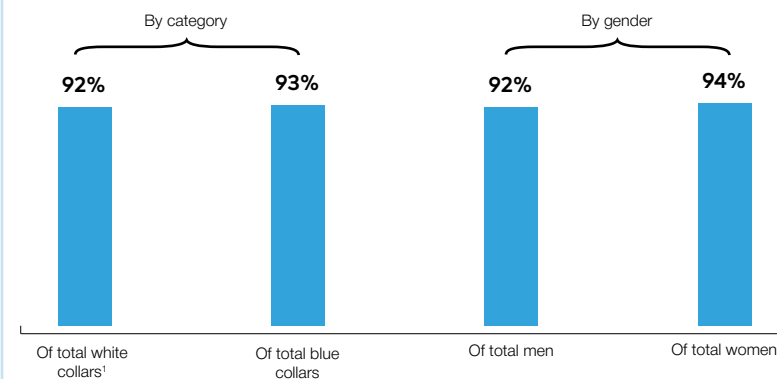
Bonuses for employees not covered by the MBO system are paid monthly based on the performance indicators of their unit or position.

¹ The average salary is calculated based on the NLMK Group methodology, which is based on the guidance of Article 139 of the Russian Labour Code, Decree of the Russian Government No. 922 dd. 24 December 2007, Methodological Provisions on Statistics (Issue 1,2,3,4,5) of the Federal State Statistics Service, and includes remuneration for time worked, vacation pay, compensation payments and bonuses. The average monthly salary is calculated as the payroll for the period divided by the average number of employees for the period divided by the number of months in the period.

Average monthly salary of entry-level employees by gender and category at Russian NLMK Group companies in 2021, RUB '000
GRI 405-2



Proportion of NLMK Group employees who received a regular performance and career development review, by category and gender as of 31.12.2021, persons
GRI 404-3



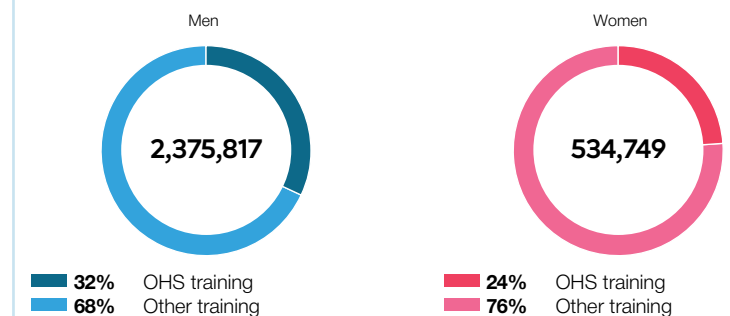
Training and development

Employee proficiency and qualifications are an important factor in ensuring sustainable development at NLMK. An effective system of training and development is based on job profiling, regular knowledge tests and the use of modern training formats (microcourses, distance learning).

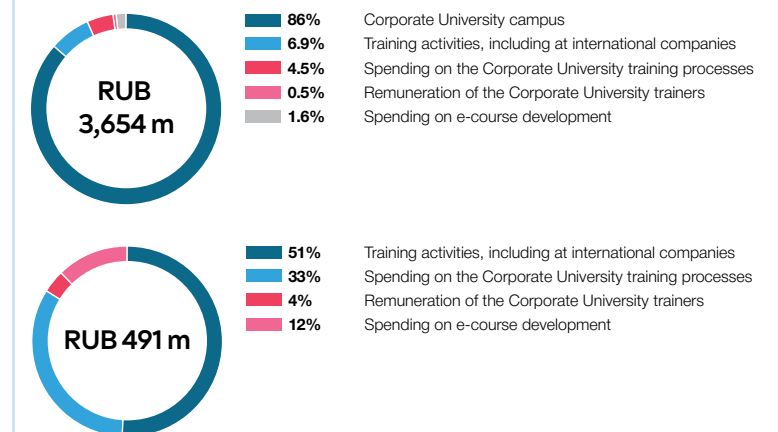
NLMK invests significant resources in the training and development of its employees. The share of specialists trained in the reporting year was 96%. In 2021, total spending on training and development of employees amounted to RUB 3,654 million, with RUB 3,163 million invested in the construction of the Corporate University campus in Lipetsk, RUB 252.4 million – in training events, RUB 220.7 million – in educational processes of the Corporate University and the development of e-courses, and RUB 17.7 million – coaching costs. Thus, the average amount spent per FTE on training and development is RUB 67,200 and RUB 9,000 excluding investments in the construction of the Corporate University campus.

In 2021, the NLMK employees received a total of 2,910,566 man-hours of training (including OHS training), with 154,695 of them delivered to NLMK Group's Russian companies via the Corporate University. Divided by NLMK Group's average headcount, this means 57.5 hours of training per FTE (61.0 hours divided by the average headcount of the Russian companies). [GRI 404-1](#) NLMK Lipetsk employees also provide trainings on the company's professional competencies to students of basic educational institutions. These trainings not only educate potential employees for NLMK Group but also help mentors

Total number of training hours



NLMK Group investment in employee training and development in 2021 [GRI 404-2](#)



develop themselves. Altogether, in the reporting year, 1,047,862 man-hours of training were given to students.

The overall time of OHS training in 2021 was 891,215 man-hours (536,640 man-hours of external training, 331,407 man-hours of in-house training, and 23,169 man-hours at the Corporate University).

The training process is aimed at developing industry employees and solving priority problems in a rapidly changing business environment. It consists of several stages, which include not only educational programmes for the company employees, but also development of potential future employees – schoolchildren and students of colleges and universities. [GRI 404-1](#)

Features of the MBO system

- At the CEO-1 level, curators are appointed who are responsible for building a cascade of strategic goals through the MBO system at all levels of management
- Objectives are discussed and agreed between the manager and their employees. Constructive two-way feedback is given throughout the year and at the end of the year
- Employee development plan is developed that allows them to improve their managerial and professional skills year by year

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 quantitative KPI can reach 150%, for a qualitative KPI – 120%.

By 2023, NLMK Group plans to extend the MBO system to cover 100% of employees at all levels, including blue collars.

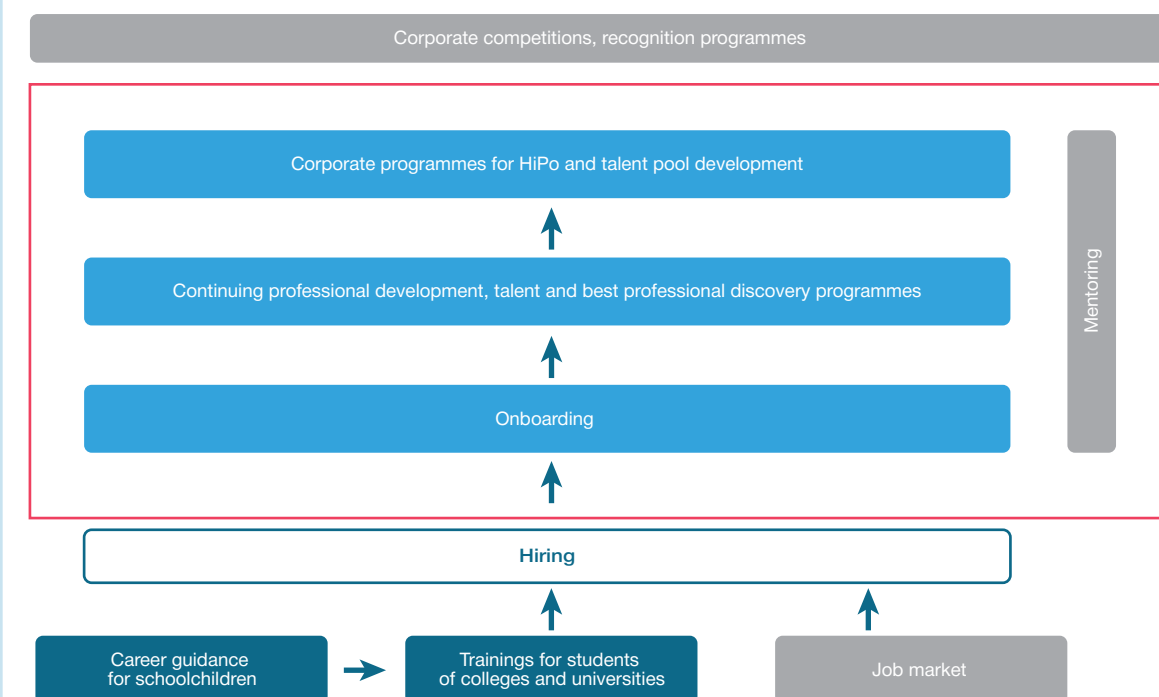
Incentive systems for individual groups of employees are also being developed: incentives for participating in project activities, incentives for initiatives, etc.

All of them are coherently linked to the main remuneration systems, complement each other, and expand the opportunities for pay growth. In 2021, a special focus was placed on identifying employees with below-the-market-level pay in order to increase their pay levels more quickly.

NLMK has a personnel relocation policy. The company is interested in allowing employees to move freely to new jobs in any regions where we operate, thereby enhancing opportunities for career and professional growth.

¹ White collars are managers, specialists, and office employees.

Training and development process at NLMK



Work with students

Training of personnel on the basis of specialized educational organizations

With a view to increase the share of highly qualified specialists in the labour market, NLMK cooperates with more than 20 specialized educational institutions in the regions where it operates: technical schools, colleges, and universities. Future employees receive in-depth training in competencies that are relevant to NLMK, do internships at the Group's companies, perform real work tasks and participate in NLMK projects. In 2021, a pilot project was launched on targeted learning for students of secondary vocational education.

Basic educational institutions (BEI) are focused on training personnel commissioned by NLMK. They are involved in joint projects, offer integrated training programmes, and attract experts from production. BEI students receive a corporate scholarship. They do internships at NLMK Group enterprises, including on the basis of targeted training agreements.

NLMK Group also helps with training supplies for colleges and technical schools, and employees of production departments give classes on theory and practice.

Efficient cooperation with schools, continuous education centres, and institutions of secondary vocational and higher education not only attracts young professionals to NLMK, but also forms the company's image as a preferred employer in the regions where it operates.

The Academy of Steel Opportunities programme was launched in 2021. The programme offers internships to undergraduate STEM students of Russian universities.

ReSolve CORPORATE CASE CHAMPIONSHIP

For young people who want to develop and become part of NLMK Group, the company organizes NLMK ReSolve, a corporate case championship, for students of universities and vocational schools aged 16 to 25 years. At all stages of the championship, teams are advised 24/7 by NLMK Group mentors.

In 2021, 375 students took part in the case championship. During the event, student teams were consulted by 45 NLMK Group mentors.

Following the championship, 10 best teams participated in the nationals of the Metal Cup championship, two of them reached the international grand final and joined the Russian national teams.

The Academy of Steel Opportunities is a programme aimed at developing undergraduates and graduates of various specialties, which allows them to immerse in the corporate culture.

More than 2,000 applications were submitted to participate in the first wave of the Academy of Steel Opportunities, of which 75 interns were selected. In May 2022, the third stage will be completed, following which the best interns will be offered employment at NLMK Group.

Career guidance for schoolchildren

As part of cooperation with schools and continuing education centres, the company implements a wide range of outreach and educational activities through corporate career guidance projects, including steelmaking shifts, the School of Professional Skills, NLMK Class, training schoolchildren in working professions, Children Corporation, and Combinatorium: Build your Career! board game.

In 2021, one of the key projects aimed at actively attracting young people was the Children Corporation project, which introduces schoolchildren and parents to the world of professions. As part of the second wave of the Corporation Children project, career guidance was provided to the children of the company employees and orphans in the region. 194 children (98 orphans, 96 children of employees) took part in career guidance activities and social events for 10 months. Following the programme, 90% of the children chose NLMK Group companies for their internship.

The project took third place in the Best Programme for Schoolchildren nomination of the Russian Graduate Awards 2021 competition.

COMBINATORIUM: BUILD YOUR CAREER!

NLMK developed Combinatorium: Build Your Career! board game to introduce various career paths to schoolchildren and students. Players get acquainted with the company's career guidance programmes, NLMK partners in the field of personnel training, professions, benefits, competitions and other opportunities that promote career development at the Group's companies.

The NLMK Navigator mobile app for schoolchildren, students, parents and teachers offers information on career guidance programmes and how to sign up for them.



Staff onboarding

In 2021, onboarding programmes for new hires were updated.

An online onboarding training course was developed for all NLMK Group enterprises. It introduces newly hired employees to the company, production technology, products and customers, as well as the NLMK Production System, Safety Culture and development opportunities. In 2021, over 4,000 new NLMK Group employees took the course.

Development of managerial competencies following on annual assessment. Competence Development Digital Guide

In 2021, a pilot project was implemented to develop managerial competencies following an annual assessment. Within its framework, Competence Development Digital Guide was introduced, encompassing

managerial, end-to-end professional and corporate competencies. Using the development activities from the Guide and based on personal assessment results, each employee can easily form individual development plans (IDPs). It helps to focus on the development of those competencies that employees fall behind on through, first of all, solving urgent problems in the workplace. The Guide includes all internal educational resources: e-courses, books from corporate libraries, as well as educational solutions of the Corporate University. As part of the pilot in 2021, 1,700 employees completed their IDPs. Four months later, a selective competency assessment was conducted, which showed that close to 90% of the assessed employees improved their result.

NLMK Corporate University

GRI 404-2

NLMK Corporate University was established in 2016 in order to centralize and implement a unified system of management education in NLMK 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 members, and to develop the company's ecosystem encompassing representatives of client, partner, and contractor companies.

Objectives:

- Development of NLMK managers at all levels, enhancing the management system by instilling unified work standards, uncovering managers' leadership potential, and developing managerial competencies
- Identifying and rolling out best practices through leaders' participation in learning solution development
- Supporting organizational change 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 of the NLMK Corporate University includes over 6,900 company leaders, including the talent pool.

The recommended percentage of managerial training per employee is approximately 5% of their working hours annually. The target for training cycles completed in 2021 was 17,823, which was exceeded within the reporting period and reached 101%.

On average, members of the Corporate University target audience receive 17.2 hours of training.

The Group's international companies and companies across the NLMK ecosystem also use Corporate University learning solutions.

The Leaders Train Leaders approach

Senior and middle managers and key experts at the Group assist in the development of the Corporate University learning solutions and deliver training as internal trainers for at least four days every year. Company vice presidents act as trainers 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 through training by repeated internalization of educational content

All internal trainers complete a special certification programme and receive further advice from the Corporate University in order to ensure that all learning solutions are taught to the highest professional standards. In 2021, over 400 NLMK leaders became internal trainers.

The Leaders Train Leaders approach is evolving through scaling up a single methodology within both the company and its ecosystem of partner companies.

Learning solutions

All Corporate University learning solutions are a synthesis of the knowledge and best practices of NLMK Group's experts and cutting-edge international developments.

Today, the Corporate University portfolio includes over 160 learning solutions of various formats broken down into four streams:

- Strategy and Value Creation
- Leadership and Teamwork
- Operational Efficiency and Safety
- Project Management

In 2021, the company introduced learning solutions in English for the staff working at the international sites in Europe and the USA, covering more than 200 international employees.

Leadership Development Programmes

Leadership development programmes is a new stream added to the Corporate University's portfolio of learning solutions in 2020. In 2021, the Corporate University delivered two leadership development programmes.

In September 2021, another stream of Level Up programme was launched to develop the mid-level talent pool. At this level of management, the learning content is focused on nurturing future heads of workshops and departments who make important decisions that directly affect the essence and results of a business unit. The core competencies developed under the six-month programme are systems thinking, collaboration, performance management and continuous improvement.

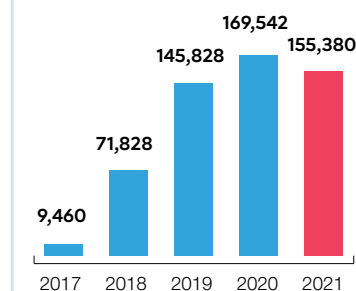
In 2021, a project-based approach was used for the first time in the programme: the participants were requested to choose a goal for the upcoming year, formulate a related problem and come up with a solution that can impact the achievement

of the company's strategic targets. To reach this goal, they need to complete a project, where they have to agree on the task and the intention for how to solve it with their immediate supervisor and continue working on this task during the Systems Thinking course.

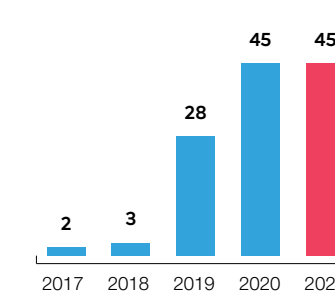
In 2021, the company continued cascading the Foremen School Programme, reaching a target audience of over 2,500 people. Three more streams were launched, and currently, more than 1,500 NLMK Group employees are studying at the Foremen School. The programme is aimed at developing managerial competencies of NLMK foremen and candidates to foreman positions from the talent pool. Foremen are expected to improve their efficiency in solving operational problems and developing human resources, gain process management skills in their areas of responsibility and learn how to facilitate interactions within their departments and between other functional units.

In 2021, the Kirkpatrick-Phillips Evaluation Model was introduced to assess the efficiency of the NLMK Corporate University.

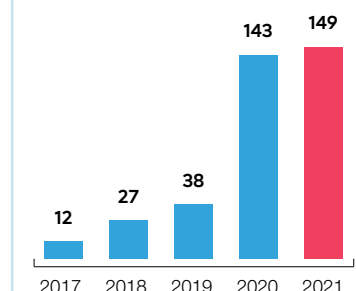
Development activities, hours



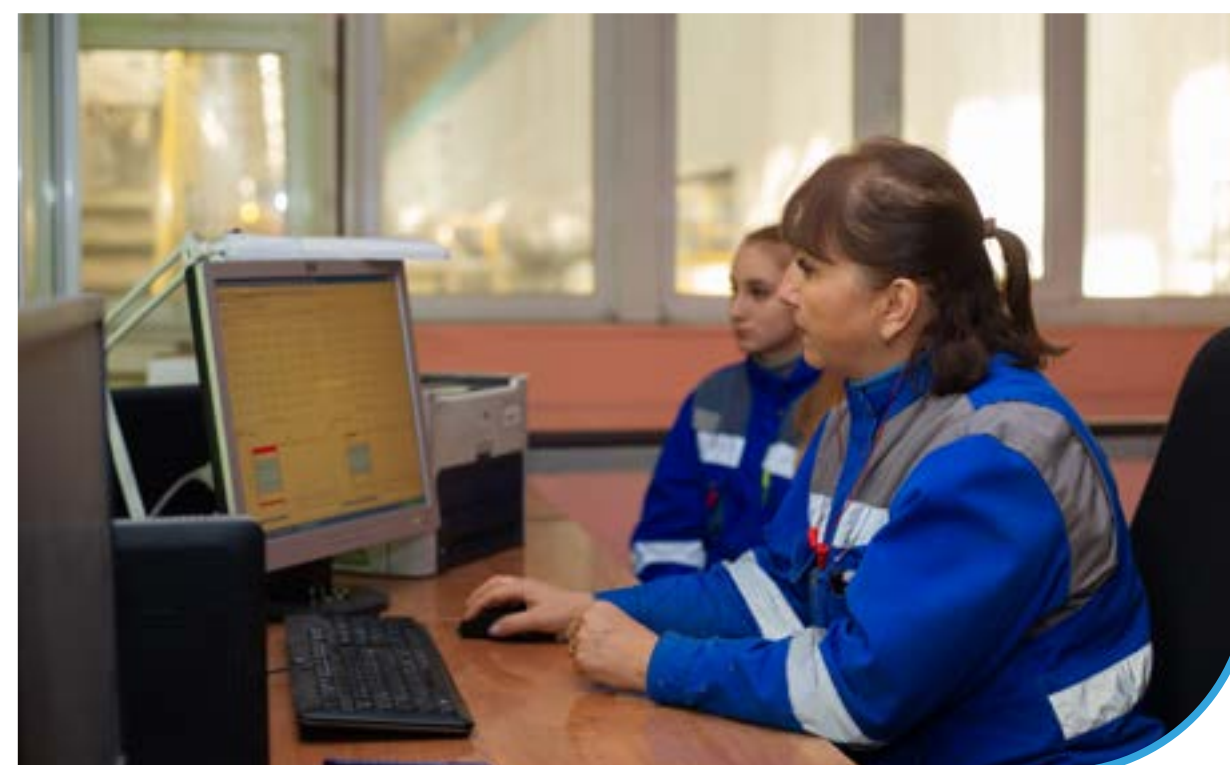
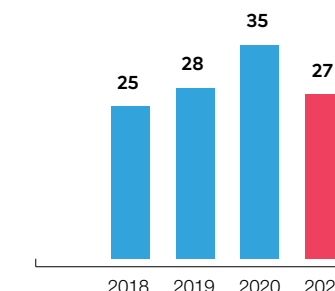
Learning solutions



Online courses offered by the Corporate University



Sessions and conferences



NLMK Corporate University campus

The 492 capacity, modern conference hall has seats designed with an elevation to ensure comfort and the optimum experience for every participant who wants to see what is happening on the stage. This is a transformative space: the stalls can be folded away in 10–15 minutes to free up the space. Multi-level sector seats resembling an amphitheatre can also be organized on the stage. Thanks to the unique Glassroom technology, a video wall showing live screens of online participants can be used to enhance engagement with the speaker. This way, online lecture and project work participants can get the feel of “being in the classroom”. This technology allows to maintain visual contact and non-verbal interactions between the speaker and the audience and also between the participants. Glassroom can be used beyond the learning process for presentations, press conferences and other online events, which is especially important during the pandemic.

The ground floor of the atrium features an exhibition space. The second and third floors host rooms that can be used for various events, including training sessions, whilst the fourth floor has a space for design-thinking meetings.

The campus will become a point of attraction for residents and visitors of the city, as well as for the employees and partners of NLMK Group.

Investments in the project amounted to RUB 4.3 billion.

International collaboration

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

NLMK CORPORATE UNIVERSITY WON A NUMBER OF PRESTIGIOUS AWARDS

In 2021, NLMK Group’s Corporate University won the Grand Prix of the Crystal Pyramid 2021 HR Award in the Best Corporate University category.

The Smart Pyramid 2021 Award was also presented to the NLMK Group Corporate University. The company took second place in the Best Corporate Training Programme category with its Foremen School programme. The jury noted the efficient staff development practice exploiting hybrid training formats and highly praised the series of videos telling the stories of foremen as a good innovation that contributes to the adaptation of the content to the target audience specifics.

INTERNATIONAL RECOGNITION

NLMK Group’s Corporate University has entered the CLIP (Corporate Learning Improvement Process) international accreditation programme of the European Foundation for Management Development (EFMD), a leading independent corporate training organization that audits and evaluates all aspects of training and development for compliance with international quality standards. The next steps will be the preparation of a self-assessment report followed by the visit of the audit committee and the receipt of the quality status recognition from the European Foundation for Management Development in 2022.



In 2021, the NLMK Group Corporate University launched a new website at <https://university.nlmk.com/>.



Assessment and development of professional competencies

In 2021, the company continued to modernize the internal corporate system for assessing and developing the professional competencies of employees. The main emphasis was placed on updating the assessment of knowledge that affects the efficiency of the performance of production tasks in order to identify areas for further development.

In the reporting year, the following was introduced into the process:

- Assessment of knowledge on corporate ethics and anti-corruption, actions of employees in case of a conflict of interest
- Development of a Competence Development Guide, through which business experts can offer generalized and highly specialized development activities
- Development of programmes for functional and industrial academies based on the results of the evaluation.

Vocational training

GRI 404-2

Vocational training and onboarding programmes for NLMK employees 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.

The development of production academies, internal educational solutions on professional competencies, continues.

Their aim is to give key professional knowledge required for a specific position and are intended for specialists and managers of a specific production area. The main resource of production academies are internal experts – specialists with the greatest experience and knowledge. They take an active part in the development of training programmes, ensuring professional expertise continuity.

One of the important professional competencies of managers and specialists is knowledge of English. In 2021, the development of the corporate English language training programme continued.

Independent qualification assessment

Independent qualification assessment in NLMK Group started at the end of 2020 with the opening of two qualification assessment centres at NLMK and NLMK Long. The main purpose of an independent assessment of qualifications is to confirm the compliance of the professional competencies of employees (knowledge, abilities, and skills) with the requirements of the professional standard. Based on the results of the assessment, the employee receives an industry certificate of qualification, valid throughout the country.

The unique model of industry-specific professional assessment of workers formed the basis of the independent assessment system for steelmaking qualifications. In 2021, the independent assessment of workers expanded from 3 to 15 qualifications. Since the opening of these centres, over 400 workers have already confirmed their qualifications at the industry level.

In 2021, qualification assessment centres and NLMK Group’s technical experts actively participated in the development of federal professional standards

and industry assessment tools. In the same year, NLMK Group topped the Industrial Personnel Qualifications Assessment nomination in the Best Application of the National Qualification Tools competition organized by the National Agency for the Development of Qualifications.

Talent Pool

NLMK Group creates opportunities for employee development and promotes their career growth. To support and promote promising employees, the company has had a talent pool programme for several years. This is the first step on the path to career growth. When filling in a managerial position, talent pool members are considered first. Talent pool members are trained according to the plan, developed specifically for each management level.

In 2021, 78% of the talent pool members were appointed to new positions. At the moment, the talent pool covers 88% of senior and middle management positions, the target for 2022 is to achieve 90% coverage.

The League+ high-potential employee identification and development programme, launched in 2021, is another window of opportunity for the Group’s employees. It is aimed at finding and developing people with leadership potential for faster career advancement, regardless of their position or function. A modular development programme with an emphasis on project activities and leadership potential fulfillment was developed for the League+ participants.

Career planning

The Career Routes project is a new HR process at NLMK Group. It helps employees to navigate career verticals and horizontals, choose a suitable goal for themselves and develop in the chosen

direction. The project offers employees all possible career options through a clear roadmap.

Mentoring

The development of the mentoring system is one of the key areas of NLMK Group's HR strategy. More than 8,000 employees in the company have the status of a mentor, and their pool is growing with more than 1,000 people joining annually.

In 2021, NLMK Group's mentoring system underwent a major transformation. The updated system is designed to preserve the stable traditions of vocational training, onboarding and project activities. New approaches to selection, training, development and recognition of mentors were introduced.

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 have 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.

Career coaching

In 2021, a pilot project was implemented to introduce career coaching in a group format. Career workshops were organized for participants in two streams of the League+ programme for high-potential employees. In the future, it is planned to train internal career coaches to work individually with employees on their careers.

Incentive and recognition programmes

In 2021, NLMK Group's five sites hosted the Master of the Year corporate competition, in which over 240 people participated. The competition is aimed at forming a progressive team of middle managers, increasing motivation for the development of managerial and professional competencies.

In November 2021, NLMK Group launched the NLMK Sferrum recognition programme. By participating in the recognition programmes, employees receive ferrums, a corporate currency that can be saved

and exchanged at the Group's online store for useful goods at any time. Corporate currency can be earned by participating in four programmes: Academy of Steel Opportunities, Safety Academy, the Innovation Lab's Innovation Award programme, and the Bestseller sales service programme.

360/180 degree feedback

Since 2018, the company has been using the 360/180 personnel assessment system. It is a 360 degree feedback survey based on SAP SF. Respondents' answers are anonymous and aggregated. The results of the assessment are fully confidential.

NLMK Group's corporate and managerial competencies model is mainly used as criteria for the 360 degree appraisal. Any manager or employee, in agreement with their immediate supervisor, can request a feedback and include respondents at their discretion. The results of the assessment are used to determine development goals and cannot be the basis for making HR decisions (dismissal, bonus reduction, etc.).

In 2021, more than 170 employees requested 360 degree feedback.

Social Policy GRI 401-2

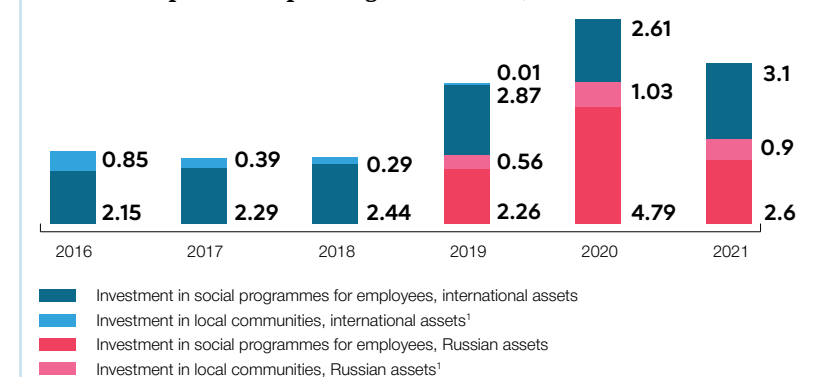
Corporate social programmes are a key tool for supporting high employee engagement, which also creates additional labour market advantages. Social policy issues fall within the remit of the Human Resources function. This makes social projects more effective and targeted, focusing on the real needs of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

The Report presents consolidated data on the social support of NLMK Group employees. In order to standardize processes and organize work on budgeting social expenses, NLMK Group companies are guided by the Regulations for Budgeting Social Expenses, which came into effect in 2020. The Regulations establish the procedure and rules for the formation of expenses for social programmes aimed at supporting employees of the company, their family members, NLMK Group retirees, etc. Expenses are recorded on an accrual basis.

In 2021, NLMK Group continued to implement its Social Strategy until 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 engagement
- Reducing waste (time, health, personal efficiency)

NLMK Group's social spending in 2016–2021, RUB bn



- Higher competitiveness and attractiveness of jobs and the employer

The Social Strategy sets out KPIs, the structure of social programmes, and key aspects of such key programmes, including: Medical Services, Catering, My Family, Sports, and Communities.

NLMK Group's total social investments in 2021, including NLMK Group's international assets, stood at RUB 6.6 billion, of which RUB 5.7 billion was allocated to social support programmes for NLMK Group employees.

Wellbeing and social support

In 2021, NLMK Group updated its understanding of social support: the Employee Wellbeing Programme was adopted, based on modern practices and methods for a comprehensive assessment of employee wellbeing.

Area	Activities
Physical health	- Mandatory medical check-ups - Check-up programmes (voluntary health insurance (VHI)) - Preventive immunization programmes (VHI) - Outpatient and inpatient care (VHI) - Health-resort treatment (for certain groups) - Healthy Choice lifestyle programme - Organization of physical activity (sports games and competitions, gyms, Nordic Walking project)
Mental health	- Additional days off work in case of significant events (birth of a child, death of a close relative, etc.) - Flexible work schedules, remote work opportunities - Employee Assistance Programme: advice on legal, psychological, financial, and tax issues

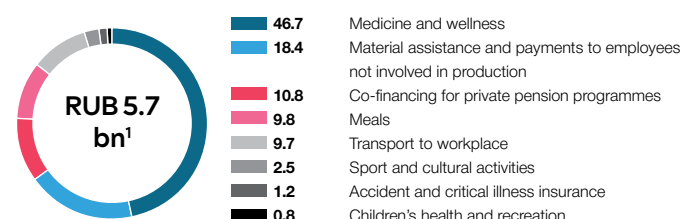
¹ For more information about investment in the development of local communities, see the Development of Local Communities section.



Area	Activities
Mindfulness and development (part of the Education and Development budget)	- Career routes - Development of professional and managerial competencies - Development programmes for high-potential employees - Recognition programmes
Financial wellbeing GRI 201-3	- Decent salary - Non-state pension schemes - Material aid - Children's health and recreation - Food co-financing (NLMK Eats!) - Accident and critical illness insurance payments - PrimeZone corporate discount programme - Corporate transfer to workplace
Corporate citizenship	- Cultural events and competitions - Sports events - Corporate volunteering - Corporate charity - Shared activity clubs
Diversity and inclusion	- Communication campaign for employees on the main aspects of D&I, their values for people, organization, and society - School of parent-child relations - Programmes to foster culture within the company - Updating the Code of Ethics

In 2021, NLMK Group continued to develop its comprehensive Employee Health Programme [GRI 403-6](#), focusing on physical and mental health of employees. In 2021, two new elements were added: a comprehensive employee support programme and a pilot project to assess employee's stress level.

Social support costs for NLMK Group employees (including international companies) for 2021 by area, %



COMPREHENSIVE EMPLOYEE SUPPORT PROGRAMME

In 2021, a comprehensive employee support programme was launched at the company's Lipetsk and Moscow assets. Now the company's employees can get free advice from a lawyer, a healthy lifestyle expert, a psychologist, and a financial advisor at any time. In the first three months, close to 1% of employees used this opportunity, and the number is constantly growing. A selective survey of employees who used the service showed that 100% of employees perceived it as an expression of thoughtfulness, on a scale of 1 to 5 84% of users rated the professionalism of experts and the quality of advice at four and five points, respectively, and 89% would recommend the service to their colleagues. Legal advice is the most popular among employees (70% of requests), 60% of users are men, 40% are women.

In 2022, the programme will be expanded to all Russian companies of NLMK Group.

Children's health and recreation

In 2021, NLMK Group launched a comprehensive health programme for the children of all Russian employees. Taking into account the current restrictions on the capacity of children's health facilities in 2021, more than 700 children benefitted from the programme. Parents could choose one of three options:

- Regional summer camps
- Mother and Child health programme
- Summer camps in the southern regions of Russia

The company purchased vouchers for the children of employees aged 11 to 15 to a summer seaside camp, organized transfers for them and paid for their insurance.

Healthy eating

The company develops and promotes a culture of healthy eating at NLMK Group companies as part of the corporate nutrition programme "NLMK Eats!" launched in 2020–2021.

As part of a strategic partnership with federal catering operators, the company:

- Improved the quality of food and service in corporate canteens and buffets
- Introduced online orders and delivery of hot meals (lunch boxes) to remote production sites and offices. In 2021, close to 17,000 lunch boxes were ordered and delivered
- Introduced partial subsidy for meals for employees
- Installed vending machines with special food for employees working in harmful and hazardous working conditions

Accident and critical illness insurance

[GRI 403-6](#) [GRI 403-10](#)

In 2021, the terms of the accident and critical illness insurance programme were amended based on the results of the first year of its implementation.

This type of insurance implies payments to employees in case of accidents, including those that occurred outside the production and office, for example, at home or on vacation, as well as when diagnosing critical illnesses (including cancer). In addition, the programme provides for additional payments for the initial diagnosis of occupational diseases and long-term disability.

Healthy Choice project

[GRI 403-6](#) [GRI 403-10](#)

The implementation of the Healthy Choice programme continues. The project fosters healthy lifestyle culture among employees, aiming to increase the commitment of staff to the basics of a healthy lifestyle, to identify and involve the leaders of this movement (health managers) in promoting and supporting best healthy practices among employees. As of the end of 2021, more than 1,000 employees participated in the programme.

Diversity, equality and inclusion

NLMK Group, as an international socially responsible company, promotes the culture of diversity, equality and inclusion. NLMK employs people of different ages, gender, education, marital status, young mothers and fathers, parents raising children with disabilities, representatives of many nationalities and cultures.

Gender balance

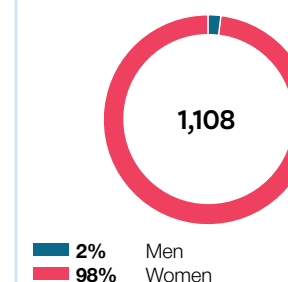
NLMK Group strives to maintain gender balance, taking into account the specifics of the steel industry, provides the necessary support to working parents and their children, and takes care of the health of future generations.

The company pays special attention to women's health, support for pregnant women and young parents.

In 2021, 375 employees of the company used the right to take early paid parental leave before the birth of a child. All employees, regardless of gender, can receive financial assistance at birth and take parental leave. In 2021, 2% of male employees took parental leave. In total, the company employs more than 4,000 parents raising children under the age of three. [GRI 401-3](#)

The company is developing measures to ensure equal career opportunities for women, encouraging their participation in leadership programmes and competitions. The corporate media highlight successful examples of women's career growth and work-life balance.

Employees on parental leave, pers. [GRI 401-3](#)



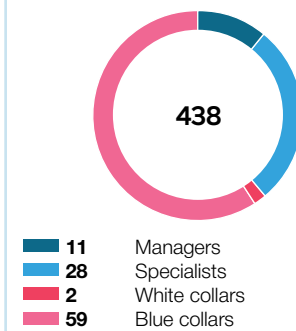
¹ Including RUB 2.6 billion spending on social support for employees of the Russian assets.

Inclusion

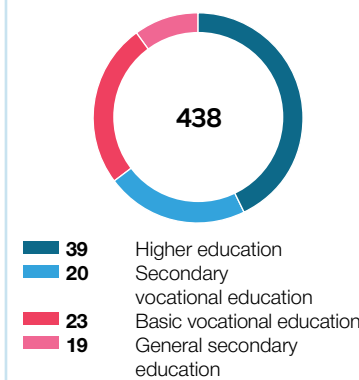
The company strives to create equal employment and career opportunities for people with disabilities.

The company employs 445 parents of children with disabilities and provides them with financial assistance and additional days off.

NLMK Group employees with disabilities by category, %



NLMK Group employees with disabilities by level of education, %



NLMK Pulse corporate survey

In 2021, the NLMK Pulse corporate survey covered more than 38,000 employees, or 80% of the average headcount at the Group's Russian sites. Participation in the survey gives each employee an opportunity to directly impact changes in the company.

Following the 2021 survey:

- More than 400 meetings were organized to improve the efficiency of communication between managers of different levels and employees
- Over 1,000 jobs became safer and more environmentally friendly thanks to measures to minimize the impact of harmful operational factors
- RUB 125 million was invested in improving working conditions: repair canteens, dining rooms, and gyms
- Close to RUB 300 million was invested in the renovation of sanitary facilities.

The NLMK Pulse survey will cover both Russian and foreign companies in 2022.

In 2021, a detailed survey was conducted on staff satisfaction with social programmes (the survey takes place every three years). In 2021, the survey included questions on diversity, equality and inclusion for the first time. More than 5,000 employees of NLMK Group's Russian assets took part in the survey, or close to 12% of the total headcount. The results of the survey will be summarized and analysed in Q1 2022 and taken into account when updating the social policy.

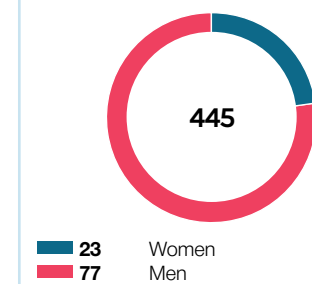
Trade union organizations and collective bargaining agreements

The company fully complies with the requirements specified in collective bargaining agreements, and also interacts with representatives of trade union organizations. Collective bargaining agreements are concluded both at Russian and foreign companies of the Group. They apply to all employees, regardless

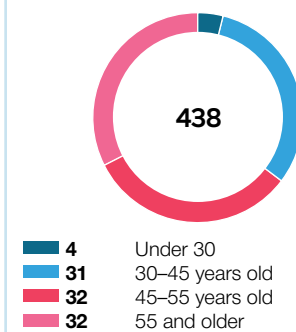
of their membership in a trade union. The company announces the possibility of joining a trade union organization in its corporate media, including its corporate portal.

Representatives of NLMK Group regularly participate in the activities of working groups and commissions in the Association of Metallurgists of Russia, an all-Russian industry association of employers, to improve the Industry Tariff Agreement and negotiate with the Mining and Metallurgical Trade Union of Russia. In 2021, with the participation of representatives of the company, an agreement was signed amending the Industry Tariff Agreement for the metals and mining industry of Russia for 2020–2022.

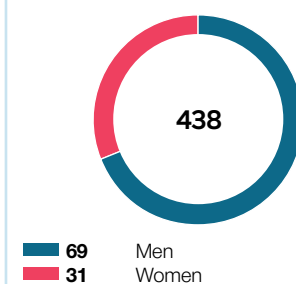
Employees raising children with disabilities, %



NLMK Group employees with disabilities by age, %



NLMK Group employees with disabilities by gender, %



The company is looking to raise the level of staff awareness of the principles of interaction with employees with disabilities, and plans to hold thematic webinars and educational sessions on the topic of inclusion in 2022. In 2021, a Working Group on Diversity and Inclusion was created under the leadership of the Vice President for Human Resources and Management System.

The company actively promotes the principles of diversity and inclusion among employees under the #NotDifferent heading on the corporate portal. In 2021, the company's employees took part in the UN GC Target Gender Equality accelerator. The Group also took WEP's gender gap survey, which uses

EMPLOYMENT OF PEOPLE WITH DISABILITIES: THE FEDERATION COUNCIL ROUND TABLE

The experience of NLMK Group in employment of people with disabilities was discussed at the round table of the Federation Council on social policy on October 5, 2021. The discussion was attended by representatives of federal ministries and departments, higher educational institutions, non-profit organizations; the position of business and employers was voiced by NLMK. The participants of the event came to the conclusion that there is a need for more active cooperation on the employment of persons with disabilities between the state, specialized non-profit organizations and, of course, business. The recommendations of the round table participants formed the basis of the final resolution and relevant draft laws.

the UNGC methodology. The results of the assessment confirm that the company is aware of the importance of gender equality issues and is taking positive steps to improve it.

Number of employees covered by collective agreements, % GRI 102-41

Region of NLMK Group	2017	2018	2019	2020	2021
Russia	100	100	100	100	100
Europe ¹	89	88	88	87	97
USA ¹	n/a	72	71	72	72

Volunteering

The Group companies focus on three main areas in its corporate volunteering activities:

- Environment: campaigns for cleaning and landscaping of local and environmentally sensitive areas, eco-quests for children and youth, environmental hikes, etc.
- Assistance to socially vulnerable groups of people: children, pensioners and people with disabilities, urgent assistance on express requests of the community without employer involvement, etc.
- Healthy lifestyle: activities to promote a healthy lifestyle and engage residents of the 'home' regions in grassroots sports, equipping sports grounds, etc.

As of the end of 2021, close to 1,500 NLMK employees were part of the volunteer movement.

Volunteers were able to put their ideas into practice as part of #NAVolne, the second corporate competition of volunteer projects dedicated to healthy lifestyle, having received grants of up to RUB 100,000.

¹ In % of the actual headcount. In accordance with national legislation, some categories of employees do not have the right to conclude a collective bargaining agreement, the coverage of other categories is 100%.

VOLUNTEERS OF NLMK GROUP AND RESIDENTS OF THE CITIES WHERE THE GROUP OPERATES WERE TRAINED IN SOCIAL ENTREPRENEURSHIP IN MOSCOW

The authors of the Steel Tree projects, residents of the cities where NLMK operates, and the company's volunteers participated in the event, which consisted of theory and practice with a business game, a meeting of employees from different cities, a project fair and much more.

VIZ STEEL AND VIZ VOLUNTEERS CLEANED UP THE BEACH OF VERKH-ISETSKY POND IN YEKATERINBURG

Paper wrappers, household plastic, bottle glass and cigarette butts are unpleasant but constant companions of the modern city. Volunteers from VIZ-Steel and VIZ took part in Clean Coast, a national cleaning campaign, and cleaned up the beach of Verkh-Isetsy Pond.

HEALTH OF SPECIAL CHILDREN

Thanks to Stoilensky volunteers Lastochka kindergarten (No. 52), where a resource group for children with autism spectrum disorders and other mental disorders operates, now has a sensory room. Sensory stress relief area is necessary for the rehabilitation of autistic children. The Magic Country project by Ekaterina Karateeva, a specialist in the HR department at Stoilensky, was implemented as part of the #NaVolne volunteer project competition with the support of the Miloserdiye Charitable Foundation, a social partner of NLMK.

Corporate sports

NLMK traditionally provides its employees with all the conditions for necessary physical activity. The company has equipped gyms and playgrounds on its sites, corporate

NLMK KALUGA VOLUNTEERS TOGETHER WITH THE STATE TRAFFIC SAFETY INSPECTORATE HELD A CHILDREN'S EVENT DEDICATED TO TRAFFIC RULES IN THE OBNINSK CITY PARK

Stories of Auntie Traffic Light, an educational programme, aims to prevent child road traffic injuries. The children got acquainted with the traffic police service: the inspectors told the kids about their work and showed what the patrol car is equipped with.

sports facilities, rents external gyms for team sports, co-finances subscriptions to swimming pools and gyms. NLMK also regularly holds corporate competitions and sports days, employees regularly participate in various sports competitions.

NORDIC WALKING

In 2021, the company's employees participated in the national project Nordic Walking – A New Way of Life. It is implemented with support from the Russian Ministry of Sports as part of the federal project Sport is the Norm of Life (part of the Demography national project). More than 150 employees of the Group, united in 15 teams in five regions of Russia, took part in the competition. NLMK Group teams won prizes in each of the company's home regions.

Nordic walking clubs were set up at all sites of the company. As part of the healthy lifestyle promotion, Nordic walking master classes are included in corporate educational programmes.



NLMK AND VIZ-STEEL IMPROVE SPORTS FACILITIES

Renovated gym opened in the motor transport department of the Lipetsk site. It was renovated in accordance with the unified standard of NLMK's sports facilities. Renovation plans include several more gyms on the site.

After a large-scale renovation, a sports hall of the cold rolling shop was opened at VIZ-Steel. In order to encourage workers to do more physical training and sports, VIZ-Steel also co-finances subscriptions to fitness centres, sports sections, swimming pools, etc.

Plans for 2022 and medium term

In 2022, the company will continue to implement projects aimed at increasing labour productivity, taking into account the optimization and improvement of process efficiency, automation and digitalization. Much attention is to be paid to ensuring competencies for NLMK Group's strategically important investment projects.

The active use of people analytics for strategic and tactical staff planning will enable informed decisions and provide NLMK Group with the necessary competencies in the long and medium term.

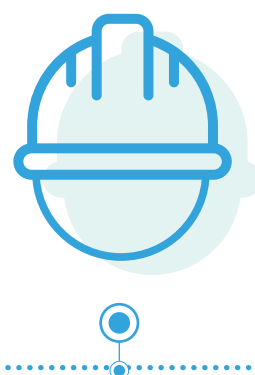
In the field of training and development, in 2022 the company will continue to improve its educational programmes for key working professions. NLMK staff training and development programmes represent a full cycle of continuous professional and personal development – from social projects aimed at professional self-determination to niche educational solutions for specific production tasks.

In 2022, the work on improving the company's onboarding process will continue, focusing on pain points identified in onboarding satisfaction survey.

2022 should be a key year for the Career Routes project, which will cover almost 16,000 people.

The social policy in 2022 will focus on the development of the children's recreation programme, which will include educational activities about NLMK Group, corporate pension programme transformation, expansion of the Healthy Choice project and the corporate volunteer movement. The third competition of volunteer projects in the field of environment will also take place.

Occupational health and safety



Occupational safety is a top priority for NLMK Group. Striving for a zero injury rate at all its operations, the company is continuously improving its OHS management system.

Major themes

Occupational health and safety

Key events in 2021

Results of injury prevention programmes:

- 19% decrease in LTIFR among employees and contractors
- 19% less falls with a level difference
- 13% less same-level falls
- 40% less injuries from moving equipment parts
- 60% less eye injuries

Switched to using improved PPE.

All sites have OHS committees in place chaired by the heads of sites.

Integration of cardinal safety rules completed. Regulations on disciplinary measures for OHS violations entered into force.

Group-wide contest CEO Awards organized for the first time as part of the non-financial incentive programme.

Global Sustainable Development Goals



Key 2021 figures

\$46.4 m

invested in the development of safe production

40
large-scale OHS projects

curated by the company's Top 100 executives

5
top risk programmes

introduced to prevent injuries

40
multifunctional units

purchased for automated medical examinations

NLMK Group's OHS principles

Our employees are our most highly prized asset. Protecting their lives and health is a priority in our production operations

OHS is an integral part of our business and at the heart of our decisions to develop and improve business processes

NLMK Group's OHS principles

All injuries, accidents, incidents, and occupational illnesses can and must be prevented

Safe operations are the responsibility of every employee

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 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. 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 company's approaches to production safety. He determines the Group's OHS development strategy and approves its foundational document, the [Integrated Management System Policy](#). [GRI 102-20](#)

Our approach to managing occupational health and safety

[GRI 403-1](#)

The company's approach to OHS management based on:

- Strict compliance with Russian and international OHS regulations
- Introduction of best practices
- A risk-based approach and control of key risk factors

- Developing and fostering a safety culture among NLMK Group's employees and contractors

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

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

NLMK Group approved its Integrated Management System Policy (IMS Policy) in 2020. This Group-wide document lays out the company's position in the areas of quality (ISO 9001), environmental protection (ISO 14001), energy efficiency (ISO 50001), and OHS (ISO 45001). The Policy was approved as part of Integrated Management System development and is in line with the requirements of international standards. It takes into account the world's best sustainability practices.

The company's OHS goals:

- To follow 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 ensure efficient production with zero accidents, incidents, and near misses through global excellence in OHS and continuous development and promotion of a safety culture among NLMK Group's employees and contractors

Integrated Management System objectives and management liabilities are published at NLMK Group's website.

The company strives to ensure safe production by introducing best OHS practices and by continuously developing and promoting a production culture among NLMK Group employees and contractors. Group management assumes responsibility for providing safe and favourable working conditions and preserving the life and health of NLMK Group employees and contractors. When planning production activities, management takes into consideration the analysis of environmental protection risks. OHS issues are discussed with employee representatives and trade unions. The staff of structural units can submit proposals related to ensuring safety, safe work methods, and actions to improve working conditions.

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 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. The development and maintenance of the OHS management system is the responsibility of the project development office within the OHS department. 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 in the Group. Requirements for compliance with the 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 on Ensuring Ability to Provide Emergency First Aid and Medical Evacuation
- 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 Group 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

In order to develop a plan of corrective measures, the company carries out an annual bridge analysis of OHS incidents to identify problem areas

with the highest injury rates and analyse the causes of incidents in the following categories:

- Work-related injuries across NLMK Group, functional areas, and production sites
- Fires and fire safety incidents
- Industrial safety incidents
- Road traffic incidents
- On-site clinic visits

OHS investments

In order to achieve the objectives that have been set in a high-quality manner within the framework of the OHS Strategy, the company invests in this sphere annually. In 2021, OHS expenses amounted to approximately \$46.4 million.

All NLMK Group companies submit their planned measures and projects for OHS risk management to the Investment Committee for review, which decides on allocating funds for their implementation. Priority is given to projects that reduce risks of employee injuries and critical equipment malfunction.

In 2021 over \$13 million was invested into projects to improve production safety in the following areas:

- Industrial safety
- Risk management

- Fire safety (protecting employees and property)
- Improving working conditions for employees

Breakdown of occupational health and safety investments in 2021, %



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 2021, the number of employees covered by the OHS management system was approximately 50,000, or almost 100% of the headcount. In 2021, 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 they were certified for compliance with OHSAS 18001:2007. 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; NLMK Ural, NLMK Verona, and NLMK Strasbourg

in 2020; and Stoilensky, Dolomit, Stagdok (Mining Division enterprises), and NLMK DanSteel in 2021. More than 30,000 employees were covered by the OHS management system, which was certified by BSI (British Standards Institution). In 2022, the plan is to obtain ISO 45001:2018 certification for the OHS management system at NLMK Kaluga.



OHS risk assessment

GRI 403-2 GRI 403-7

NLMK Group applies a risk-based approach to OHS management. The company assesses risks at all

production operations. As a result of the assessment, absolute majority of identified high risks was eliminated.

In other cases temporary measures have been developed that reduce the amount of risk until corrective action is taken.

INDUSTRIAL MEDICINE

GRI 403-9

The Industrial Medicine Development Strategy includes several major project sets with an emphasis on building up a system of emergency response when providing aid to the injured and ill. In 2021, the company adopted the Regulations on ensuring ability to provide emergency first aid and medical evacuation, as well as the medical emergency response plans at three more sites.

In 2021, the level of on-site clinic equipment increased on average by 48%. The newest equipment was purchased for first aid, condition monitoring, and immobilization. Over 70 health workers in corporate on-site clinics were trained in providing first aid to the injured and in expanded resuscitation at the pre-hospital stage. The health workers took courses certified by the American Heart Association and the European Resuscitation and received international certificates. Training sessions (medical drills) are organized regularly to test emergency medical evacuation plans with various scenarios and injury profiles.

GRI 403-3

As part of the emergency cardiopulmonary resuscitation programme, over 200 high-tech automated external defibrillators (AED) were installed at all Group companies, and over 50 mobile training centres were created and equipped with adult CPR manikins. Over 1,700 company employees took the Cardiopulmonary Resuscitation with AED course. Amid COVID-19 restrictions, two corporate e-courses were developed and are being implemented successfully: Cardiopulmonary Resuscitation with AED and First Aid: Injuries and Critical Conditions.

In 2021, the company established a pool of first-aiders: almost 600 production employees underwent in-person first aid training. In addition, a group of in-house trainers (corporate first aid instructors) was created.

In order to boost the efficiency of pre-shift and pre-trip medical check-ups, over 40 universal electronic check-up systems were purchased. The system covers up to 70% of such check-ups.

GRI 403-10 In terms of managing hazardous factors and occupational diseases, the number of visits to NLMK Lipetsk on-site health clinics with complaints of eye microdamage halved in 2021.

Altai-Koks continues to implement a pilot project for preventing occupational deafness with Hearing Laboratory, a leading manufacturer of personal protective equipment. Individual treatment and prevention programmes were developed for employees with a high risk of deafness. An audit of workplaces with an analysis of noise exceedance was carried out at NLMK Lipetsk.

Staff training and engagement

GRI 403-4 GRI 403-5

In 2021, the company established a system for automatically assigning safety culture courses in line with corporate requirements. Over 85% of employees were trained in OHS tools. Additionally, an approach to employee adaptation after long absences was developed and will be introduced in 2022.

In-house trainers play a key role in building a culture of safe behaviour in the Group: in 2021, over 150 line managers and OHS employees underwent training and became in-house trainers on OHS tools.

In 2021, emphasis was made on practical application of tools, expanding competencies based on assessment and individual development plans, and developing business partnerships for production. Over 82% of employees in the OHS function took the From Inspector to Partner course. Employee engagement in managing unsafe events through the Hazard Reporting IT service was 43% (+91% vs. 2020).

SAFETY CULTURE DEVELOPMENT: LEADERSHIP IN OHS

Throughout the year, the programme for leadership development in OHS was being actively implemented, curated by the NLMK Group CEO.

Since April 2021, OHS Committees operate at all Russian companies of the Group. Meetings are held every month and chaired by the Managing/ General Director.

VIZ-Steel piloted the SafeStart learning solution to foster a responsible attitude to safety not just at work, but also at home. In 2022, the SafeStart programme is to be adapted and rolled out to all Group companies.

ELECTRONIC WORK PERMITS

In 2021, the three main operations of NLMK Lipetsk completed the integration of electronic work permits (EWP). Currently, EWP account for over 95% of the issued work permits. Transition to the EWP system began for the other shops and operations at NLMK Lipetsk, and other production facilities in Russia. The introduction of EWP reduces the time for issuing work permits, helps create a single electronic database for analyzing the quality of issued permits, and also increases control over pre-work activities.



Fire safety

In 2021, particular attention was paid to personnel's readiness for fires and interaction with emergency rescue services. Jointly with fire and emergency rescue services, two major tactical fire drills were held (Altai-Koks, NLMK Lipetsk). In addition, tactical drills were organized at Stoilensky to check the interaction of first responders, medics, and production personnel during accident response.

As part of the programme for fire safety during hot works, actions for fire safety control were taken. In 2021, 28 innovative mobile foam extinction systems were installed to protect rolling equipment as part of the rolling mill fire safety programme.

Specialists from the MARSH insurance broker audited 12 departments at NLMK Lipetsk, as well as Altai-Koks

and VIZ-Steel, as part of a project for external fire safety risk assessment. As a result of these actions, over 1,500 recommendations were proposed based on global best practices.

LOTO SAFETY SYSTEM

The purpose of the LOTO project is to decrease one of the key risks for NLMK Group: injuries from a source of hazardous energy during maintenance or repairs, and in case of contact with rotating or moving parts of equipment, machines, and mechanisms.

All Russian sites underwent an assessment audit. Priority is given to projects in the shops where the risk of personnel exposure during repairs is the highest. All NLMK Group sites are to be covered by the LOTO system until 2025.

In 2020 NLMK's OHS Director officially joined the Safety and Health Committee of the World Steel Association. He participates in the committee's meetings regularly.



Industrial safety

In 2021, the company began to implement the industrial safety management system development strategy, which includes the introduction of proactive and reactive programmes based on incident investigations.

For all industrial safety incidents investigations are carried out, systemic causes are identified, and measures are developed to prevent such incidents from recurring.

In order to prevent industrial safety incidents, a project was piloted to assess industrial safety risks at the NLMK Lipetsk coke and chemical operations, actions were taken to ensure safe equipment condition, and the Regulations on Works in Confined Spaces are being introduced.

The programme of ensuring safety of buildings and structures (B&S) included developing a concept of a B&S condition management system at hazardous production facilities, including the Regulations on B&S Condition Management at NLMK Group companies. B&S standards were updated at all Group sites, a long-term programme of B&S examination was drafted, and alternative ways are being explored to assess the technical condition of B&S based on consultations with the industry's top institutions and EMERCOM.

To develop the competencies of personnel that participates in B&S management, a unique 400-hour training programme was elaborated. It provides basic knowledge in B&S, processes

of construction operations, legal requirements for B&S, reliability-centred maintenance, etc. 85% of employees responsible for the technical condition and repairs of the company's B&S were trained under this programme.

As part of the Crane Safety project, KPMG held an audit of loading and unloading operations. 21 initiatives were developed to prevent incidents involving lifting gear.

The incident investigation programme included the development of the classifier for industrial safety incident levels and the review of the Regulations on Investigation of Industrial Safety Incidents.

Emergency preparedness and incident reporting

NLMK prioritizes efforts to prevent and respond to emergencies. Each company has regulations in place on preventing and managing the consequences of both man-made and natural disasters. The schedule of planned emergency training sessions for 2021 included sessions on fires, gas leaks, acid/alkali spills, molten zinc leaks or spillages, as well as power outages.

In order to ensure timely notification on incidents at the sites, a reporting matrix was created and key participants of the process were identified. Information

sheets indicating the contacts of persons responsible from the OHS service were installed at NLMK sites.

In line with the Regulations on Notification, Registration and Investigation of Incidents in OHS, Industrial Safety and Environment, information about critical-level events or incidents that imply reputational risks must be immediately communicated to the NLMK Group CEO. Incident alerts are sent out for prompt notification of employees and contractors.

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.

Traffic safety for road and rail transport

The company is developing a culture of safe driving. As part of the project to increase traffic safety for road and rail transport, 928 drivers of road and process transport and 21 in-house trainers took the Defensive Driving course. The training provider is certified by the British Royal Society for the Prevention of Accidents (RoSPA).

An additional traffic safety agreement was developed for contractors. A dedicated course was launched for locomotive drivers: Traffic Safety and Increasing the Quality and Efficiency of Rail Transport Operation.



Personal protective equipment

In 2021, the company continued to implement its strategy for providing employees with PPE. The transition to more comfortable protective shoes with increased protection characteristics and protective goggles with a reinforced layer that prevents scratches and fogging is complete.



OHS Hotline

The hotline launched in December 2019 continued its operation in 2021. Employees have had a positive response to the new OHS communication tool. The toll-free number 8 (800) 600-04-74 and email address HSE@nlmk.com received over 200 employee requests. Employees asked questions about OHS standards and requirements, labour

conditions, working during the COVID-19 pandemic, PPE provision, and 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.

Partnerships with contractors

In 2021, NLMK Group companies engaged over 800 contractors and subcontractors, as well as outsourced service suppliers with an average headcount over 17,500.

Ensuring safe working conditions for counterparties is an integral part of NLMK's corporate social responsibility and one of the company's strategic goals. Group leadership pays particular

attention to creating an efficient OHS management system for working with contractors and the strategic development of the company's partners. With this goal in mind, the Regulations

on Contractor Management were adopted in early 2021. The document introduced the risk-oriented approach to every stage of a contract's life cycle for investment projects, capital repairs, and outsourcing. A course was developed to reinforce competencies of contractor management, and over 200 specialists and managers took it.

In order to assess how contractor management tools take root, at the end of 2021 the OHS department held an audit of the OHS management system for working with contractors. Seven NLMK Group companies confirmed that the system is effective and the methods and practices applied are in line with the target model.

OHS qualifications are organized for preliminary selection and confirmation of contractors' readiness to abide by legal and group-wide requirements. Qualification is required for any counterparties that intend to provide services on the territory of an NLMK company, regardless of the cost of the contracted services.

A new version of the Regulations on Qualification approved in December 2021 further optimized this process.

In order to consolidate requirements on abiding by the Cardinal Safety Rules, subcontractor management, limiting the number of subcontractor levels, and making changes to the system of fines and bonuses, a new Agreement was approved in the sphere of OHS, industrial and fire safety of operations, environmental protection, pass control, and internal security procedures in Q4. It is signed with all contractors that enter into labour relations with NLMK Group.

In order to develop the competencies of managers, specialists, and contractor employees, seven training programmes were developed and a pool of 22 in-house trainers and 30 trainers among Group contractors was formed.

In order to assess management systems, OHS held a comprehensive audit of 18 contractor organizations. After these actions, plans of corrective measures

were compiled to eliminate any deviations and develop OHS processes. For three contractors, long-term development plans for OHS management systems and safety culture were formed.

In 2021, as part of the Ecosystem project, NLMK Group's OHS tools were integrated in two contractor organizations. It was noted that these practices were taking root and applied in operations to a higher extent (90%).

In October 2021, an OHS Forum was organized to increase engagement of contractors into OHS matters. It was attended by over 40 general directors of contractor organizations. As a result, participants formulated the expectations, obligations, and plans for 2022 aimed at the strategic development of contractor relations.

The company's efforts of integrating tools and practices aimed at the development of an occupational injury prevention system led to a reduction in LTIFR among contractors by 47% in 2021 vs. 2020.

Assessing the maturity of the OHS system

The company 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 Group companies comply with corporate regulations. Based on these reports, a quantitative assessment is made of the companies' compliance with current regulations. In case of any inconsistencies, remedial measures are developed and changes

are made to the approach to OHS management. To improve the quality of assessment, the Group is working to establish an internal institution of OHS auditors.

2021 performance

In 2021, the company continued to implement its anti-concealment programme for incident registration at all levels that was introduced in late 2019. NLMK Group strives to determine the systemic causes, develop corrective measures, and prevent incidents from happening again.

The company also 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

Upgrades of the NLMK safety system, including improvements in response methods to emergencies and production incidents, enable the company to minimize the consequences of incidents.

In 2021, employees and contractors at NLMK Group sites suffered 144 lost time injuries. The decrease in injuries among employees by 8% and among contractors by 38%, with the overall number going down by 17%, confirms

the effectiveness of the company's tools of safety culture development. Applying risk assessment and behavioural safety tools enables the development of a safety culture, employee upskilling, and a gradual decrease in injury rates. The number of cases involving contractors is decreasing due to a set of measures to address top risks at investment projects.

GRI 403-9

Indicator	2017	2018	2019	2020	2021
Total number of occupational incidents	121	89	105	167	144
Employees	90	65	72	133	123
Contractors	31	24	33	34	21
Number of occupational fatalities	11	3	6	3	6
Employees	5	3	2	1	5
Contractors	6	0	4	2	1
Number of lost time injuries	110	86	99	164	138
Employees	85	62	70	132	118
Contractors	25	24	29	32	20
Total man-hours worked for employees	92,677,015	93,637,091	95,179,559	93,300,837	97,493,913
Total man-hours worked for contractors	15,108,161	22,612,132	26,995,931	39,798,091	44,452,504

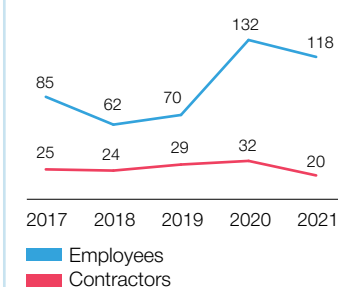
Note: The increase in the number of man-hours in 2021 is due to the addition of time that NLMK employees spend on the way from the checkpoint to the immediate place of work and back, as well as on the transportation of NLMK Group employees to the territory of the Group's companies by corporate transport.

The company deeply regrets the six fatalities that occurred to employees a contractor at its sites in Lipetsk, Zarinsk, and Pennsylvania. The incidents were investigated, root causes were identified, and the relevant risks were re-evaluated. In order to avoid a recurrence of such cases in the future, the company is focusing on the top.

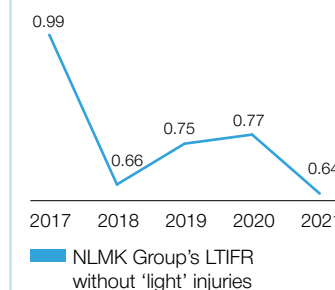
The system for recording work-related injuries at NLMK Group is based on industry-wide methods adopted by the World Steel Association (WSA). The Group regularly provides WSA with relevant statistics in order to access comparative information for the industry.

The main injury rate indicator used in the Group is Lost Time Injury Frequency Rate (LTIFR). After the concealment prevention programme was launched in late 2019, the company's LTIFR increased, but in 2021 it went down by 19%, confirming the efficiency of the company's OHS efforts.

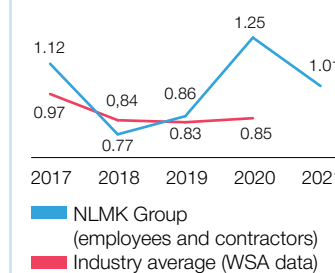
Number of work-related incidents resulting in injury to NLMK Group employees and contractors in 2017-2021 (without fatalities) GRI 403-9



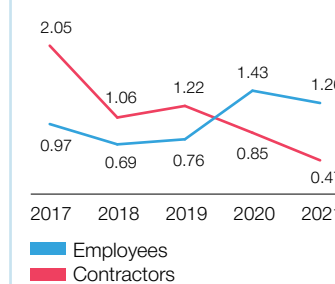
NLMK Group's LTIFR without 'light' injuries in 2017-2021 GRI 403-9



NLMK Group's LTIFR vs. the industry average in 2017-2021 GRI 403-9



LTIFR for NLMK Group employees and contractors in 2017-2021 GRI 403-9



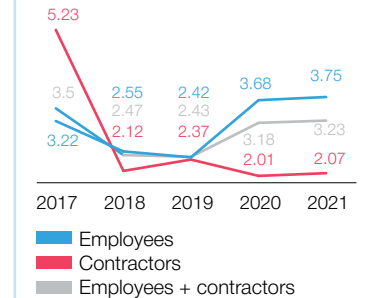
LTIFR is calculated on a monthly basis for each subsidiary taking into account data for both NLMK employees and contractors. During the reporting period, LTIFR stood at 1.01. Changes in this indicator are due to the introduction of an anti-concealment programme towards registering incidents of all levels. In 2020, this policy allowed the company to identify the main production risks and develop corrective actions to prevent them in the future.

Programmes to decrease injury rates enabled a reduction in the number of incidents in the following categories: falls/trips by 13%, falls from height by 19%, exposure to moving parts of equipment by 40%. However, falls and trips are still the hazardous factor that leads to the most injuries.

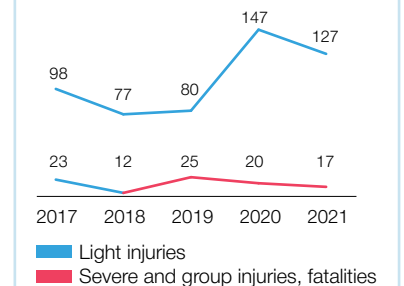
In 2021, there was an increase in materialized risks related to manual operations and exposure to extreme temperatures. Due to that, a programme was launched for the prevention of injuries when using manual tools at NLMK Group. For early 2022, the development of a programme for reducing extreme temperature risks is planned.

The Group keeps records of all work-related injuries and measures the Total Recordable Injury Frequency Rate (TRIFR)¹, which is calculated every month for each subsidiary and includes data on contractors. In 2021, total TRIFR increased vs. last year to 3.23 due to optimization of registering non-disabling injuries among employees and contractors. Such cases were almost never registered before, because employees did not understand the principle of their identification.

TRIFR (RI)¹ for NLMK Group employees and contractors in 2017-2021 GRI 403-9



Injury severity in 2017-2021



The number of light injuries decreased

by **18%**,

and the number of severe, fatal, and group injuries went down

by **15%**

year-on-year

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

PLANS FOR 2022 AND THE MEDIUM TERM

OHS tools and injury reduction programmes

- Injury reduction programme for manual tool use
- Project for dividing pedestrian paths and transport routes in shops
- Continue implementing programmes to manage top injury risks and roll them out to other Group sites
- Cascade best practices developed at NLMK's investment facilities to repairs and process operations

Training

- Update matrices of obligatory permits considering new legislative requirements, automate the processes of assignment and tracking due dates for training through IT systems (SAP SF)
- Form a unified approach to practical training in top risks at all Group sites (work at height and in confined spaces): requirements to training grounds, practical trainers, etc
- Assess the efficiency and implement measures to increase the quality of current OHS tools, focus on top risks, analyse results as part of projects
- Introduce the dynamic risk assessment tool in NLMK's Russian perimeter (briefing before start of works, assessment by the 5 Steps methodology, suspending unsafe works). Train at least 80% of production employees
- Adapt the SafeStart learning solution to foster a responsible attitude to personal safety and safety of others

not just at work, but also at home. Scale the solution up to all Russian companies of NLMK Group

- Digitalize briefings based on Linkis, introduce pre-shift testing and an adaptation course after long absences
- Develop in-house trainers, implement a programme for developing a captive function with a focus on managerial competency development based on assessment results, boost competencies of narrowly focused specialists, develop the mentoring system
- Integrate HAZID/HAZOP tools in project activities

Programme of PPE distribution to employees

- Launch a breath protection programme
- Launch a welder protection programme
- Develop the PPE Outsourcing project (including contact-free distribution)
- Review the protective properties of clothing
- Launch a remote course on PPE

Fire safety

- Develop a programme and implement measures based on the results of external fire risk assessment
- Implement a programme to reduce the number of fires and ignitions due to electrical reasons

Industrial safety

- Elaborate a strategy of developing the fire safety management system for 2022–2023, with the purpose of reducing the number of fire safety incidents
- Increase the efficiency of the production control system at NLMK Group companies to ensure safety at hazardous production facilities
- Audit the industrial safety management system
- Digitalize elements of the industrial safety management system in IT systems
- Introduce new practices of assessing the technical condition of equipment and examining B&S at hazardous production facilities
- Continue implementing the Crane Safety, Buildings and Structures, and Gas Safety programmes

Contractor management system

In 2022, operations will focus on efficiency of contractor management processes, targeted OHS development of key contractor partners, and preparation for major construction projects in the next investment cycle. One important step in the development of the management system will be business process digitalization. The prototype of the Contractor Management module has already been developed, which will be piloted at Group companies in 2022.

Industrial healthcare

- Implement the Emergency Response set of actions. The company will continue providing industrial onsite clinics with modern diagnostic and resuscitation medical equipment, testing plans of emergency medical response via training sessions in the workplace with participation of emergency response teams, promoting the programme of defibrillator accessibility, introducing interactive maps and dynamic monitoring of automated external defibrillators

Traffic safety for road and rail transport

- Develop mass three-level training for first aid employees (baseline, advanced, in-depth), re-launch training in simulation centres to develop practical first aid skills, develop the in-house trainer system (corporate first aid instructors)
- Create a unified network of electronic medical check-ups, introduce new digital products within the system (transferring content, in-shop general practitioner, Face ID, etc.), integrate the system with EWP, work with cardiovascular disease risk groups
- Develop the in-house trainer system for defensive driving based on the methods of international driver schools: RoSPA (UK, Royal Society for the Prevention of Accidents), Royal Society for Prevention of Accidents, Institute of Advanced Motorists (UK), Smith System, National Safety Council (USA), CEPA, and best practices in Russia
- Introduce new technologies and digital solutions in railway transport, update and fine-tune security and control systems (video analytics, impact sensors, driver identification, video infrastructure monitoring, signalling, centralization and blocking devices, track sections, systems of audio and video control for inspectors and locomotive driver instructors, etc.)
- Develop systems of training and testing locomotive drivers and railway workers in line with best Russian and international practices
- Continue introducing international practices for the development of personnel driving automotive, industrial (in-shop), and mining transport and special equipment: Defensive Driving and Manoeuvring of Special Equipment. The programmes were developed considering the bridge analysis of transport incidents, properties of the equipment used, and types of process operations

Developing local communities



Important issues

Indirect economic impacts
Local communities

Key events in 2021

NLMK Group won the All-Russian competition "Leaders of Russian Business", hosted by the Russian Union of Industrialists and Entrepreneurs, for projects to combat the COVID-19 pandemic

Global Sustainable Development Goals



Priority areas of support for local communities

As a major company engaged in mining, production of steel and steel products, NLMK has a significant impact on the environment and the lives of local communities. The territories where the Group's mining and production facilities operate include cities and regions in Russia, Denmark, Belgium, Italy, France and the USA. [GRI 203-2](#)

The departments responsible for corporate citizenship aim to ensure that the common interests of NLMK Group, its employees, local communities, state authorities and local governments on issues related to the sustainable development of the company and the regions of presence are met, guided by wellbeing of employees and the local population.

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 corporate citizenship and philanthropy activities to support and develop the regions in which it operates are pursued chiefly in collaboration with the company's social partner, the [Miloserdie](#) (Mercy) Charitable Fund for Social Assistance. The Fund supports the development of sport and healthcare, the preservation of cultural heritage, and provides assistance to pensioners, veterans, and other vulnerable social groups. The Miloserdie Fund is a longstanding trusted partner of NLMK in the Lipetsk and Belgorod Regions and in Altai Territory.

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

Key figures for 2021

RUB 6.6 bn

NLMK's total social investment

0.9 bn

investment in external social programmes

74 projects

projects supported through the Steel Tree grant competition

- Care: 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 (includes the Angel Children and Time for Kindness programmes)
- 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
- Steel Tree grant competition: support for social initiatives of residents of the regions where the company operates
- There for you: support for the volunteer movement

The Miloserdie Fund has received a number of awards: in particular it received a certificate of honour of the Lipetsk Chamber of Commerce and Industry; it is also a two-time recipient of the Golden Badge for Services to the City of Lipetsk. The fund received the highest awards at the national competition of voluntary public annual reports "Reference Point". The Steel Tree grant programme, which

STEEL TREE HELPED OPEN A COMPUTER CLASS IN STARY OSKOL FOR TEACHING BLIND AND VISUALLY IMPAIRED PEOPLE

The Tiflo NET classroom opened at the Rehabilitation Centre for the Visually Impaired of the Stary Oskol Society of the Blind. The Steel Tree grant of RUB 300,000 was used to purchase monitors, processors, hard drives and other components, as well as the JAWS (Job Access with Speech) software and sets of stickers for labeling the keyboard in Braille.

MARATHON OF GOOD DEEDS

In September 2021, the Good Deeds Marathon was held at some of the company's sites, timed with the International Day of Charity.

In Lipetsk, the sports and environmental marathon was held with the support of the Miloserdie Charitable Fund. The family holiday included eco-competitions for the collection of plastic and waste paper, an eco-game for children, a children's break-dance championship, and master classes from fitness instructors.

NEW FORMAT OF ENVIRONMENTAL CLEAN-UP

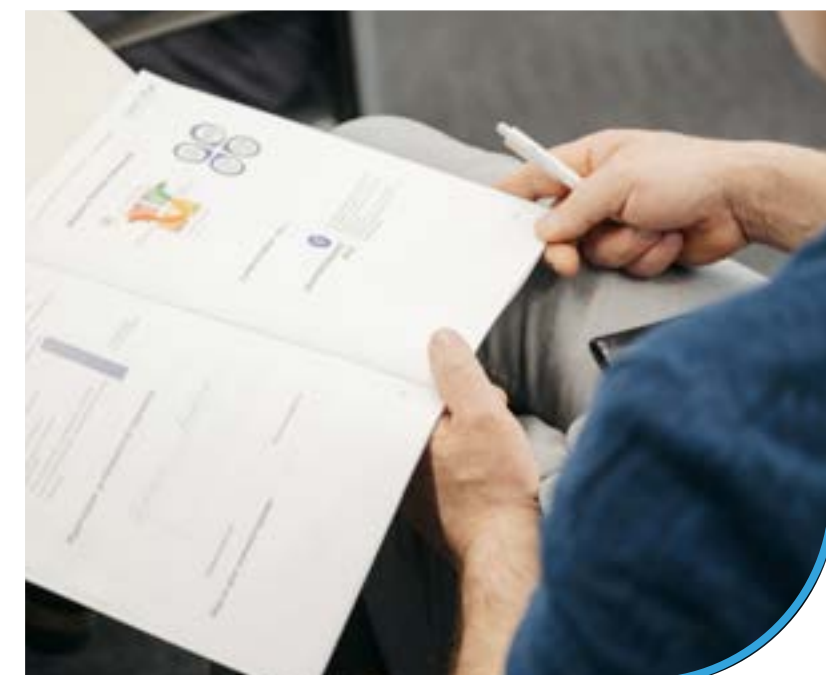
Close to 200 people in six districts of Lipetsk walked the distance, picking litter along the way. Ecosteel plogging is a race coupled with litter picking activities. In 90 minutes, the teams picked more than a tonne of litter, with plastic accounting for a third of it. Ecoprom, partner of the project, disposed of it. The Miloserdie Charitable Fund and the Clean Country Association helped organize the campaign.

is being implemented with the support of the Fund, won the Best Social Projects in Russia national contest.

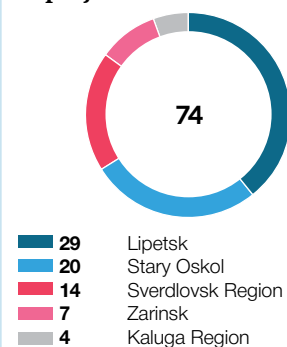
In 2021, the Miloserdie Charitable Fund was ranked 7th among the top private and corporate charitable funds in Russia. The rating was compiled by the RAEX agency together with the Association of Rating Compilers (ARC). Year-on-year, the Fund's rating improved

by 11 notches. In 2021, the Fund's structure was improved: the Ural branch was opened in Yekaterinburg, and the Stary Oskol branch is scheduled to open in early 2022.

NLMK is committed to enhancing the tools it uses to collaborate and engage with communities and its employees in order to develop a culture of everyday charity.



Geography of the Steel Tree grant competition, number of projects



STEEL TREE GRANT COMPETITION

The Steel Tree grant competition has been held since 2017. Every year the number of applications and awarded grants is rising. In 2021, grants were awarded to projects in the following categories: ecology and urban improvements, family values, science and culture, sports and health, supporting young adults, mercy and care, and longevity. A jury board was set up to select the best initiatives, with members to represent NLMK, the Miloserdiye Fund, regional and local authorities. The number of applications in 2021 set a new record at close to 300. A total of 74 grants were awarded to projects, of which NLMK contributed RUB 27 million. In 2021, 29 projects were completed in the Lipetsk Region, with investment totaling close to RUB 8 million.

2021 performance

GRI 203-1

Each year, NLMK allocates significant resources to corporate citizenship programmes in a variety of areas. In 2021, NLMK Group allocated RUB 0.9 billion to external social programmes. In light of the COVID-19 pandemic, significant funds went to support healthcare institutions and most vulnerable groups.

Investments in corporate citizenship programmes in 2021, %

GRI 203-1



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 144.5 million was allocated to support healthcare in 2021, which amounted to 16% of the company's total investment in corporate citizenship programmes. The Fund regularly provided expensive medicines and high-tech medical equipment, including ventilators, oxygen concentrators, X-ray machines, nebulizers, inhalers and means of transporting patients to medical institutions in five regions of Russia.

THE MILOSERDIYE CHARITABLE FUND HELPED TO RENOVATE FIRST AID/OBSTETRIC STATIONS IN REMOTE AREAS OF THE LIPETSK REGION

The Fund helped to install more than 50 new plastic windows in seven first-aid stations of the Volovsky district. Similar work is planned to be carried out in the Terbunsky district. After the first plastic windows were installed in first aid/obstetric stations in the villages of Knyazhnaya and Samarino, the medical staff appreciated the comfort of the renovated premises and sincerely thanked the Miloserdiye Fund for their care and support.

NLMK GROUP WON THE LEADERS OF RUSSIAN BUSINESS NATIONAL COMPETITION HELD BY THE RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS WITH PROJECTS TO COMBAT THE COVID-19 PANDEMIC

The company topped the Best Practice for Ensuring the Safety of Employees and Contractors amid the COVID-19 pandemic category.



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

Measure	Description
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 including through the communication channel of the Miloserdiye Fund
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. For more details on the internal communication channels used, see the Stakeholder Dialogue section
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. For more details on the internal communication channels used, see the Stakeholder Dialogue section
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 2021, three NLMK projects were heard publicly and approved by Lipetsk residents

Strategic documents on corporate citizenship and philanthropy

In 2021, the development of the Corporate Citizenship and Philanthropy Strategy continued. These high-level documents will become an integral part of the Group's strategic documents. 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.

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. Requests from the population and proposals on charitable programmes of the Miloserdiye Fund are analyzed through regular monitoring of various communication channels. Every month, the company receives up to 20 such requests and promptly responds to them.

Support for socially vulnerable groups

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 for single elderly persons. Around 2,500 food parcels was delivered to vulnerable groups.

A total of RUB 72.5 million was allocated to support socially vulnerable groups in regions where NLMK Group operates in 2021, which amounted to 8% of the company's total investment in corporate citizenship 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

THE MILOSERDIYE CHARITABLE FUND ALLOCATED OVER RUB 1.2 MILLION TO IMPROVE THE FACILITIES OF RAINBOW NURSERY SCHOOL IN THE VILLAGE OF KHVLEVNOYE, LIPETSK REGION

In the framework of its Childhood programme, the Fund helped procure new kitchen and refrigeration equipment, devices for indoor air disinfection, vacuum cleaners and garden trimmers, dishes and furniture, sports equipment and toys, educational games and creative kits for the all-round development of pupils.

to host meetings with veterans, organize visits to war memorial sites, and give lessons on courage in schools and basic educational institutions.

Due to the spread of COVID-19 in 2021, the scale of support for this group was significantly increased. A campaign to support lonely elderly people was held in the Lipetsk Region. They were given food parcels. More than 8 tonnes of products were sent to settlements in 10 districts of the region.

A total of RUB 96.3 million was allocated to support veterans and retired employees in 2021, which amounted to 10% of the company's total investment in corporate citizenship 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

HELPING VETERANS

Within the framework of the Steel Tree grant competition the Miloserdiye Charitable Fund supported the From Heart to Heart project in Lipetsk.

With the allocated funds, students of the Faculty of Economics of the Lipetsk State Technical University bought detergents and souvenirs, learned the addresses of single elderly veterans, and placed colorful information banners about the campaign at bus stops. Volunteers helped more than 50 single elderly persons with their everyday chores.

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 graduates of this school.

In 2021, the company allocated RUB 371.4 million to support grassroots and children's sports in the regions where it operates, or 40% of total investment in the company's corporate citizenship programmes.

MILOSERDIYE CHARITABLE FUND HELPS TRAIN FUTURE SHOOTING SPORTS STARS

Thanks to the support of the Miloserdiye Charitable Fund, more than 320 young residents of Lipetsk have the opportunity to study free of charge at the Olympic Reserve School No. 13. A total of 14 coaches hold regular training sessions. The future stars of Russian sports have at their disposal a bullet range and a modern shooting range of the Lipetsk Metallurg sports club.

Today, 16 students of the Lipetsk sports school are members of the Russian national team in trap and bullet shooting. The school was twice awarded with grants from the Shooting Union of Russia and four times by the Olympians Support Fund for the best results at the end of the year. Lipetsk athletes have won more than 1,000 medals at international and national competitions, set three world records and 26 Russian records.

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

VIZ-STEEL SUPPORTED A LABORATORY AT THE URAL POLYTECHNIC COLLEGE

VIZ-Steel helped launch a metal testing laboratory at the Ural Polytechnic College. The laboratory will train students in metal forming. The training programme was created jointly with VIZ-Steel specialists, taking into account the needs of modern steelmaking production.

VIZ-Steel actively cooperates with other regional educational institutions that train future steelmakers. The enterprise provides an opportunity for students of various technical colleges and universities to have an internship.

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 2021, a total of RUB 156.9 million was allocated to support science and education in regions where the company operates; this amount represented 17% of the company's total investment in corporate citizenship programmes.

Developing social infrastructure of regions where NLMK Group operates GRI 203-1

The main priorities of NLMK Group's corporate citizenship programmes include determining and facilitating solutions to issues that currently

STARY OSKOL HALLMARK

Stary Oskol presented the First Ore mini public garden, dedicated to the extraction of the first ore in the Stoilensky mine, at Belgorod in Bloom, an international landscape design festival. Stoilensky funded the park renovation in 2021 to commemorate its 60th anniversary.

Stoilensky allocated RUB 2.5 million to the renovatopn. The project became the hallmark of Stary Oskol and won in the Come visit us nomination.

MILOSERDIYE GREEN CAMPAIGNS IMPROVED YARDS AND PARKS

Miloserdnye Charitable Fund helped to improve urban public spaces. In the spring of 2021, green campaigns organized by Miloserdnye took place on five Lipetsk streets. More than 1,100 maples and lindens were planted in yards. When selecting areas for greening, priority was given to new buildings, where there are still few green spaces. Residents themselves proposed the areas for landscaping and took an active part in planting seedlings together with the fund's volunteers, activists, and schoolchildren.

affect the regions where the company operates as well as social infrastructure development.

In 2021, a total of RUB 49.6 million was allocated to develop the social infrastructure of the regions where NLMK Group operates, or 5% of the company's total investment in corporate citizenship programmes.

Support for culture and arts

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

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

URBAN ART

In 2021, thanks to the support of the Miloserdnye Fund, new art objects appeared in the settlements of the Lipetsk Region. The walls of residential buildings and technical buildings in Lipetsk, Usman, Zadonsk, Volovo, Dobrinka and Dolgorukov were decorated with graffiti by a professional artist. The opening of more than 10 art objects was a continuation of the fund's educational project to preserve the memory of the people whose names the streets bear. Previously, similar artworks of prominent figures from various eras adorned the squares of Lipetsk.

MUSIC TALENT FESTIVAL

A family music festival was held in Stary Oskol with the support of the Steel Tree grant competition.

More than 300 children study at the Stary Oskol Children's Music School No. 3. In 2021, a project was launched to organize the Young Shoots of the Musical Tree music festival, which won a Steel Tree grant. The heroes of the festival are students of music and art schools and their parents.

A total of RUB 41.6 million was allocated to support culture and the arts in 2021, which amounted to 4% of the company's total investment in corporate citizenship programmes.

Plans for 2022 and the medium term

In 2022, the company plans to finalize and adopt its corporate citizenship and philanthropy strategic documents.

It also plans to continue developing the Steel Tree grant competition, expand the number of its participants,

update the design of the programme taking into account feedback from stakeholders, as well as digitalize competition procedures.



DIGITAL SOLUTIONS FOR EMPLOYEES

NLMK Group has launched a unique mobile app that increases the efficiency of internal corporate communications and makes corporate services more user-friendly. The app was launched in March 2020. Currently, close to 30,000 employees (or 60% of the NLMK Group headcount) use the app.

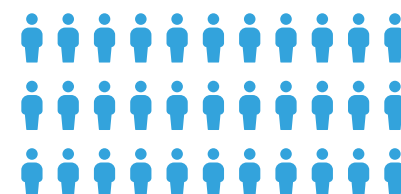


Golden Prize of the International Step Two Award Intranet and Digital Workplace Awards 2021

The mobile app is integrated with the corporate intranet and gives employees access to all necessary services, such as NLMK Group's news feed, vacation management, bank of ideas, personal protective equipment requests, instant registration of safety rules violations, and others.

The application is customer-centric and enables prompt and convenient access to the company's automated services.

The app offers such innovative solutions as mobile access card and video registration of safety violations.



30,000
employees

use the app

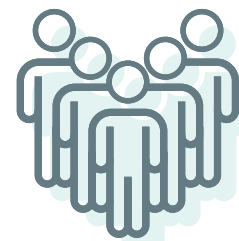
CORPORATE GOVERNANCE

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Plate-dendritic structure
of zinc-aluminum-magnesium coating

Scale 1 : 10,000

Corporate governance



22%
women

in the Board of Directors

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 by the Bank of Russia.

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:

Sustainable development and long-term growth of return on equity investment
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
Equal treatment of all shareholders, including non-Russians and minority shareholders
Commitment to ensure reliable and effective registration of title to shares and guarantee the opportunity to alienate them freely and without encumbrances
Compliance with existing laws, principles of the Corporate Governance Code recommended by the Bank of Russia, and international corporate governance standards
Observing the rights of third parties, including creditors and NLMK employees, as required by the law, the Charter, and other regulatory documents
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
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
Complying with business ethics in conducting operations

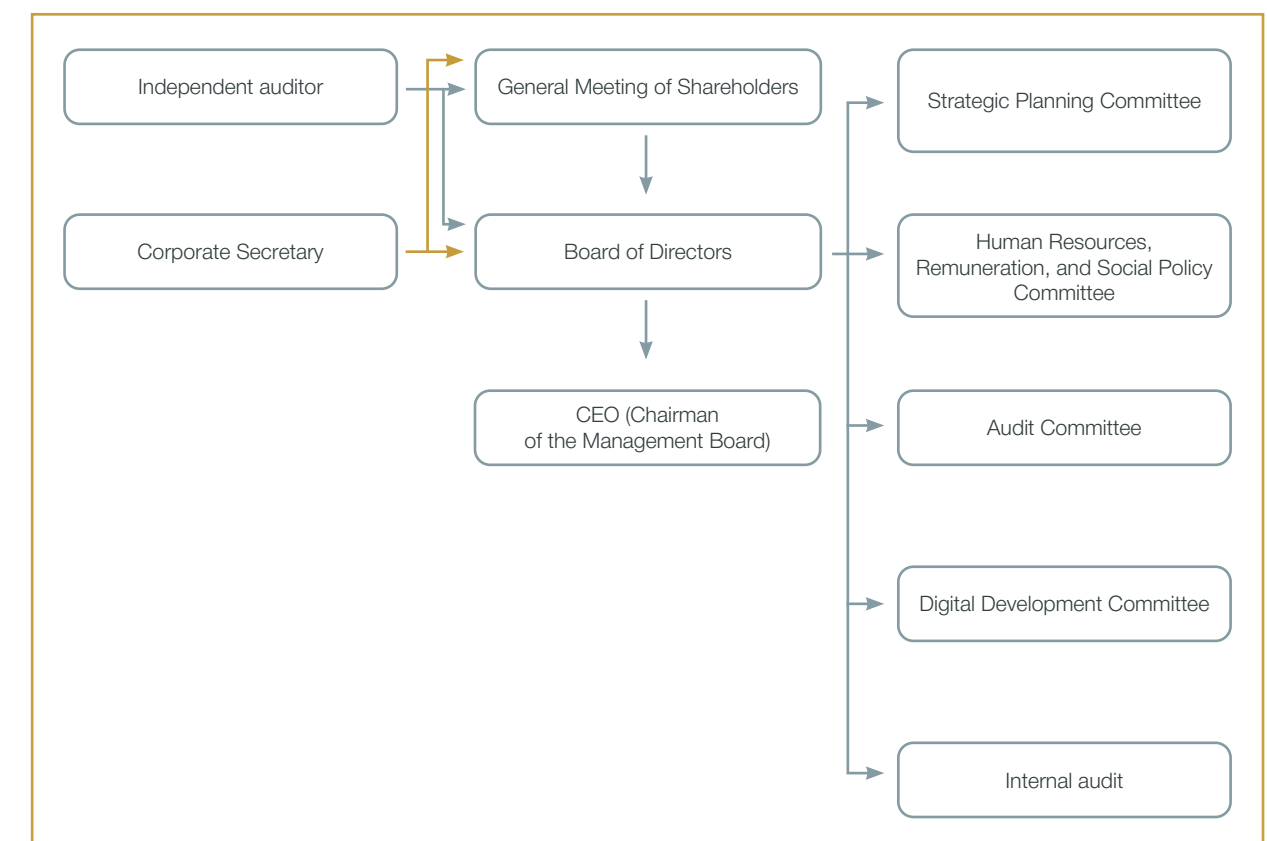
All documents regulating corporate governance practices and principles are available on NLMK Group's official website.

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
- Executive bodies: the CEO (Chairman of the Management Board) and the Management Board, which manage day-to-day activities of the company and ensure its efficient operation, while implementing the objectives set by the Board of Directors
- The Corporate Secretary, who handles interaction with shareholders, coordinates the company's activities that aim to protect shareholders' rights and interests, and supports the Board of Directors
- Internal audit, which oversees the company's financial economic activities

NLMK's Corporate Governance Structure GRI 102-18



Improving Corporate Governance practices in 2021

In 2021, 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:

- The company engaged an independent consulting firm, Spencer Stuart, to carry out an independent assessment of the Board of Directors' performance. The consultants issued recommendations to further increase the Board's efficiency (see the [Results of the Board of Directors Performance Assessment](#) section for more details)
- Jane Zavalishina was elected to the Board of Directors. She is a highly qualified expert in information technologies and innovation. The new structure of the Board of Directors is more diverse, balanced, and characterized by stronger digital competencies. Jane Zavalishina was appointed Chair of the newly created Digital Development Committee
- The company adopted new and revised existing company documents, which are approved by the General Meeting of Shareholders and the Board of Directors:
 - NLMK's control over the transactions and M&A activities of the Group companies was increased and the competencies of NLMK's governance bodies related to changes in the structure of NLMK's direct and indirect participation in other companies were expanded. These changes were reflected in the [NLMK Charter](#) and the [Regulations on the Management Board](#)

- The Charter and the Regulations on the Board of Directors now offer more clarity on the role of the Board of Directors in succession planning, performance assessment of the Board of Directors and the CEO (Chairman of the Management Board), and approving the CEO's KPIs and the company's HR strategy. In addition, since the number of committees has increased, recommendations were specified on Board members' participation in committees
- The Human Resources, Remuneration, and Social Policy Committee approved the revised version of the Induction course for newly elected Board members, developed the Board of Directors Succession Policy and recommended it to the Board of Directors for approval. The Policy is based on regulators' recommendations and best practices, which aim to support the balance of key competencies, experience, and diverse Board composition
- The company approved the [Regulations on Digital Development Committee](#); new versions of the [Corporate Governance Code](#), the [Regulations on Remuneration of Members of NLMK's Board of Directors](#), and [Anti-Corruption Policy](#), which takes into account the latest regulatory requirements and anti-corruption compliance practices of NLMK Group

As at the end of 2021, NLMK complies with all principles of the Corporate Governance Code: 79 principles (91%) are fully observed and 7 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.

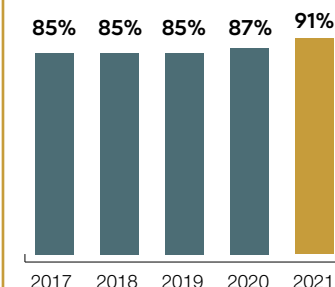
At meetings held in 2021, the company successfully employed an electronic voting service, which allows shareholders to vote regardless of where their shares are registered.

NLMK shareholders have ranked among top-3 most active users of the e-voting service (NSD). For the convenience of its shareholders, the company launched an additional service on the website of NLMK's registrar. The shareholders were able to use it at the Extraordinary General Meeting on 26 November 2021.

In accordance with Federal Law No. 17-FZ dd. 24 February 2021 and a resolution of the Board of Directors, the company's Annual General Meeting of Shareholders on 2021 performance was held by absentee ballot.

In 2021, the number of NLMK shareholders tripled, exceeding 373,000 by year-end.

The share of Corporate Governance Code recommendations fully observed by the company



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 opportunity to participate in the company's profits distribution by receiving dividends on identical terms.

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 General Meeting of Shareholders procedure for preparing, convening, holding, and vote counting 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 provisions relating to:

- The option for the company's shareholders to participate in the meetings 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

Shareholders have two options for online voting: through the e-voting service of the National Settlement Depository and the online voting service on the website of NLMK's registrar, the Regional Independent Registrar Agency. These services are available to all company shareholders, regardless of whether they are the depository's clients or if their share rights are recorded in the register.

The notice about the General Meeting of Shareholders and the information 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 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 Corporate Governance Code recommended by the 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.

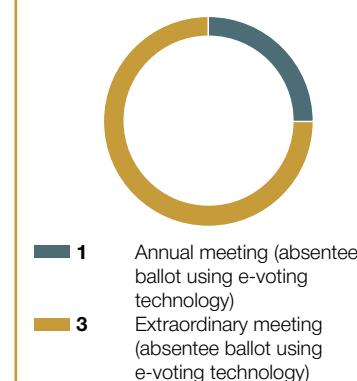
The company's independent registrar functions as the counting commission of the General Meeting of Shareholders.

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 [NLMK's website](#).

Activities in 2021

Four General Meetings of Shareholders were held in 2021.

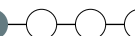
NLMK's General Meetings of Shareholders held in 2021



NLMK's Annual General Meeting of Shareholders on 2020 performance was held on 29 April 2020 by absentee ballot. It was attended by shareholders and shareholder representatives holding a total of 88.52% 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". In addition, shareholders approved the payment of 2020 dividends in the amount of RUB 21.64 per share.

PLANS FOR 2022 AND THE MEDIUM TERM

In 2022, NLMK will continue to analyse the best corporate governance practices and evaluate them in terms of their applicability to the company's activities. Particular attention will still be paid to the implementation of sustainability practices. As always, the company will analyse rankings, ratings 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. The Group will continue to analyse best practices, new approaches and tools for ensuring alternative ways of corporate meeting participation.



NLMK's 2021 Extraordinary General Meetings of Shareholders were held by absentee ballot.



At NLMK's Extraordinary General Meeting of Shareholders held on 11 June, shareholders passed a resolution to pay (declare) Q1 2021 dividends on ordinary shares in the amount of RUB 7.71 per ordinary share.

At NLMK's Extraordinary General Meeting of Shareholders held on 27 August, shareholders passed a resolution to pay (declare) H1 2021 dividends on ordinary shares in the amount of RUB 13.62 per common share, including out of retained earnings.

At NLMK's Extraordinary General Meeting of Shareholders held on 26 November, shareholders passed a resolution to pay (declare) 9M 2021 dividends on ordinary shares in the amount of RUB 13.33 per common share, including out of retained earnings.

At the meetings, shareholders also approved new versions of corporate documents (the NLMK Charter, the Regulations on the Board of Directors and the Regulations on Remuneration of Members of NLMK's Board of Directors), passed resolutions on the company's membership in the Wind Industry Association, the Association for the Development of Electric, Unmanned and Connected Transport and Infrastructure, and the European Foundation for Management Development Association.

Detailed information on the voting results and resolutions passed by the General Meetings of Shareholders in 2021 is available on the [company's website](#).

- Annual performance 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 competence 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](#).

Chairman of the Board of Directors

GRI 102-23

The Chairman of the Board of Directors ensures the efficient functioning of the Board, arranges for the preparation of its 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 its activities and ensuring that its committees function efficiently.

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

In 2021, in line with best corporate governance practices, the Board of Directors elected its Deputy Chairman.

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 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 Board of Directors and the Corporate Governance Code recommended by the Bank of Russia.

Composition of the Board of Directors

GRI 102-22 GRI 405-1

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 professional reputation in the business community, as well as extensive work experience in key executive positions in leading international companies of various sectors. In addition, many Board members have

occupied CEO positions at various companies, which enabled them to obtain competencies in all aspects of business operation, including knowledge and skills in steelmaking, mining, finance, investment, risk management, ESG.

Most Board members have substantial work experience in the boards of directors and supervisory boards of other 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 two women and citizens of various states, ensuring sociocultural and gender diversity.

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 2021, the Board of Directors elected at the Annual General Meeting of Shareholders on 29 April 2021 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. For instance, in 2021, Jane Zavalishina was elected into the Board.

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.

Board members are engaged in various business aspects, both within the operation of the Board and its committees and outside

of it. Directors ensure productive interaction and experience exchange with the management including at informal meetings. With the view to integrate long-term trends and challenges in the company's development strategy, working groups have been formed at the Board of Directors level.

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

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

Members of the 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's 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

Members of NLMK Board of Directors

as of 31 December 2021



VLADIMIR LISIN
Chairman of the Board of Directors
25 years of tenure
Non-executive director



OLEG BAGRIN
Deputy Chairman of the Board of Directors
17 years of tenure
Non-executive director



THOMAS VERASZTO
Board member
6 years of tenure



NIKOLAI GAGARIN
Board member
20 years of tenure
Non-executive director



SERGEY KRAVCHENKO
Board member
2 years of tenure



MARJAN OUDEMAN
Board member
4 years of tenure



STANISLAV SHEKSHNIA
Board member
7 years of tenure



JANE ZAVALISHINA
Board member
1 year of tenure



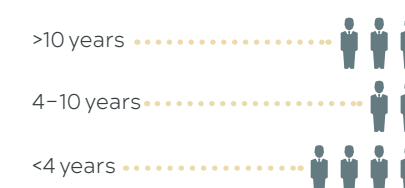
JOACHIM LIMBERG
Board member
3 years of tenure



Directors' expertise in the steel sector



Directors' length of tenure



Composition of the Board of Directors by director status



Independent director
 The Strategic Planning Committee

The Audit Committee
 The Digital Development Committee

The Human Resources, Remuneration, and Social Policy Committee

Composition of NLMK Board of Directors in 2021

Composition of NLMK Board of Directors from 24.04.2020 until 29.04.2021		Composition of NLMK Board of Directors elected on 29.04.2021	
Board member	Position	Board member	Position
Vladimir Lisin	Chairman of the Board of Directors	Vladimir Lisin	Chairman of the Board of Directors
Oleg Bagrin	Board member	Oleg Bagrin	Deputy Chairman of the Board of Directors
Thomas Veraszto	Board member, Independent director	Thomas Veraszto	Board member, Independent director
Joachim Limberg	Board member, Independent director	Joachim Limberg	Board member, Independent director
Nikolai Gagarin	Board member	Nikolai Gagarin	Board member
Sergey Kravchenko	Board member, Independent director	Sergey Kravchenko	Board member, Independent director
Stanislav Shekshnia	Board member, Independent director	Stanislav Shekshnia	Board member, Independent director
Marjan Oudeman	Board member, Independent director	Marjan Oudeman	Board member, Independent director
Benedict Sciortino	Board member, Independent director	Jane Zavalishina	Board member, Independent director

Key competencies of the NLMK Board of Directors GRI 102-27

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

On 28 July 2021, Stanislav Shekshnia, who was previously not an NLMK shareholder, acquired 578 of the company's global depositary shares (equivalent to 5,780 ordinary shares) making up 0.000096% of NLMK's charter capital. Other Board members are not NLMK shareholders.

Board structure by gender

Men **78%**
 Women **22%**

Age of Board members

40–50 years
 51–60 years
 61 and over

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

Experience

Vladimir 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.

Education

Vladimir 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

Deputy Chairman of the Board of Directors since 2021, 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 and Digital Development Committee

Experience

Oleg Bagrin has extensive experience in the governance bodies of major companies and funds, including executive positions in financial asset management and the banking sphere.

2005–2019 – Director, Chairman of the Board of Directors, Libra Capital Investment Company.

2007–2019 – member of the collegiate executive body and member of the Board of Directors, NLMK Pennsylvania LLC, Sharon Coating LLC, NLMK Indiana LLC.

2011–2018 – member of the Board of Managing Directors and the Board of Directors, NLMK International B.V.

2012–2015 – member of the Board of Directors, Freight One.

2012–2018 – CEO (Chairman of the Management Board), NLMK Group.

Positions in other companies

2015–2016, 2018–present – member of the Board of Directors, Freight One.

2018–present – Director and member of the Board of Directors, FLETCHER GROUP HOLDINGS LIMITED.

Education

State Academy of Management (Moscow), economist and analyst (1996).

State University of Management (Moscow), postgraduate degree in economics (2001).

Cambridge University, MBA (2005).

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



THOMAS VERASZTO

Independent director

Year of birth: 1962

Member of the Board of Directors since 2016, member of the Strategic Planning Committee, the Human Resources, Remuneration, and Social Policy Committee, and the Digital Development Committee

Experience

Thomas 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.

Thomas 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. In 2016, he served as an Advisor in ERG Sales.

2017–2019 – member of the Board of Directors in Segezha Group.

Positions in other companies

2017–present – member of the Board of Directors, Steppe Agroholding.

2020–present – Chairman, Familia Privatstiftung.

2021–present – member of the Supervisory Board, Bank Saint Petersburg.

2021–present – member of the Board of Directors, UNITED MEDICAL GROUP CY PLC.

2021–present – member of the Board of Trustees, Andrei Sakharov Science Endowment Fund.

Education

University of Graz, Ph.D. in law (1984), master's degree in philosophy (1985).

Bologna Centre of the School of Advanced International Studies, Johns Hopkins University, diploma (1988).



NIKOLAI GAGARIN

Year of birth: 1950

Member of the Board of Directors since 2001, member of the Audit Committee

Experience

In 2003, as a Managing Partner, Nikolai 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 is a multi-skilled specialist in various spheres of law and litigation. He has extensive experience in corporate law, foreign investment, taxation, finance, real estate, contract law, arbitration proceedings, civil litigation, natural resources law, environmental protection law, and industrial safety.

In the course of his career, he led and participated in multiple large projects, including the creation and development of financing structures for international holding companies and the successful organization of IPOs on the London Stock Exchange. He has many years of experience serving on governance bodies of major companies and actively participating in substantial projects, including mineral resource management and environmental projects. Nikolai Gagarin developed a methodology for economic analysis and fair value assessment, which was recognized by Russian arbitration courts as applicable in bankruptcy proceedings. He initiated several legislative reforms.

2007–2018 – Director, member of the Board of Directors, FLETCHER GROUP HOLDINGS LIMITED.

2002–2013 – member and Chairman of the Board of Directors, Chernomorneftegaz.

2004–2012 – member and Chairman of the Board of Directors, Tuapse Commercial Sea Port.

2009–2017 – member of the Board of Directors, Severneftegaz.

Education

Lomonosov Moscow State University, degree in law (1982).



SERGEY KRAVCHENKO

Independent director

Year of birth: 1960

Member of the Board of Directors since 2020, member of the Strategic Planning Committee, the Human Resources, Remuneration, and Social Policy Committee

Experience

Sergey 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. He is leading the development of a major programme related to the production and procurement of parts and semi-products from Russian titanium, which resulted in the creation of joint ventures with VSMPO-AVISMA: two plants and a joint technical research centre in the Ural Region. In 1994–2002 he served for a year as the director of the International Cooperation and Business Development Programme in the Boeing Commercial Airplanes department in Seattle, WA, and as vice president for engineering and supplier management of Boeing Commercial Airplanes.

Before joining Boeing in 1992, Sergey 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 USA, Sweden, and South Korea. He has published more than 70 research papers and holds more than 20 patents in various areas of engineering.

He 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 2009 he was awarded the Businessman of the Year prize by the American Chamber of Commerce.

2007–2015 – member of the Board of Directors, American Chamber of Commerce in Russia.

2011–2015 – member of the Supervisory Board, Accenture.

Sergey Kravchenko has extensive experience managing major projects in R&D, HR, finance and investment, ESG and other key areas.

Positions in other companies

2002–present – CEO, Boeing (Russia, Ukraine, CIS), Innovation Acceleration Leader, Boeing Global Services, Vice President, Boeing International, The Boeing Company.

2004–present – Council member, Youth Achievement interregional social organization.

2016–present – independent director, Chair of the Appointment and Remuneration Committee, Deputy Chair of the Strategic Development Committee, independent director in charge of ESG Strategy, TMK.

Education

Moscow Polytechnic University, mechanical engineer (1982).

USSR Academy of Sciences, candidate of engineering sciences (1985).

Russian Academy of Sciences, doctor of engineering sciences (1991); professor (1992).



MARJAN OUDEMAN
Independent director

Year of birth: 1958

Member of the Board of Directors since 2018, Chair of the Audit Committee and member of the Strategic Planning Committee

Experience

Marjan Oudeman was the President of the Executive Board of Utrecht University (the Netherlands) from 2013 until June 2017.

From 2010 to 2013, Mrs Oudeman was a member of the Executive Committee of AkzoNobel, responsible for HR and Organizational Development.

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

Previously Mrs Oudeman was a member of the Executive Committee of steelmaking company Corus Group, Executive Director Corus Strip Products Division from 2007 to 2010. She also held positions of the CEO Corus Nederland BV, Managing Director Corus Strip Products IJmuiden from 2004 to 2007, and Managing Director Corus Packaging Plus from 2000 to 2004.

Before joining Corus, Marjan Oudeman worked for Hoogovens Group NV, holding various positions, including in management bodies, legal, treasury, corporate finance and controlling.

2005–2013 – Member of the Supervisory Board of NS Groep N.V.

2009–2013 – Member of the Supervisory Board of Stichting Comité Concertgebouw.

2010–2015 – Member of the Supervisory Board of ABN AMRO N.V.

2012–2018 – Member of the Board of Directors of Equinor ASA.

2017–2021 – Member of the Supervisory Board of Aalberts NV.

2008–2020 – Governor of Stichting Nationaal Fonds 4 en 5 Mei.

2012–2020 – Vice-Chairman of the Supervisory Board of Stichting Het Rijksmuseum.

2013–2018 – Member of the Supervisory Board of Het Concertgebouw N.V.

2014–2016 – Member of the Supervisory Board of Koninklijke Ten Cate B.V.

2013–2021 – Chairman of the Supervisory Board of Ronald McDonald Kinderfonds.

2018–2021 – Governor of Stichting Berenschot Beheer.

Along with membership in management bodies, Marjan Oudeman held positions of member and chairman of such bodies as risk and capital committee, audit committee, ESG committee in a number of companies.

Positions in other companies

2014–now – Member of the Supervisory Board of Directors, SHV Holdings NV.

2015–now – Member of the Board of Directors, Solvay S.A.

2016–now – Chairman of the Supervisory Board, Advanced Research Center Chemical Building Blocks Consortium.

2018–now – Member of the Board, Directors of UPM-Kymmene Corporation.

2019–now – Member of the Board, Stichting Hoge Veluwe Fonds.

2021–now – Member of the Supervisory Board of Koninklijke Luchtvaart Maatschappij N.V. (KLM Royal Dutch Airlines).

Education

Rijksuniversiteit Groningen, Master at Law (1982).

University of Rochester and University of Rotterdam, MBA (1990).



STANISLAV SHEKSHNIA
Independent director

Year of birth: 1964

Member of the Board of Directors since 2015, Chairman of the Human Resources, Remuneration, and Social Policy Committee and member of the Audit Committee

Experience

In 1991–2002, Stanislav Shekshnia was 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 served as Chairman of the Board at SUEK and Vimpelcom-R and as a Board member of a number of Russian and Ukrainian companies.

Stanislav Shekshnia was an independent director at DTEK BV, Ilim Timber Industry, Naftna Industrija Srbije (NIS), and Ener1.

In 2002, he co-founded Zest Leadership International Consultancy.

2007–2019 – Senior Partner, LEADERSHIP VECTOR (Talent Equity Consulting practice). He focused on leadership, leadership development, corporate governance, and business in emerging economies.

2010–2018 – member of the Board of Directors, head of the HR and Remuneration Committee, NIS a.d. Novi Sad.

2010–2012 – member of the Board of Directors, Ener1.

2011–2013 – member of the Strategy Committee of the Board of Directors, RUSNANO.

2015–2016 – member of the HR and Remuneration Committee of the Board of Directors, Stroytransgaz.

2015–2019 – member of the Board of Directors, Russian Fishery Company.

Experience on various committees, including the Audit and ESG Committee.

Stanislav Shekshnia also provides personal coaching to business owners and corporate executives.

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 11 books, numerous articles, executive commentaries, interviews, and case studies on entrepreneurship, leadership, people management, intercultural management, and business and management in Russia.

Positions in other companies

2006–present – Affiliate Professor of Entrepreneurship at INSEAD Business School.

2018–present – Chairman of the Board of Directors, Samolet Group.

2019–present – Senior Consultant, Ward Howell.

Education

Lomonosov Moscow State University, political economics (1988), Ph.D. in economics (1993).

Northeastern University in Boston School of Business, MBA (1992).



JANE ZAVALISHINA

Independent director

Year of birth: 1977

Member of the Board of Directors since 2021, member of the Audit Committee and Chair of the Digital Development Committee

Experience

Throughout her career, Jane Zavalishina focused on applying innovative technologies to create new business models and transform traditional ones. In 2000, she joined Yandex as a product director, then became head of Yandex.Money, an e-payment system company, and of Yandex Data Factory, a department specializing in using machine learning technologies to boost business efficiency. In 2018, she co-founded the Mechanica AI startup in the Netherlands. The startup develops AI-based solutions for the industrial sector.

She is an active participant of numerous events in Europe, Asia, and the Middle East, where she speaks about data management, AI strategy and app development.

In 2016, Silicon Republic included Jane Zavalishina into the global Top 40 Women in Tech list in the Inspiring Leader category. In 2019, she was included in the Global Shakers' 30 STEM Women to Watch list. In 2016, 2017, and 2019, she was named one on the Inspiring Fifty – the 50 most inspiring women in the tech sector in the Netherlands.

2009–2017 – co-founder, Council member, Russian Electronic Money and Remittance Association (REMA).

2012–2017 – Chair of the Board of Directors, Yandex Money.

2014–2018 – CEO, Yandex Data Factory.

2018 – Vice President for Strategy, OnlinePay B.V.

2018–2021 – President and Director, MECHANICA AI B.V.

Positions in other companies

2016–present – member of Global Future Councils, World Economic Forum.

2017–present – professor at EXPONENTIAL EXPANSION B.V. (Singularity University Benelux, the Netherlands).

2018–present – member of the Consultation Council, Stichting SIDN fonds.

2019–present – member of the Consultation Council, MIH Fintech Holdings B.V., member of the Board of Directors, independent director, Finnovate LLP.

2020–present – member of the Investment Committee, BTS Digital Ventures Ltd., member of the Board of Directors, independent director, FINOM Payments B.V.

2021–present – Chair of the Board of Directors, independent director, FINOM Payments B.V.

2021–present – member of the Board of Directors, SFI.

Education

Lomonosov Moscow State University, degree in psychology (1994–1998).



JOACHIM LIMBERG

Independent director

Year of birth: 1954

Member of the Board of Directors since 2019, member of the Strategic Planning Committee and the Audit Committee

Experience

Mr Limberg has more than 40 years of experience in the metals sector. He 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, Joachim Limberg joined thyssenkrupp Group, where he held several management positions till 2018.

2009–2018 – Chairman of the Management Board of the Materials Services Business Area, CEO, Chairman of the Executive Board of thyssenkrupp Materials Services GmbH.

2014–2020 – Member, Deputy Chairman of the Board of Bundesvereinigung Logistik (BVL) e.V.

1989–2015 – Vice-chairman, member of the Board of Directors of POLARPUTKI OY.

He has extensive experience in the fields of strategy, finance and investments, ESG and other key areas.

Positions in other companies

2019–now – Senior Industry Expert, Triton Beratungsgesellschaft GmbH,

2020–now – Member of the Board of: HYDAC Fluidtechnik GmbH, HYDAC Filtertechnik GmbH, HYDAC Technology GmbH, BENTELER International AG.

2021–now – Deputy Chairman of the Supervisory Board, Muller – Die lila Logistik SE.

Education

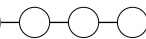
Open University of Hagen, DIPLOM-ÖKONOM (Dipl.-Ök.) (1985); professional exporter.

Board of Directors' activity in 2021

In 2021, NLMK's Board of Directors held nine meetings, seven of which were held by absentee ballot. A total of 31 items were considered at the meetings.

Main issues examined by the Group's Board of Directors in 2021

Questions	Resolutions	Stakeholders
Strategy and priority areas	Approval of NLMK Group Consolidated Budget for 2022	- Investors and shareholders - Consumers - Suppliers - Government authorities - Employees - Local communities
Appointments and remuneration	Considering proposed additions to the agenda of the NLMK Annual General Meeting of Shareholders on the company's 2020 results and proposals on nominating candidates to NLMK's governing bodies (to the Board of Directors and the position of CEO (Chairman of the Management Board)) Recommendations to the NLMK Annual General Meeting of Shareholders on the company's 2020 results regarding adoption of the resolution on remuneration to members of the NLMK Board of Directors Election of the Chairman and Deputy Chairman of the NLMK Board of Directors Formation of NLMK Board of Directors committees (including the formation of the new Digital Development Committee and approval of its Regulations) Recognition of the independent status of nominees to NLMK's Board of Directors Performance assessment of the NLMK Board of Directors Reports on the performance of the NLMK Board of Directors Committees and Corporate Secretary	- Investors and shareholders - Government authorities - Employees



Questions	Resolutions	Stakeholders
Corporate governance	Convocation of the NLMK General Meetings of Shareholders	- Investors and shareholders - Government authorities - Employees
	Providing recommendations to the NLMK Annual General Meeting of Shareholders regarding profit distribution (dividend payment)	
	NLMK's participation in associations (recommendations to the General Meeting of Shareholders regarding NLMK's membership in associations: - Russian Association of Wind Power Industry - Association for the Development of Electric, Autonomous, and Connected Transport and Infrastructure - European Foundation for Management Development	
	Approving NLMK's 2020 report on interested-party transactions	
	Approving NLMK's 2020 Draft Annual Report	
	Recommendations to the company's Annual General Meeting of Shareholders regarding approval of NLMK's auditor	
	Approving the remuneration of NLMK's auditor	
	Approving the meeting schedule for NLMK's Board of Directors	
	Approving NLMK's corporate documents (Regulations on the Digital Development Committee, as well as new versions of the Anti-Corruption Policy and the Corporate Governance Code)	
	Including matters of approving new versions of the Charter and corporate documents into the agenda of NLMK's General Meetings of Shareholders (Regulations on the Board of Directors, Regulations on the Management Board, Regulations on Remuneration for Members of the NLMK Board of Directors)	
Financial reporting	Approving NLMK's Management Board composition	- Investors and shareholders - Consumers - Suppliers - Government authorities - Employees - Local communities
	Approving NLMK Management Board members occupying additional positions in governance bodies of other organizations	
	Approving an interested-party transaction	
	Approving the company's annual accounting (financial) statements for 2020, as well as NLMK's IFRS 2020 annual consolidated financial statements	

Board member in the reporting year	Independent director	Participation in Board meetings ¹	Audit Committee	Human Resources, Remuneration, and Social Policy Committee	Strategic Planning Committee	Digital Development Committee
Jane Zavalishina ¹	+	5 (5)	2 (2)		5 (5)	2 (2)
Marjan Oudeman	+	9 (9)	5 (5)		5 (5)	
Joachim Limberg	+	9 (9)	5 (5)		5 (5)	
Sergey Kravchenko	+	9 (9)		8 (8)	5 (5)	

Sustainability agenda management at the Board of Directors level

GRI 102-26 | GRI 102-29

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

The following working groups have been formed at the Board of Directors level:

- Climate Change Management (J. Limberg, M. Oudeman, J. Zavalishina, B. Sciortino, S. Shekshnia, S. Chebotarev (Vice-president, Energy and Environment), led by T. Veraszto)
- Development of the R&D Area (M. Oudeman, J. Zavalishina, G. Fedorishin (CEO (Chairman of the Management Board), I. Spitsberg (Vice-president, Technology Development), led by S. Kravchenko)

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 Board meetings ¹	Audit Committee	Human Resources, Remuneration, and Social Policy Committee	Strategic Planning Committee	Digital Development Committee
Oleg Bagrin		9 (9)		8 (8)	5 (5)	2 (2)
Thomas Veraszto	+	9 (9)		8 (8)	5 (5)	2 (2)
Nikolai Gagarin		9 (9)	5 (5)			
Vladimir Lisin ²		9 (9)		3 ² (3)	5 (5)	
Benedict Sciortino	+	4 (4)	3 (3)		5 (5)	
Stanislav Shekshnia	+	9 (9)	5 (5)	8 (8)		

Sustainability management at the Board of Directors level

Board Committee	Key aspect of sustainability
Strategic Planning Committee	Sustainability risk assessment Environment: - Air emissions - Discharges and waste - Use of resources - Biodiversity - Climate change
Human Resources, Remuneration, and Social Policy Committee	Integration of ESG KPIs in the remuneration system. Social and employment: - Operational health and safety - Training and development - Social policy - Diversity and equal opportunities - Non-discrimination - Local communities

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 Vladimir Lisin was a member of the Human Resources, Remuneration, and Social Policy Committee until 29 April 2021.

¹ Jane Zavalishina was elected to the Board of Directors at NLMK's Annual General Meeting of Shareholders. She was elected to the Audit Committee and the Digital Development Committee at the 29 April 2021 Board meeting.

Board Committee	Key aspect of sustainability
Audit Committee	Performance monitoring and sustainability reporting GRI 102-32
Board of Directors; Human Resources, Remuneration, and Social Policy Committee, Audit Committee	Corporate governance: - Corporate governance - Business ethics - Anti-corruption

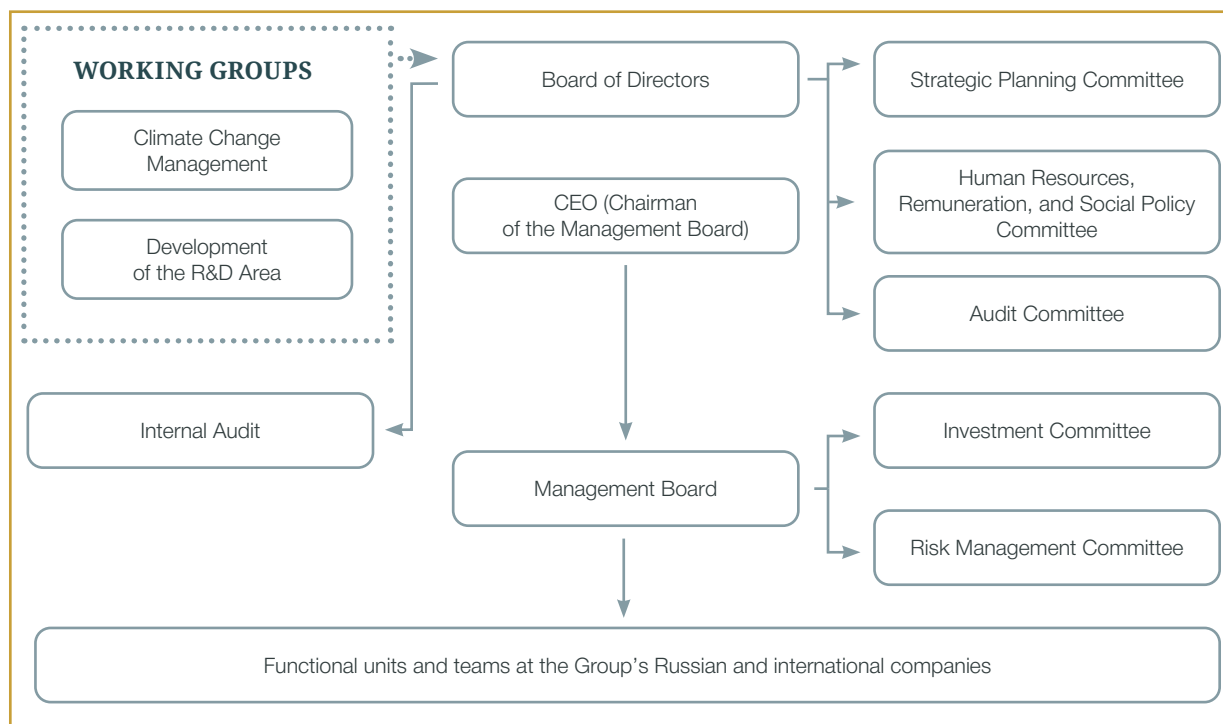
The main purposes of the assessment are to determine the efficiency of the Board's performance as a collective governing body and enhance its role in achieving the company's goal of successful development. The assessment of the Board's performance helps to determine the focus and changes in the performance 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.

In line with 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, but also assesses the work of its committees, as well as Board and committee Chairs. The assessment includes an analysis of the Board's composition and qualifications, its agenda, meeting efficiency, and interaction with the management and the Corporate Secretary.

Organizational structure for managing sustainability issues at NLMK GRI 102-20



Board of Directors succession planning GRI 102-24

Considering the significance of succession and performance assessment the Human Resources, Remuneration, and Social Policy Committee developed the Succession Policy and recommended that the Board of Directors approve it. This document reflects the recommendations of the Bank of Russia, as well as the principles of the Corporate Governance Code, the research results of leading international consultants, and the best experience of global companies with advanced corporate governance practices.

- Thus, the Succession Policy of the company's Board of Directors includes such aspects as:
- Principles of the Board of Directors formation, ensuring diverse, competent and efficient composition
 - Succession goals
 - Components (stages) of the Succession Policy
 - Approaches and tools for performance assessment

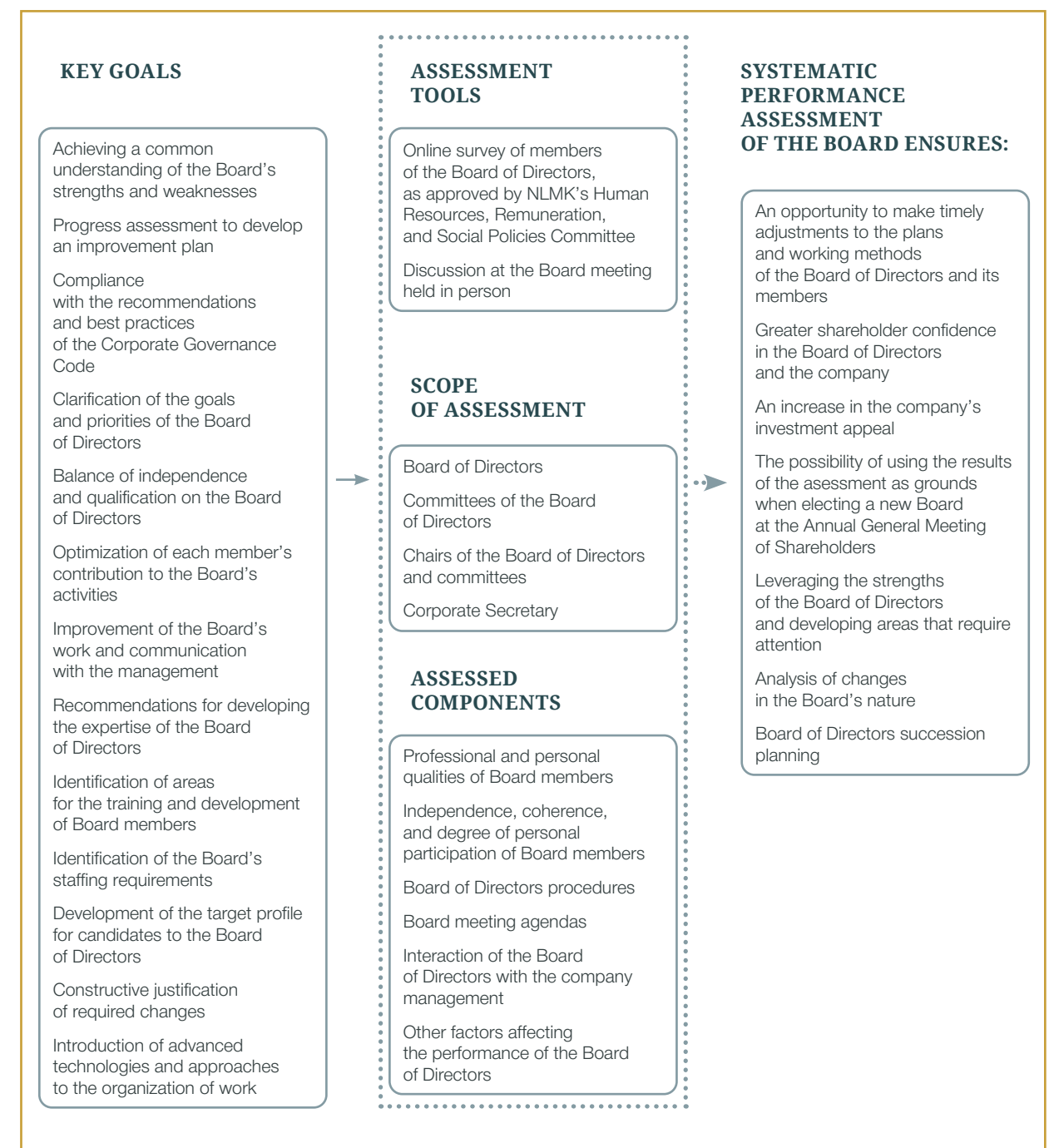
The Succession Policy is expected to be approved by the Board of Directors in 2022.

The efficient application of approaches and processes aimed at ensuring the Board of Directors succession planning determines the development of the Board's structure. In 2021, the composition of the company's Board

of Directors was updated, enhancing the Board's expertise in several areas and making it more balanced and diverse.

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 assessment market capitalization. The Board of Directors' performance assessment is an effective tool for improving the corporate governance system, each component of which is related to the work of the governing body.



Results of the Board of Directors performance assessment

Guided by current trends and recommendations of normative documents, at the end of 2020 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, internal documents, practices of the Board and its committees, and a benchmark against the advanced corporate governance practices of international companies.

As a result of the assessment, the consultant highlighted several indicators that are at a higher level than in global peer companies. These indicators include the active participation of Board members in the governing body's operation, their engagement in making all key decisions, and meeting attendance. The consultant pointed out the diverse nature of the Board of Directors, the multifaceted experience of its members, and the efficiency of interaction with the management. Other strong suits included the high share of independent directors, efficient execution of their functions, and the reliable process of selecting independent directors, who successfully integrate into the Board.

The consultant emphasized the active participation of the Chairman of the Board of Directors in interaction within the Board and with the management, as well as open opinion exchange as part of transparent and efficient corporate procedures. The assessment noted the high quality of the Corporate Secretary's work and the work of committees that perform their functions to the full extent and are an effective forum for discussing key matters.

The consultant also recommended several areas for improvement, such as the further development of certain competencies and the integration of advanced practices into the work of the Board and its committees.

The results of the performance assessment and recommendations on further improving corporate governance practices and the work of the Board, its committees, and individual members were reviewed at the in-person Board meeting in March 2021. In line with the recommendations, several measures were taken, including the creation of working groups as well as a set of measures for succession planning. The company plans to further implement the consultant's recommendations and the Board members' suggestions consolidated during the assessment in 2022.

Additionally, as part of enhancing the Board's succession planning and assessment, the Human Resources, Remuneration, and Social Policy Committee improved its approaches to the internal assessment of the Board of Directors.

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

In line with best corporate governance practices, the Human Resources, Remuneration, and Social Policy Committee developed and approved an induction course for newly elected members of NLMK's Board of Directors to ensure the efficient functioning of the Board and support succession planning.

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, the Management Board, and other senior executives of the company are arranged as part of the course. The newcomers also have an opportunity

to get acquainted with the Group's core facilities, processes, and products. Other Board members and representatives of the company management are actively engaged in integrating newly elected Board members into the work of the company's governing bodies and its operations.

In 2021, the Human Resources, Remuneration, and Social Policy Committee approved a new version of the induction course programme. It integrated, among other things, the practice of assigning a mentor from the current Board members to every newcomer to accelerate and streamline the integration of new members.

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 and put the company's interests above their own under all circumstances in case there is a potential conflict of interest (including an interest in the Group making a transaction)
- Refrain from any acts that will or may lead to a conflict between their personal interests and those of the company
- Promptly inform the Board of Directors of any conflict of interest 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 2021 (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
- Digital Development Committee

In 2021, the Group established a Digital Development Committee under the Board of Directors.

The structure of committees is built based on the most important areas of the Board's activities. Their composition is formed to ensure the most efficient use of the committee members' expertise and professional experience.

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

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 three out of four 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 and climate impact, including greenhouse gas emissions, and reviews and approves the appropriate investment programme.

Strategic Planning Committee composition as of 31 December 2021

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 did not change in 2021.

Committee members from 24 April 2020 to 29 April 2021		Committee members as of 29 April 2021	
Board member	Position	Board member	Position
Oleg Bagrin	Chair of the Committee	Oleg Bagrin	Chair of the Committee
Thomas Veraszto	Committee member	Thomas Veraszto	Committee member
Helmut Wieser	Committee member	Helmut Wieser	Committee member
Joachim Limberg	Committee member	Joachim Limberg	Committee member
Vladimir Lisin	Committee member	Vladimir Lisin	Committee member
Marjan Oudeman	Committee member	Marjan Oudeman	Committee member
Karen Sarkisov	Committee member	Karen Sarkisov	Committee member
Grigory Fedorishin	Committee member	Grigory Fedorishin	Committee member
Benedict Sciortino	Committee member	Benedict Sciortino	Committee member
Sergey Kravchenko	Committee member	Sergey Kravchenko	Committee member
Sergey Filatov	Committee member	Sergey Filatov	Committee member

Committee's activities in 2021

In 2021, the Committee held five meetings. The Committee reviewed and passed resolutions on the following issues:

- Implementation of the current (Strategy 2022) and planning of the next (Strategy 2030) stage of the company's strategic development
- Long-term Environmental and Climate Programmes of the company, including NLMK Group's CO₂ emissions reduction targets for 2030 and 2050
- Status of NLMK Group's investment programme and 2022 investment budget
- Strategic Planning Committee schedule for 2022

Plans for 2022

In 2022, the Strategic Planning Committee plans to actively work on development areas and key projects for the new strategic cycle beyond 2023. The Committee will also control the implementation of its instructions and the progress of NLMK Group's investment programme.

Audit Committee

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

- Conducting an annual independent external audit of NLMK's accounting (financial) statements, the quality of the auditor's services, and their compliance with the requirements of auditor independence
- The independent assessor's evaluation of property in cases stipulated by Russian legislation and in other cases
- The company's sustainable development disclosure. [GRI 102-32](#) Since 2019, one of the Audit Committee's responsibilities is monitoring results and considering reports related to sustainable development, including matters of environment and occupational health and safety [GRI 102-29](#)

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

Audit Committee composition as of 31 December 2021

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 2021.

Committee members from 24 April 2020 to 29 April 2021		Committee members as of 29 April 2021	
Committee member	Position	Committee member	Position
Marjan Oudeman	Chair of the Committee	Marjan Oudeman	Chair of the Committee
Joachim Limberg	Committee member	Joachim Limberg	Committee member
Nikolai Gagarin	Committee member	Nikolai Gagarin	Committee member
Stanislav Shekshnia	Committee member	Stanislav Shekshnia	Committee member
Benedict Sciortino	Committee member	Jane Zavalishina	Committee member

NLMK Audit Director Elena Sidorova was appointed Secretary of the Committee.

Audit Committee's activities in 2021

In 2021, the 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
- External and internal audits, including of 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



Risk management and internal control

The Audit Committee exercises control over the reliability and efficient functioning of the risk management and 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 auditor, and the Group's other bodies responsible for fulfilling the risk management, oversight, and compliance functions. The Audit Committee holds regular meeting with the teams of the independent auditor, the Audit Director, and other Company management.

Internal Audit

The Audit Committee is responsible for monitoring the operation and evaluating the efficiency of the internal audit function. The Committee ensures this by discussing significant matters with the Audit Director, approving the annual internal audit plan, and reviewing reports on conducted audits, which contain the main conclusions and recommendations, as well as the report on the activities of the Audit Department. The Audit Committee, which assessed the effectiveness of the internal audit, was satisfied with the quality of the services provided by it.

Reports on monitoring the execution of the Internal Auditor's recommendations are submitted

to the Committee to ensure that the actions taken by the executive management are efficient.

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

The Audit Department undergoes regular quality self-assessment, and independent external 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.



Marjan Oudeman,

Chair of the Audit Committee

“Global challenges and developments driven by amongst other climate change, technology developments, digitization and corona, impact our lives, customer requirements, expectations of stakeholders and therefore the business environment for the company.

In today's dynamic and challenging world, business success and continuity is served by a responsive organization and effective risk management. The Audit Committee seeks to serve the interest of the company and its stakeholders by challenging and supporting management in running an effective and efficient risk management system, in ensuring an integer control environment and in ensuring compliance.

The Audit Committee is evaluating its own activities on an annual basis to ensure the effectiveness of its role within the company in this changing world and where the scope not only lies on financials but also on non-financials.”

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 has satisfied itself that such services do not impair auditor's independence and do not relate to financial statements preparation. In 2021, the share of non-audit services was at an acceptable level of no more than 39% 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 such review, the Committee evaluated the work of the external auditor positively.

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 governing bodies and other key employees
- Remuneration of the company's governing bodies and other key employees
- Social policy of the company

Human Resources, Remuneration, and Social Policy Committee composition as of 31 December 2021

The Audit 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 2021.

Human Resources, Remuneration, and Social Policy Committee composition in 2021

Committee members from 24 April 2020 to 29 April 2021		Committee members as of 29 April 2021	
Committee member	Position	Committee member	Position
Stanislav Shekshnia	Chair of the Committee	Stanislav Shekshnia	Chair of the Committee
Vladimir Lisin	Committee member	Thomas Veraszto	Committee member
Thomas Veraszto	Committee member	Oleg Bagrin	Committee member
Oleg Bagrin	Committee member	Sergey Kravchenko	Committee member
Sergey Kravchenko	Committee member		

Committee's activities in 2021

The Human Resources, Remuneration and Social Policy Committee held eight meetings in 2021, including three in the form of absentee voting. The Committee reviewed and passed resolutions on the following issues:

- Progress against target KPIs by the NLMK Group CEO (Chairman of the Management Board) and approval of 2021 target project KPIs
- Eligibility of nominees proposed for independent directors to be voted on at the NLMK Annual General Meeting of Shareholders on the company's 2020 results

- Professional background of nominees to the NLMK Board of Directors to be voted on 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
- Labour productivity improvement
- Status of the succession pool for the position of CEO (Chairman of the Management Board)
- Approving the Regulations on the NLMK Corporate University Academic Council
- Succession planning for the Board of Directors
- Developing competencies for implementation of the next stage of the company's strategic development

Approving the programme of the induction course for newly elected members of the NLMK Board of Directors.

In 2021, the Committee continued to analyse and evaluate the implementation of the company's HR Strategy and the performance of key executives. The Committee considered the implementation status of the labour productivity improvement programme and matters of professional competence development. The Committee continued its systematic succession planning efforts for the position of CEO (Chairman of the Management Board). Several documents were approved and recommendations were provided to the Board of Directors, including those related to its succession.



Stanislav Shekshnia,

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

“ In 2021, 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.

As always, active efforts were ongoing to implement Committee instructions, oversee their execution, and systematically work on related matters.

Particular attention was paid to succession planning for the CEO and the Board of Directors. The Committee regularly included such matters in Committee meeting agendas, actively discussed them, developed several internal documents, and updated certain approaches and processes.

One important outcome is the independent assessment of the Board conducted by the Spencer Stuart consulting firm, which has an impeccable reputation and international expertise in corporate governance. The consultant helped us highlight the strong suits in the operation of the Board of Directors and identify areas where its practices can be developed and improved. These conclusions will enable an increase in the Board's efficiency and the overall quality of corporate governance. Several actions to implement the consultant's recommendations have already been undertaken.

The Committee members' strong engagement in the consideration of agenda items, their profound expertise and wide-ranging experience in all areas of the Committee's activities, and the efficient collaboration with the management ensured the deep elaboration of all matters under consideration, facilitating the adoption of high-quality resolutions and instructions, continuous control over their execution, and the integration of best practices into the company's operation.”

Digital Development Committee

In 2021, the Digital Development Committee was created under the company's Board of Directors. Its operation will facilitate the efficient implementation of the company's strategy and boost its competitiveness amid the active integration of digital technologies.

The main purpose of the Digital Development Committee is the preliminary consideration and presentation of recommendations to the NLMK Board of Directors on the following matters:

- IT systems development and process digitalization strategy
- Control over the organization of IT and information security management processes, including the protection of personal data

- Control over the processes of monitoring and proper response to changes in the development of information technologies, including the consideration of potential opportunities to apply them at NLMK

Digital Development Committee composition as of 31 December 2021

The Committee is chaired by an independent director; 2 out of 4 Committee members are also independent directors. The Committee includes an independent director with experience and knowledge in innovative technologies and digital solutions for business.

Digital Transformation Committee Members in 2021.

Committee members as of 29 April 2021	
Committee member	Position
Jane Zavalishina	Chair of the Committee
Thomas Veraszto	Committee member
Oleg Bagrin	Committee member
Grigory Fedorishin	Committee member

Digital Development Committee's activities in 2021

In 2021, the Digital Development Committee held two in-person meetings.



Jane Zavalishina,

Chair of the Digital Development Committee

“ Over the past decade, digitalization has become a key trend and significantly altered many industries and business sectors. The active application of new digital technologies and approaches in the company is already opening new opportunities for end-to-end planning and boosting operational efficiency, substantially changing the format of the company's interaction with clients, and providing tools to increase safety and reduce the environmental impact.

Already in this strategic cycle, over 10% of NLMK's operational efficiency growth was achieved using digital tools: from relatively simple ones, such as online data visualization for process management, to complex sets of mathematical models that optimize entire production stages. The acceleration of these changes reflects the key features of digital solutions: compared to traditional technologies, they are more easily replicable and their development is faster.

The creation of the Digital Development Committee in 2021 reflects the strategic significance that the company attaches to these changes: both new opportunities to create long-term competitive advantages and new risks that need to be managed. That is why the Committee's key priorities for 2022 include the determination of IT and digitalization development vectors in the new strategy cycle beyond 2023, as well as an analysis and update of technical policies and processes that ensure the reliable and safe application of digital technologies.”

Corporate Secretary

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

The Corporate Secretary's activities, rights, and obligations are regulated by the [Regulations on the Corporate Secretary](#), developed in accordance with the Corporate Governance Code recommended by the Bank of Russia. 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 registering 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

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

Experience

For more than twenty years, he has been a member of the governing bodies of a number of Russian companies. Valery Loskutov has been with NLMK since 1998 and has served as NLMK's Corporate Secretary since 2005. He was Secretary of the Human Resources Remuneration, and Social Policy Committee from 2017 to 2021.

Valery Loskutov is a co-founder of the National Association of Corporate Secretaries. He was elected to the Board of the National Association of Corporate Secretaries on 20 December 2019.

He won the XIII Director of the Year national award in the Corporate Governance Director/Corporate Secretary category.

Valery 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, where he maintains a leading position as one of the top 50 corporate governance directors.

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 resolutions 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 website.

[GRI 102-26](#)

Composition of the Management Board

NLMK Group's Management Board consisted of eight members as of 31 December 2021. The current composition was approved by the Board of Directors at a meeting held on 22 July 2021.

Composition of the Management Board

Members of the Management Board as of 31.12.2021		Members of the Management Board until 22.07.2021	
Member of the Management Board	Position	Member of the Management Board	Position
Grigory Fedorishin	CEO (Chairman of the Management Board), member of the Strategic Planning Committee, member of the Digital Development Committee	Grigory Fedorishin	CEO (Chairman of the Management Board), member of the Strategic Planning Committee, member of the Digital Development Committee
Mikhail Arkhipov	Member of the Management Board, Vice President for HR and Management System	Mikhail Arkhipov	Member of the Management Board, Vice President for HR and Management System
Tatyana Averchenkova	Member of the Management Board, Managing Director of NLMK Lipetsk	Tatyana Averchenkova	Member of the Management Board, Managing Director of NLMK Lipetsk
Ilya Guschin	Member of the Management Board, Vice President for Sales	Ilya Guschin	Member of the Management Board, Vice President for Sales
Ben de Vos	Member of the Management Board, Vice President for International Operations	Ben de Vos	Member of the Management Board, Vice President for International Operations
Shamil Kurmashov	Member of the Management Board, Vice President for Finance	Shamil Kurmashov	Member of the Management Board, Vice President for Finance
Sergey Likharev	Member of the Management Board, Vice President for Logistics	Sergey Likharev	Member of the Management Board, Vice President for Logistics
Sergey Chebotarev	Member of the Management Board, Vice President for Energy and Environment	Evgeny Ovcharov ¹	Member of the Management Board, Vice President for Risk Management
		Sergey Chebotarev	Member of the Management Board, Vice President for Energy and Environment

Biographies of members of the Management Board



GRIGORY FEDORISHIN

Year of birth: 1979. Member of the Strategic Planning Committee and the Digital Development Committee. CEO (Chairman of the Management Board) since March 2018.

Experience

Grigory 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, an 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.

Education

Grigory Fedorishin graduated from the State Finance Academy in Moscow. He holds an MBA from INSEAD business school in France and Singapore. He is member of the Certified Financial Analysts (CFA) association.

¹ Member of the Management Board until 22 July 2021.



TATYANA AVERCHENKOVA

Year of birth: 1979. Managing Director, NLMK Lipetsk. Member of the Management Board since 2017.

Experience

Tatyana Averchenkova has been with NLMK since 2001. She served as Director for Controlling and held various senior management positions in the Strategy Department. From 2016 to 2021, she held the position of Vice President for Operational Efficiency. In 2021 she was appointed Managing Director of NLMK Lipetsk.

Education

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



ILYA GUSCHIN

Year of birth: 1976. Vice President, Sales. Member of the Management Board since 2014.

Experience

Ilya 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.

Education

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



BEN DE VOS

Year of birth: 1967. Vice President, International Operations. Member of the Management Board since 2016.

Experience

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.

Ben 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.

Education

Ben 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.



SERGEY LIKHAREV

Year of birth: 1964. Vice President, Logistics. Member of the Management Board since 2014.

Experience

Sergey 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.

Education

Sergey Likharev holds a Ph.D. in physics and mathematics and an MBA from Cornell University, USA. From 1990 to 1993, he worked as a researcher at Lomonosov Moscow State University.



MIKHAIL ARKHIPOV

Year of birth: 1982. Vice President, HR and Management System. Member of the Management Board since 2018.

Secretary of the Human Resources, Remuneration and Social Policy Committee since 2021.

Experience

He 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.

Education

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



SERGEY CHEBOTAREV

Year of birth: 1980. Vice President, Energy and Environment. Member of the Management Board since 2018.

Experience

Sergey 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.

Education

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



SHAMIL KURMASHOV

Year of birth: 1978. Vice President, Finance. Member of the Management Board since 2019.

Experience

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.

Education

Shamil 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).

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) are stipulated by existing Russian legislation 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 Company's CEO (Chairman of the Management Board) since 12 March 2018.

Activities of the Management Board in 2021

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 2021, the Management Board held 46 meetings, including 18 by absentee ballot. The following issues were considered at these meetings:

- Achievement of the Group's targets and status of the development programme on occupational health and safety
- Execution of NLMK Group's budget
- Implementation of the strategy regarding operational efficiency, investment programme, and sales portfolio management
- HR and Social Strategy implementation
- Development programmes for functional areas
- Individual development areas and projects for the next strategic cycle (Strategy 2030)
- The Group's participation in and withdrawal from other companies
- Recommendations to the governance bodies of subsidiaries

NLMK Management Board members had no conflict of interest in 2021.

Grigory Fedorishin owns 17,839 of the company's global depositary shares (equivalent to 178,390 ordinary shares) making up 0.00298% of NLMK's

charter capital. Other members of the Management Board are not NLMK shareholders.

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

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.

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

GRI 102-35 GRI 102-36

The company's remuneration policy with regards 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. The [Regulations on Remuneration of Members of the Board of Directors](#), which were 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, benefits, and privileges offered to them.

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. It consists of the 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 meetings over the reporting period.

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

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

Participation in Management Board meetings in 2021

Member of the Management Board	Number of meetings, in which member of the Management Board participated
Grigory Fedorishin	46 (46)
Tatyana Averchenkova	46 (46)
Ilya Guschin ¹	43 (46)
Barend de Vos	46 (46)
Sergey Likharev	46 (46)
Evgeny Ovcharov ²	10 (46)
Mikhail Arkhipov	46 (46)
Sergey Chebotarev	46 (46)
Shamil Kurmashov	46 (46)

¹ Left the company in December 2021.

² Member of the Management Board until 22 July 2021.

Remuneration for members of the NLMK Board of Directors

Remuneration category	Remuneration amount
Basic remuneration	\$160,000
Additional remuneration to the Chair 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 for working on each committee
Additional remuneration to the Chair of any committee of the Board of Directors (who participated in over half of its meetings)	Up to 40% of the basic remuneration for working on each committee

Remuneration is paid based on a resolution of NLMK's General Meeting of Shareholders. Regulations on the Remuneration for 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

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

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 2020, which was held on 29 April 2021, resolved to pay remuneration to members of NLMK Board of Directors in the amount of \$1,952,000.

Approach to remuneration and reimbursement paid to members of the Management Board 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,

environment and energy efficiency, 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. For example, the weight of the LTIFR indicator is 10% of the annual CEO's compensation.

Top executives, including heads of NLMK Group's main production sites, have KPIs related to reducing air emissions and CO₂ emissions, as well as increasing the share of recycled waste. In addition, energy efficiency KPIs are set for the relevant executives, including heads of sites and the Vice President for Energy and Environment. For top executives, KPI data is recorded as financial gains from implementing the corresponding investment and operational efficiency projects. The KPIs of all top managers include injury reduction and occupational safety targets. Also, when calculating the management's performance, satisfaction and engagement indicators of employees in relevant departments are taken into account.

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 cycle. The programme covers more than 70 NLMK executives, including the CEO and members of the Management Board.

Long-term incentive programme payments are made to Management Board members depending on the achievement of the company's strategic goal on the five-year horizon. 50% of the bonus depends on achieving the structural effect of the company's strategy and 50% – on achieving the company's EBITDA target over a five-year horizon.

The actual values of indicators for NLMK's executive compensation programmes are confirmed by the company's consolidated IFRS financial statements and are agreed at the Board of Directors level or by CEO.

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Remuneration paid to members of the Board of Directors¹, '000 RUB

Indicator	2018	2019	2020	2021
Total payments	152,482	179,066	169,522	167,478
Remuneration	145,564	170,693	167,846	164,551
• Including: basic remuneration	92,259	108,186	106,381	106,932
• Bonuses	53,305	62,507	61,465	57,619
• Salary	–	–	–	–
• Commission	–	–	–	–
Benefits	–	–	–	–
Reimbursed expenses	6,918	8,373	1,676	2,927
Other types of remuneration	–	–	–	–

Individual amount of remuneration paid to Board members², '000 RUB

Board member	2018	2019	2020	2021
Vladimir Lisin	20,705	24,041	23,640	–
Stanislav Shekshnia	17,427	21,655	19,503	19,613
Oleg Bagrin	19,293	21,948	19,503	19,613
Nikolai Gagarin	12,982	15,026	14,775	14,859
Karen Sarkisov	15,633	18,031	17,730	–
Thomas Veraszto	16,309	19,248	17,730	17,830
Helmut Wieser	16,423	400	–	–
Marjan Oudeman	15,881	20,848	19,503	19,573
Benedict Sciortino	17,446	18,935	17,730	17,830
Franz Struzl	383	–	–	–
Joachim Limberg	–	18,934	17,730	17,830
Sergey Kravchenko	–	–	–	17,830
Jane Zavalishina	–	–	–	19,573

¹ Data for 2018–2019 are represented in actual amounts. Remuneration to members of the Board of Directors for 2021 is determined based on preliminary calculations in accordance with the Regulations on Remuneration for Members of NLMK's Board of Directors.

² Data for 2018 are represented in actual amounts. Remuneration to members of the Board of Directors for 2019–2021 is determined based on preliminary calculations in accordance with the Regulations on Remuneration for Members of NLMK's Board of Directors. The amounts may differ from previously published numbers due to the reporting of accrued payments based on yearly performance, including reimbursement.

Remuneration paid to Management Board members¹, '000 RUB.

Indicator	2018	2019	2020	2021
Total payments	1,554,239	535,032	526,703	2,063,188
• Including: salary	205,195	238,764	235,295	293,709
• Bonuses	312,510	295,455	291,408	285,479
• LTI programme bonuses	1,029,686	–	–	1,484,000
• Commission	–	–	–	–
• Benefits	–	–	–	–
• Reimbursed expenses	1,481	813	69	309
• Other types of remuneration	5,367	–	12	336,097

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.

Compliance and corporate ethics

NLMK Group Code of Corporate Ethics

The company believes that by communicating honestly and openly with business partners and the public, adhering to best practices in corporate governance and norms of business

ethics, and maintaining its corporate culture, NLMK Group reinforces its business reputation and position on the global steel market. With this in view, NLMK Group not only observes the applicable legislative provisions, but also establishes and adheres to additional ethical principles and rules of business practice.

The Code of Corporate Ethics approved by the Board of Directors in 2018 is available on the company's official website.

The Code enshrines the following key values of NLMK Group.

NLMK Group's basic ethical values GRI 102-16

Human rights	NLMK Group acknowledges the inviolability of human rights, prohibits human rights violations, and builds up its decision-making system in line with the NLMK Group Human Rights Policy
Compliance with legislation	NLMK Group and its employees meet the requirements of Russian and other applicable legislation, industrial and corporate regulations, standards, and procedures
Transparency and honesty	NLMK Group honours its obligations before counterparties and employees, maintains its reputation as a reliable business partner, and ensures the transparency of its transactions and operations
Efficiency	NLMK Group strives for continuous improvement of the efficiency of its business, e.g. by improving the corporate governance system, streamlining production processes, and introducing innovative technologies
Mutual respect and professionalism	The wellbeing of NLMK Group's employees is one of the company's basic values, with their competence, trust, friendliness, cooperation, and team spirit enabling the Group to reach its objectives and ensure its sustainable development
Safety and corporate citizenship	NLMK Group ensures that all its production processes comply with occupational health and safety requirements, adheres to corporate social responsibility principles with regard to its employees and the population of the regions where the company operates, and takes environmental protection measures

All company employees read the Code when joining the company and take regular training on its provisions.

In 2021, NLMK Group developed an online course on the Code and the Anti-Corruption Policy, which was taken by over 10,000 company employees. Over 2,800 company employees underwent in-person training dedicated to the Code's requirements. Knowing and complying with the requirements of the Code is an obligation for all company employees, which is included into all job descriptions as a standard requirement. Additionally, in 2021, questions assessing knowledge of the Code were included in the evaluation of employees' professional competencies, which is conducted once every three years. GRI 205-2

The company expects adherence to basic values and principles of good business conduct not only from its employees, but also from its business partners. The company's business partners familiarize themselves with the provisions of the Code during qualification, selection, and contract conclusion. In addition, the Group requires its business partners to sign the anti-corruption provisions adopted in the company. GRI 102-16

In 2021, the company held a forum for basic contractors, where 30 representatives of 17 basic contractors underwent in-person training dedicated to the company's anti-corruption requirements. At the strategic supplier conference organized by the Procurement function, 200 supplier representatives underwent training in two languages, English and Russian.

Compliance system

In 2021, the company was actively developing its compliance system, which aims to ensure that NLMK's operations comply with applicable legislation and internal documents.

In 2021, the compliance system covered the following areas:

- Anti-corruption compliance
- Antitrust compliance

- Personal data protection
- Insider compliance
- Intellectual property risk management

Established in 2020, the Compliance Unit implements an anti-corruption and antitrust compliance programmes and coordinates the introduction and operation of the compliance system as a whole.

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

Regardless of the area, NLMK Group's compliance system places particular importance on measures for developing a corporate culture of strong business ethics, both within the company and in relations with other stakeholders. As part of these efforts in 2021, an array of previous whistleblower channels merged into NLMK Group's compliance hotline.

NLMK Group's independent compliance hotline. Key changes in 2021 GRI 102-17

1. Wider scope: NLMK's compliance hotline accepts reports of not only corruption or fraud whistleblowers,

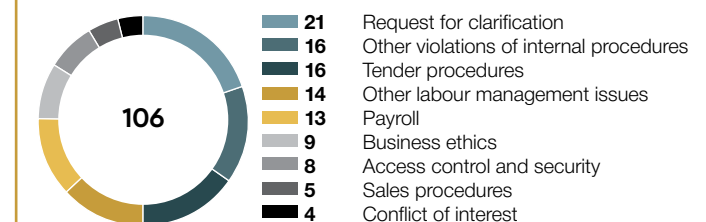
but also potential violations of the antitrust and insider trading legislation, other legal or corporate requirements, and the company's business ethics norms.

2. Independence and confidentiality: all reports are accepted and processed by the Compliance Unit, which ensures whistleblower confidentiality and protection from harassment in the workplace. In 2021, as an additional effort to ensure independence and confidentiality, Ernst & Young was engaged as the independent operator of the compliance hotline.
3. Wider coverage. The number of whistleblower channels increased and they are now accessible by third parties. A short guide on the compliance hotline is available on the company's website.
4. Each whistleblowing report is carefully looked into in line with the Regulations on Official Inspections and Investigations. All inspections on whistleblowing are carried out in the company's unified online system for investigations. Information about investigation results is communicated to the whistleblower.

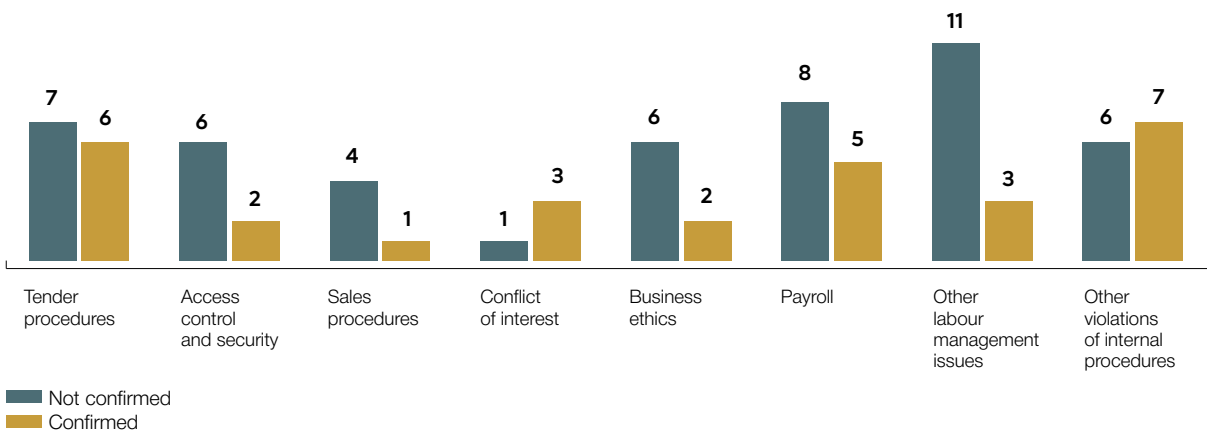
In October 2021, as a result of the Transparency International R research titled Hotlines for reporting corruption in the commercial sector: 100 Russian companies with the largest revenue, NLMK Group's compliance hotline was awarded the maximum score.

Compliance hotline statistics

Whistleblowing by reason



Confirmed and not confirmed cases



Number of reports per 100 employees	0.02
Share of anonymous reports	39%
Share of reports on labour rights/business ethics	33%
Share of confirmed cases	34%
New reports under investigation as on 12.01.2022	7

Whistleblowing report procedure

Each relevant report to the compliance hotline is registered in the compliance IT system within one working day, and the whistleblower is notified. Having analyzed the case, no later than three business days the compliance department sends it to the relevant departments for verification. The investigation lasts for up to 30 days, however it can be extended if there is a justified reason. The Compliance Unit logs the investigation results in the IT system and monitors the implementation of corrective measures, where applicable. The investigation results are communicated to the whistleblower. If the results are not ready within the 30-day period, an interim status report is sent to the whistleblower.

The company strictly adheres to non-retaliation principles: anyone who has reported a violation in good faith is protected from any form of pressure, harassment, discrimination.

The Compliance Unit is also responsible for maintaining the confidentiality of whistleblowers' identity.

Anti-corruption practice (compliance)

In its day-to-day operations, NLMK Group is guided by high ethical standards and the principles of business transparency and zero tolerance to any form or manifestation of corruption, as well as the stipulations of international and regional documents, such as the United Nations Convention against Corruption. The company engages in targeted work to prevent and counteract corruption and fraud. The company's management constantly devotes attention to detecting and responding to wrongdoings in a timely manner. [GRI 102-16](#)

NLMK Group's anti-corruption compliance programme is aimed at the prevention and timely detection of corruption by integrating and developing:

- The internal control system
- The corporate culture of zero tolerance for corruption
- The effective use of whistleblowing mechanisms for reporting instances of corruption

In 2021, the NLMK Board of Directors approved the new version of the Anti-Corruption Policy. It includes a ban on political spending and any other participation of the company in political activities.

The new Policy was presented to employees through the company's communication channels, including publications on the corporate portal with quotes of top management, as well as videos on NLMK TV.

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](#) The distribution of responsibilities and powers between

the company's units in the anti-corruption system is stipulated in the Appendix to the Anti-Corruption Policy.

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

In 2021, the Audit Committee considered and took note of the results of the anti-corruption compliance audit conducted by the Audit Department. In addition, the Audit Committee regularly considers the results of due diligence of specific processes, including the assessment of corruption and fraud risks.

The RMC reviews issues related to the identification and assessment of corruption risks, as well as the approval and control of the effectiveness of corruption risk management measures. In 2021, the RMC approved the overall development strategy of the NLMK Group compliance system, including anti-corruption compliance.

Internal control and procedures for managing conflicts of interest

Corruption and fraud risks at the level of specific processes are managed as part of the overall internal control system in the company, which includes checks at the hiring stage, third party due diligence, including in procurement, effectuating payments, in processes related to event organization and hospitality expenses, and other processes.

Third-party anti-corruption due diligence is part of the contractor and supplier qualification procedure. All partners of the company that have undergone qualification confirm that they have read and will abide by the Code and the Anti-Corruption Policy. In 2021, qualification procedures included

The CEO (Chairman of the Management Board) assigns the person responsible for anti-corruption efforts in the company and is in charge of the overall control over anti-corruption measures. The Compliance Unit established in the Legal Department is in charge of implementing anti-corruption programmes. [GRI 102-16](#)

The Compliance Unit is in charge of implementing the company's compliance system development strategy, including anti-corruption compliance. At the same time, the Compliance Unit collaborates with related structural units responsible for security, HR management, risk management, and internal audit.



NLMK Group has become a highly efficient leader in the Russian steel industry. Our commitment to the highest standards of governance as well as zero tolerance for any form of corruption and fraud, is a part of this leadership and a fundamental principle for our company and myself personally. We firmly believe that NLMK Group employees and our counterparties in Russia and abroad must unconditionally support the 'zero tolerance for corruption' principle. Our non-tolerance for corruption is one of the values that unite the NLMK team and our partners, and drive the company's sustainable development."

Grigory Fedorishin

CEO (Chairman of the Management Board)

screening of 2,473 potential company counterparties, and in 22% of cases the counterparty was declined because of detected risks. In 2021, the contract approval process was supplemented with compliance control to ensure that company contracts contain anti-corruption clause.

Managing conflicts of interest

In 2021, NLMK Group approved a new version of its Regulations on Preventing, Disclosing, and Managing Conflicts of Interest. In line with this version, during their probation period new company employees sign a statement indicating if they have a conflict of interest or not. In addition, 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. All other employees are required to file a conflict of interest statement if a conflict of interest emerges (self-declaration).

Since June 2021, all three types of conflict of interest declaration (when hiring, annual, and self-declaration) are digitalized in SAP SF. As part of these conflict of interest declaration procedures, employees also confirm that they have read the NLMK Group [Code of Corporate Ethics](#), [Anti-Corruption Policy](#), and [Regulations on preventing, disclosing, and managing conflicts of interests](#) (hereinafter the certification procedure of internal document compliance). [GRI 205-2](#)

In 2021, 1,623 employees underwent the conflict of interest declaration procedure and the certification procedure of internal document compliance.

As a result, 28 cases of actual conflict of interest and 39 cases of potential conflict of interest were detected.

As at the year-end, 24 out of 28 cases of actual conflict of interest were settled; for the rest, settlement is in progress. All cases of potential conflict of interest are being monitored.

Reports of corruption and fraud

The Group encourages employees to use the whistleblower channels of the compliance hotline and other company feedback channels for good-faith reports of corruption and fraud. One of the principles of the company's Anti-Corruption Policy is the non-retaliation clause: no employee will be punished for refusing to participate in corruption and/or for reporting corruption in good faith. Anyone who reports a violation in good faith will be protected against any form of pressure, harassment, and discrimination.

In 2021, the compliance hotline received 46 reports related to the risk of theft and internal fraud. Investigations have been made into all violation reports. In 14 cases the information was confirmed fully or partially, in eight cases the investigation was still in progress as at the year-end. For all detected violations, settlement measures have been taken, including contracts with two individual contractors were terminated, five employees were brought to disciplinary responsibility, penalties were imposed on one contractor, and one incident was transferred to law enforcement agencies. **GRI 205-3**

Integrating an anti-corruption culture

The company dedicates particular attention to integrating a culture of zero tolerance for corruption via a programme for training and informing employees about NLMK Group's behaviour standards, including management example ("tone at the top"). In 2021, the company management made six communications

about anti-corruption and countering fraud, including the addresses of the CEO, the Vice President for HR and Management System, the Vice President for Operational Efficiency, and the Legal Director. Information about the company's behaviour standards is communicated to employees via the following channels:

- The welcome email that every new employee receives
- Publications in blogs and the feed on the internal portal
- Publications in the NLMK Company magazine
- Presentations by compliance representatives as part of strategy sessions for the company functional areas.

In 2021, over 30 publications on compliance and anti-corruption were made through corporate communication channels.

In addition to informing, the company also has a programme for training employees in anti-corruption requirements. In 2021, over 2,800 employees underwent in-person training in anti-corruption requirements. The online course was taken by over 10,000 employees. Additionally, in 2021, the online course on conflict of interest was updated and taken by 88 employees.

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

Efficiency assessment and audit

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

The anti-corruption and fraud system efficiency is assessed during internal audits. In 2021, the Audit Department audited anti-corruption compliance.

Its results were reviewed by the RMC and the company's Audit Committee of the Board of Directors. As a result of the audit, risks of corruption and fraud emerging in certain processes were reassessed, and the RMC drafted and approved a new list of areas with a risk of corruption and fraud.

In 2021, the company's anti-corruption compliance system was also audited by external experts as part of the Group's participation in the RUIE Anti-Corruption Rating. As a result of the audit, NLMK Group was rated A2 – Companies with a high level of anti-corruption efforts.

In addition, in 2021, the NLMK Group anti-corruption compliance programme received the Russian Compliance Award in the Best Anti-Corruption Compliance Programme nomination.

During the year, no corruption-related legal proceedings were initiated against NLMK Group or its employees.

GRI 206-1

Antitrust compliance

GRI 206-1

In 2021, keeping in mind the stricter regulatory environment and law enforcement practice, the company paid particular attention to developing the system for internal compliance with antitrust legislation, focusing mainly on developing the compliance corporate culture.

Key changes in 2021:

- New versions of the Antitrust Compliance Policy and the Regulations on antitrust risk management were approved
- In-person training programme on antitrust requirements was introduced and taken by over 200 structural unit employees; an online course on antitrust compliance was developed and taken by over 600 structural unit employees
- Four videos on antitrust compliance were broadcast on NLMK TV
- Potential violations of antitrust requirements were included into the scope of the independent

compliance hotline, the hotline coverage was extended to third parties, including partners

As a result of the 2021 internal audit of antitrust compliance, and considering the explanation of the Federal Antimonopoly Service of Russia On the system of internal antitrust compliance, approved by the FAS of Russia plenary No. 20 dd. 2 July 2021:

- The company introduced changes into its map of antitrust risks

- A road map has been developed to reduce the risks antitrust legislation violations

Plans for 2022 and the medium term

In 2022, the company plans to continue developing its compliance system, including compliance programmes for specific areas. The planned actions include:

- Updating the company's Corporate Ethics Code, further training and informing all employees about the Group's ethical standards
- Introducing new training and communication programmes in corporate ethics and specific compliance areas
- Preparing for certifying the compliance system according to the new ISO 37301:2021 standard.



Operational control and risk management

As a major international steel producer, NLMK is exposed to a variety of risks that could have a negative impact on the Group’s business and our stakeholders if they materialize. In order to safeguard its shareholder value and sustainable development, the company employs the latest operational control and risk management practices and methods. NLMK Group’s approach to operational control is based on a clear segregation of authority and functions between the entities involved in its Internal Control and Risk Management System; it also provides for ‘three lines of defence’ and four levels of management. Control procedures are used in the Group’s Russian and international subsidiaries and are an integral component of the key corporate decision-making activities and processes.

Internal Control and Risk Management System

The Internal Control and Risk Management System employed by NLMK is designed to ensure reasonable certainty that the Group’s strategic and operational goals will be achieved, to create and protect value for the Group, and to ensure sustainable development 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 reviews reports on the status of the company’s risks, plays a key role in the risk management process. The Internal Control and Risk Management Department functions as a separate structural unit within NLMK. Its goals and objectives include

analysing risks associated with key business processes, ensuring that risk management processes are effective, implementing monitoring procedures, and developing a corporate culture of risk awareness.

Division of internal control and risk management functions among corporate governance system participants

Participant	Key functions
Level 1	
Board of Directors	Specifies the principles for and approaches to the organization of the internal control system
Audit Committee	- Monitors the reliability and effectiveness of the Internal Control and Risk Management System - Monitors procedures to ensure the Group’s compliance with legislative and trade exchange requirements, and with corporate ethical standards, rules, and procedures - Analyses and assesses the implementation of NLMK’s conflict of interest management policy - Oversees compliance with policies and operational controls over environmental and social risks, as well as occupational health and safety risks GRI 102-30

Participant	Key functions
Level 2	
Management Board	- Determines the risk management strategy and approves critical risk management measures - Ensures the effective functioning of the Internal Control and Risk Management System
Risk Management Committee (Management Board)	- Approves the principles, strategy, and regulatory instruments for risk management processes and the internal control system - Regularly reviews the company’s Risk Map (a list of salient risks, indicating their weight and trends for a certain period) and ensures the overall monitoring of the implementation of risk management measures - Approves and performs the general monitoring of risk management measures - Regularly reviews the results of an analysis and assessment of the internal control system; approves and ensures the general monitoring of actions to enhance the system - Approves and monitors adherence to corporate ethics and business culture norms within the Group - Ensures the overall organization of activities to enforce the Code of Corporate Ethics and Anti-Corruption Policy - Regularly reviews reports on compliance with business ethics and anti-corruption principles - Coordinates the work of subdivisions participating in the risk management process and internal control system
Investment Committee	Overall control over risk magnitude, as well as selection of risk management measures for investment projects, their implementation and inclusion into the budget
Level 3	
- Internal Control and Risk Management Department - OHS (see the OHS section for more details) - Environment and Climate (see the Environment and Climate Change sections for more details) - Legal Support - Compliance (see the Compliance section for more details) - Corporate Security - Financial Controlling - Information Security (see the Cybersecurity section for more details)	- Assesses and regularly monitors the level of risks taken and assesses the efficiency of management activities - Coordinates and provides methodological support for the risk management process - Drafts regulatory and methodological documents concerning risk management and internal control - Records and processes incidents associated with deviations in the internal control system; plans and monitors corrective measures - Systematically looks into the risk coverage by the internal control system in cooperation with line managers; plans and monitors the implementation of corrective measures - Builds a system for effective internal communication about risks - Increases the company’s resilience to business interruptions - Ensures effective response and business recovery after interruptions - Ensures compliance of NLMK operations with relevant legislation and internal documents - Promotes and assesses the effectiveness of measures to counteract corruption and fraud implemented in accordance with the Group’s anti-corruption policy - Creates a risk-awareness culture
Level 4	
Risk owners (business units)	- Identify risks - Implement risk management measures - Monitor key risk indicators (KRIs)
Audit Department (Internal Audit Service)	- Assesses the reliability and effectiveness of internal control and risk management and evaluates the corporate governance system with a view to providing independent and objective guarantees and consultations to the Board and the CEO - Provides advice and recommendations, promotes knowledge sharing

Our approach to risk management

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

NLMK’s risk management system was developed to take into account the challenges posed by the external environment and in accordance with the principles set forth in international risk management standards, including ISO 31000:2018 and COSO ERM:2017. NLMK’s key internal document focused on risk management is the *Internal Control and Risk Management Policy* approved by the Board of Directors. Internal documents have also been drafted to manage individual risk categories that are important to the Group.

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

GRI 102-11

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

values, the status of risk management measures, and risks that have materialized.

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

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

The majority of significant risks to which NLMK is exposed are assessed on a quantitative basis, which leads to better-informed management decisions. The Group assesses salient risks using scenario analysis models and stress testing.

Risk management requires specific knowledge and often involves data processing and modelling. In order to cope with specific local tasks in business units, the Risk Lab competence centre was created in 2020, which will develop innovative methods and tools for quantifying risk and making decisions in conditions of uncertainty. This will contribute to the continuous improvement of risk management methods.

The company regularly monitors the effectiveness of its risk management system and implements measures to improve it. Internal audit plays a key role in the assessment of the risk management system. In 2021, the internal audit assessed the Group’s

risk management system. According to the audit report, the NLMK Internal Control and Risk Management System has reached maturity, is generally aligned with best practices and facilitates more effective decision-making. The internal audit developed additional recommendations to further improve the system’s operation.

Risk Map

The company has developed a Risk Map to rationalize its approach to identifying, analysing, and monitoring risks and drawn up a list of salient (critical) risks. This list covers both financial and non-financial risks which according to the Group’s estimations, are highly likely to materialize or may have a big impact on the company’s operations. Analysing critical risks and monitoring the implementation of risk control measures remain a top priority for the NLMK Group management team. The Risk Map is regularly updated to reflect the strategy, operational changes, and external context.

In 2021, the major changes in the Risk Map were related to external factors: supply continuity risks increased, while environmental and climate risks were triggered by the climate agenda. The company developed a list of measures to ensure business continuity, analysed the climate risk profile, and formulated its Climate Programme. The Group continues to pay special attention to occupational safety, employee wellbeing, and information security.

Salient risks **GRI 102-15**

Occupational and industrial safety risks	
Risks of industrial and fire safety, risks of emergency situations, occupational risks	
Why is this risk important?	
NLMK Group is a manufacturing company. The company's activities involve operating hazardous production facilities and using a large amount of mechanical equipment, which creates risks related to the health of employees and contractors, as well as the risks of accidents, fires, equipment breakdown, the decay of buildings and structures, floods, and other natural disasters.	
Potential risk factors	Current risk management measures
- Design errors - Operational mistakes/unsafe operations - Poor quality of servicing - Untimely servicing - Hidden defects	- In-depth survey of buildings and structures and development of relevant repair programmes - Industrial safety expert review process - Fire safety programme based on the results of an external fire risk assessment - A new format of fire work permit, including risk assessment and control at all stages of work - Internal cross-audits on fire safety - Regular audits of the state of production facilities (observations, inspections, surveys) - Updated cardinal safety rules for employees and contractors - New injury prevention programmes, including LOTO (the procedure for using energy sources for the safety of workers during maintenance, repair or cleaning of equipment), safety at height, eye protection, etc. - Pre-work hazard analysis and dynamic risk assessment - A response system for emergency medical care, medical evacuation, first aid, and resuscitation, including employee training - Electronic work permits for hazardous operations - Mobile app for risk registration
Health & safety risks	
Risks of occupational diseases, epidemiological risks	
Why is this risk important?	
Due to the specifics of the company processes, the operations at the Group's sites are associated with the impact of harmful factors.	
The ongoing COVID-19 pandemic brought about additional risks for the health of employees, both related to the disease itself and to its consequences for the body	
Potential risk factors	Current risk management measures
- Harmful working conditions - Poor quality of mandatory medical check-ups, emergency medical aid, first-aid training - Seasonal epidemiological risks - Epidemiological risks related to COVID-19	- 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 - Upgrading corporate medical institutions (purchase of medical equipment, training of medical personnel) - Various forms of rehabilitation treatment for workers who have suffered from COVID-19 and viral pneumonia, at corporate medical facilities - A set of measures to contain 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, organizing catering for them - Training sessions for workers to teach them the latest first-aid algorithms - Using high-quality personal protective equipment

Environmental risks

Risks associated with events caused by NLMK Group's operations which may have negative effects on the environment.

Risks associated with the impact of the environmental situation on the activities of the Group's enterprises¹.

Why is this risk important?

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

A responsible attitude towards the environment and the efficient use of natural resources are the key principles of NLMK's Sustainable Development Policy. The company objectively assesses environmental risks and 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 (see the Environmental Protection section for more details).

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

Climate risks

Risks associated with the physical effects of climate change and the transition to a low-carbon economy

Why is this risk important?

Climate change is one of the most serious problems of the modern world, affecting society, economy and safety. Climate risks can be conditionally divided into:

- Physical risks associated with natural phenomena arising from climate change, the likelihood of which increases with global warming
- Transition risks associated with the transition to a low-carbon economy. The greenhouse gas emissions are the main driver of climate change. According to various estimates, steel industry accounts for 7% to 9% of global greenhouse gas emissions

NLMK Group takes climate change issues very seriously and consistently reduces the carbon footprint of its products (see the Climate Change section for more details)

Potential risk factors	Current risk management measures
Physical risks: - Extreme risks (extreme weather events) - Chronic risks (long-term climate change)	- Making sure that engineering and design are duly aligned with climate change specifics - Developing the Climate Programme and implementing investment and operational projects to reduce CO₂ emissions - Collaborating with government authorities by taking part in associations and working groups and offering comments on draft documents on transitioning to low-carbon economy
Transition risks: - Policy risks - Market risks - Reputation risks - Technology risks	

Water-related risks

Risks associated with water availability and quality

Why is this risk important?

Water is an important resource used in production processes. Although NLMK Group's enterprises are not located in water-deficient regions, the company strives to reduce water consumption and makes every effort to reduce the volume of water intake and increase water reuse rate. The company regularly monitors and assesses the risks of water supply in all regions, where it operates (see the Environmental Protection section for more details).

Potential risk factors	Current risk management measures
- Water scarcity - Floods - Droughts - Water pollution	- Regular monitoring of the quality of water bodies (upstream and downstream of the company facilities) and groundwater (via monitoring wells) - Closed water-loop systems, which not only minimize the consumption of fresh water, but also include “buffer” tanks for regular water supply to production units - Wastewater reuse measures - Availability of emergency response plans, plans for localization and elimination of water-related accidents

IT and information security risks

Disruption of business continuity due to unavailability of IT systems, data transmission network following technical and software failures, non-fulfilment 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.

Potential risk factors	Current risk management measures
- Targeted external attacks and viruses - Human error - Deliberate actions of employees - Physical loss of infrastructure and equipment (due to accidents or natural disasters)	- Integrated information security system development programme - Improvement of information security processes - External audits for compliance with the legal requirements in the field of personal data protection and external testing of information security system stability - Information security incident response plans (DRP, BCP)

Currency and price risks

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

Why is this risk important?

The key factor determining the size of the Group's revenue is global steel prices. Since most of the Group's revenue is denominated in foreign currencies and most of expenses are denominated in Russian rubles, NLMK faces currency risks. The correlation between steel prices and the ruble exchange rate creates a “natural hedging” effect, where one risk is partially offset with the other.

Potential risk factors	Current risk management measures
- Lower prices on finished products - Increase in raw material prices - Volatile supply timeframes - Currency exchange rate variations affecting financial results	“Natural hedging” of price risk by currency risk, maintaining an optimal open currency position - Using formula-based pricing, concluding long-term contracts - Hedging using derivative financial instruments (if necessary) - Hedge accounting according to IFRS standards

¹ In this risk group, in particular, the risks of water availability and its quality are separately assessed (see the Water-Related Risks section for more details)

The company also considers the following risks:

- Reputational risks and risks related to stakeholder engagement (see the Dialogue with Stakeholders section for more details)
- Risks related to skills depreciation
- Equipment failure risks
- Inventory risks
- Supply continuity risks
- Liquidity risks
- Tax risks
- Credit risks
- Interest risks
- Compliance risks (see the Compliance section for more details)

2021 performance¹

In 2021 the company continued to improve its Internal Control and Risk Management System and develop its approaches to risk management and risk culture. The following key projects focus on the ESG agenda and emerging risks:

- Assessing Climate Risks and Opportunities. The project included an analysis of climate pathways and a financial assessment of the potential impact of climate risks and opportunities (joint project with Carbon Trust – see the Climate Change section for more details)
- Conducting an environmental audit of the Group's mining enterprises
- Developing an expanded programme of liability insurance, including insurance for environmental risks

- Developing Environmental Programme (see the Environmental Protection section for more details) and Climate Programme (see the Climate Change section for more details)

Risk strategy and plans for 2022 and the medium term

NLMK has introduced the practice of regularly updating its Internal Control and Risk Management strategy. In 2021, three key areas for further development of the Internal Control and Risk Management System were approved for the next two years.

Business continuity management

Systematic work on continuity management is one of NLMK's priorities in its risk minimization activities. In view of this approach, a project is underway to organize a Business Continuity Management System 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, ensuring stability in crisis situations, and fulfilling its obligations to stakeholders.

In 2022, the Group plans to expand the project to include international assets, carry on with employee training in continuity management.

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 the following processes: improving existing control procedures by analysing 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.

Corporate culture of risk awareness

The company is working on building a risk awareness culture that meets the principles of engagement, responsibility, and risk prevention. As part of this commitment, NLMK plans to develop of additional training 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.

Internal Audit

Internal audit is a source of independent and reasonable guarantees to the Board of Directors and management. Its objective is to improve 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 is built in line with legal requirements and the recommendations of professional standards, the Bank of Russia's Corporate Governance Code, and best international practices.

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

The internal audit performs the following functions:

- Evaluation of the internal control system
- Evaluation of the risk management system
- Evaluation of corporate governance

In addition, internal audit performs consulting activities by providing independent opinions to internal customers on certain matters concerning financial and business operations.

NLMK'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 internal audit and their enforcement

Principles	Tools and mechanisms for enforcing the principles
Independence and objectivity	The Audit Director functionally reports to NLMK's Board of Directors The Audit Director is appointed (dismissed) by resolution of NLMK's Board of Directors The 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 is guided by a risk-based Audit Plan Resources are distributed between targeted (limited scope) and comprehensive audits of processes when the Audit Plan is devised The internal audit prepares recommendations taking into account the costs/value ratio. Priority is given to systemic measures Regular monitoring of the execution of post-audit recommendations

¹ 1 Events after the reporting date: In February 2022, situation in Ukraine escalated, which negatively impacted commodity and financial markets, and increased volatility, particularly with regard to foreign exchange rates. Since then, the circumstances have been deteriorating and the situation remains highly unstable. There is increased volatility in the financial and commodity markets. There is an expectation of further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the economy in general, but the full nature and possible effects of these are unknown.

Principles	Tools and mechanisms for enforcing the principles
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; they continuously develop and improve the said knowledge, skills, and other expertise through assessment, training, and sharing experience; they also continuously develop their expertise in IT systems as they are 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 to determine whether the internal audit activities 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 the function's performance. Following the 2017 independent quality assessment, Deloitte provided NLMK with a positive opinion stating that the internal audit'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 is the [Regulations on the Audit Department](#). The Regulations have been approved by the Board of Directors and are available on [the company's official website](#).

The head of internal audit submits reports to the Audit Committee on the audit results of the effectiveness of the internal control and risk management system.

2021 PERFORMANCE

In 2021, the internal audit continued to implement the Internal Audit Development Strategy through to 2022, approved by the Audit Committee.

The following planned activities were carried out:

- Maturity assessment of the top risk management system, assessment of anti-trust risk management and management of the risk of free trade restrictions/geopolitical risks
- Assessment of anti-corruption compliance, including the execution of the Anti-corruption Policy, the Regulations on Preventing, Disclosing and Managing Conflicts of Interests, the operation of the hotline
- Efficiency assessment of the internal control system for end-to-end processes at NLMK Group: system of qualification, tenders, and contract approval, the Repairs process in the company's Russian assets
- Local audits of process control efficiency

Plans for 2022 and the medium term

Assessing the reliability of risk management and internal control for NLMK Group's key business processes according to the Internal Audit Plan, including the testing of end-to-end processes in the company's international assets.

Efficiency assessment of certain corporate governance elements.

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 2021, 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

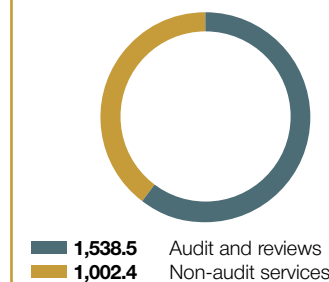
In order to comply with the requirements for audit independence and ensure a high level of professionalism, PwC has several systems that ensure audit independence and maintain a high level of professionalism and the quality of the services provided. For example, PwC rotates key audit personnel on a regular 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 2021, the share of non-audit services in the total volume of services provided by PwC was at an acceptable level and did not exceed 39% 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 2021 interim and annual IFRS consolidated financial statements as well as for the audit of the 2021 RAS statements in the amount of RUB 59.1 million (VAT excluded).

Remuneration paid to the independent auditor for 2021, \$ '000 (VAT excluded)



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 Depositary 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 5.98% of the share capital as of 31 December 2021. The company's depositary 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

Share price

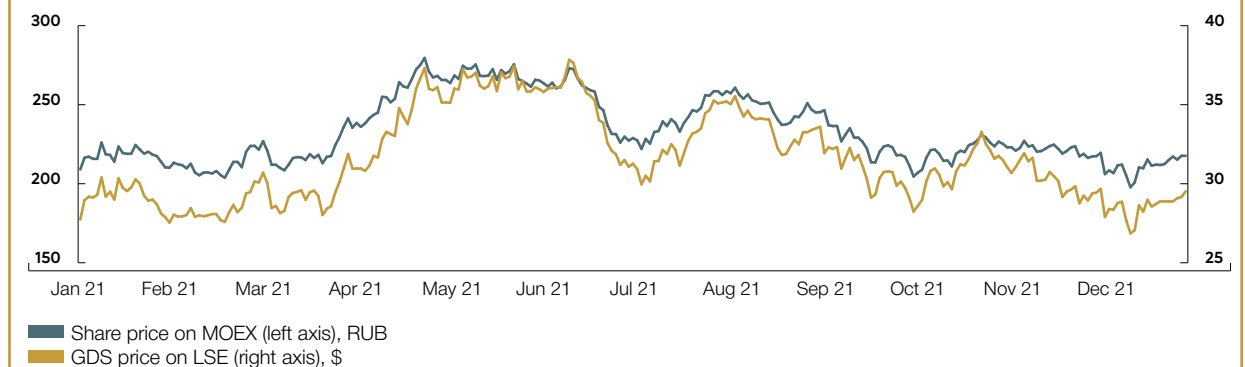
NLMK Global Depositary Share price on the London Stock Exchange, \$

Indicator	2020	2021	Variance, %
Start of year	23.0	27.7	20
End of year	27.7	29.5	6
Maximum	29.3	37.8	29
Minimum	12.3	26.9	118
Average	21.1	31.6	50

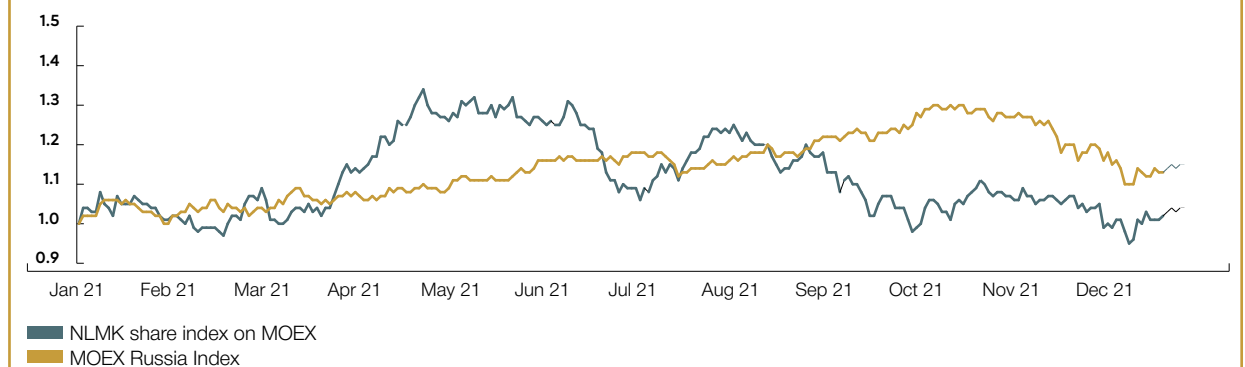
Ordinary NLMK share price on the Moscow Stock Exchange, RUB

Indicator	2020	2021	Variance, %
Start of year	143.7	209.1	45
End of year	209.1	217.6	4
Maximum	223.8	279.6	25
Minimum	101.1	197.8	96
Average	152.5	233.2	53

NLMK share prices on the Moscow Stock Exchange and London Stock Exchange in 2021



NLMK share index and Moscow Stock Exchange index in 2021



Number of shareholders

In 2021, the number of shareholders tripled, reaching 373,000 people. The number of online voting participants increased to 1,500 people by the end of the year (+2.2x year-on-year).

Number of NLMK shareholders and online voting participants

Indicator	As of 23.11.2020	As of 01.11.2021	Variance, %
Total shareholders	114,181	373,150	+3.3x
Online voting participants	677	1,482	+2.2x

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.

Market capitalization

In 2021, the company's average market capitalization on the London Stock Exchange was \$19 billion (+50% year-on-year). At the end of 2021, NLMK share price stood at \$2.95 per share (or \$29.52 per GDS), which is consistent with a capitalization of \$17.7 billion (+6% year-on-year). **GRI 102-7**

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 No. 372-FZ dd. 23 October 2020), and 15% for non-residents (clause 3.2, Article 224 of the Russian Tax Code).

Dividends

Dividend Policy

According to the current² 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
- 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 million 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 Depositary in Russian rubles or foreign currency, converted into US dollars by the depositary (in the case of dividend payments in a currency other than US dollars), and distributed to the holders of GDS, net of fees and depositary expenses.

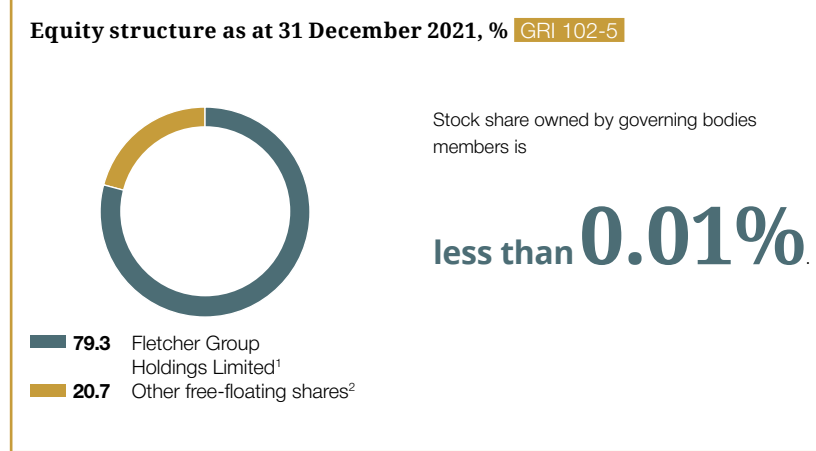
Corporate documents

The Group's corporate documents, including the NLMK Charter, are available 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 shareholder register.

Equity structure



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-rmr.ru
 Website: <http://www.a-rmr.ru/>

Depositary bank

Deutsche Bank Trust Company Americas

New York Headquarters

1 Columbus Circle, New York, NY 10019, USA

London Office

Winchester House
 1 Great Winchester St., London, EC2N 2DQ, United Kingdom

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 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 shares, including GDS.

² As of 31 December 2021.

¹ The company's beneficiary is Vladimir Lisin, according to the definition of 'beneficiary' in Russian legislation.

² Including GDS traded on the London Stock Exchange (Deutsche Bank Trust Company Americas is NLMK's depositary bank) and shares traded on the Moscow Exchange.

WOMEN'S VIEW ON MANAGEMENT



Chair of the Digital Development Committee

Jane Zavalishina was elected to NLMK Group Board of Directors as Independent Director at the Annual General Meeting of Shareholders. At the first Board meeting after AGM a new Board Committee on Digital Development was created, the first among Russian steel companies. Jane Zavalishina was appointed Chair of the newly created committee.

The committee will contribute to the effective implementation of the company's strategy and increase its competitiveness against the background of the trend towards active introduction of digital technologies in the industry.

Jane is the President and co-founder of Mechanical AI B.V., as well as a teaching professor at Singularity University Benelux. During her career, Jane was focused on the application of innovative technologies to create new and transform traditional businesses.



Managing Director of the Lipetsk site

In 2021, **Tatiana Averchenkova** was appointed to the position of Managing Director of NLMK Lipetsk. Earlier Tatiana held the position of Vice President for Operational Efficiency of NLMK Group. Tatiana has been working at NLMK Group since 2001. She was Director of Controlling and held leadership positions in the Strategy Department.

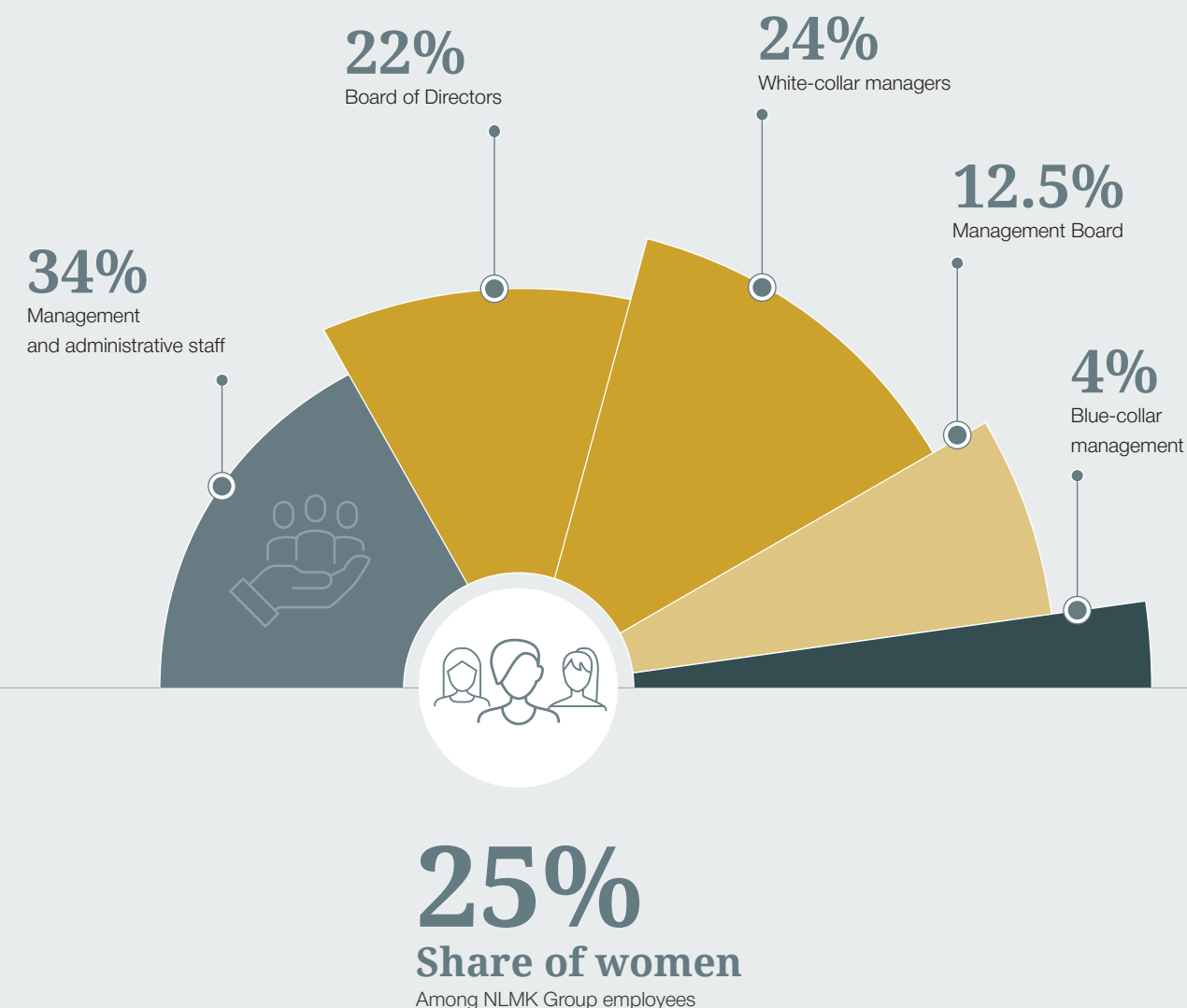
Since 2016, Tatiana was Vice President for Operational Efficiency. Under her leadership NLMK Production System was created, which has become one of the main tools for implementing NLMK Group's strategy. Tatiana is a member of the Management Board of NLMK Group.



Vice President for Technology Development

In 2021, the position of Vice President for Technology Development was created in NLMK Group. **Irina Spitsberg** was appointed to this position. Irina is engaged in the development and implementation of a long-term strategy for the development of new products and new production technologies.

She heads the company's international team of engineers and scientists in Russia and Europe. Irina's tasks include consolidation of existing research and development portfolios, identification of longterm promising areas of technology development and their management.





APPENDICES AND REPORTING

Microstructure of IF-steel
for ultra-deep drawing

Scale 1 : 10,000

About the report

Scope of reporting about NLMK operations and sustainability activities.

GRI 102-7

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
NLMK Vtorchermet	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	–

The process of defining material topics

GRI 102-46

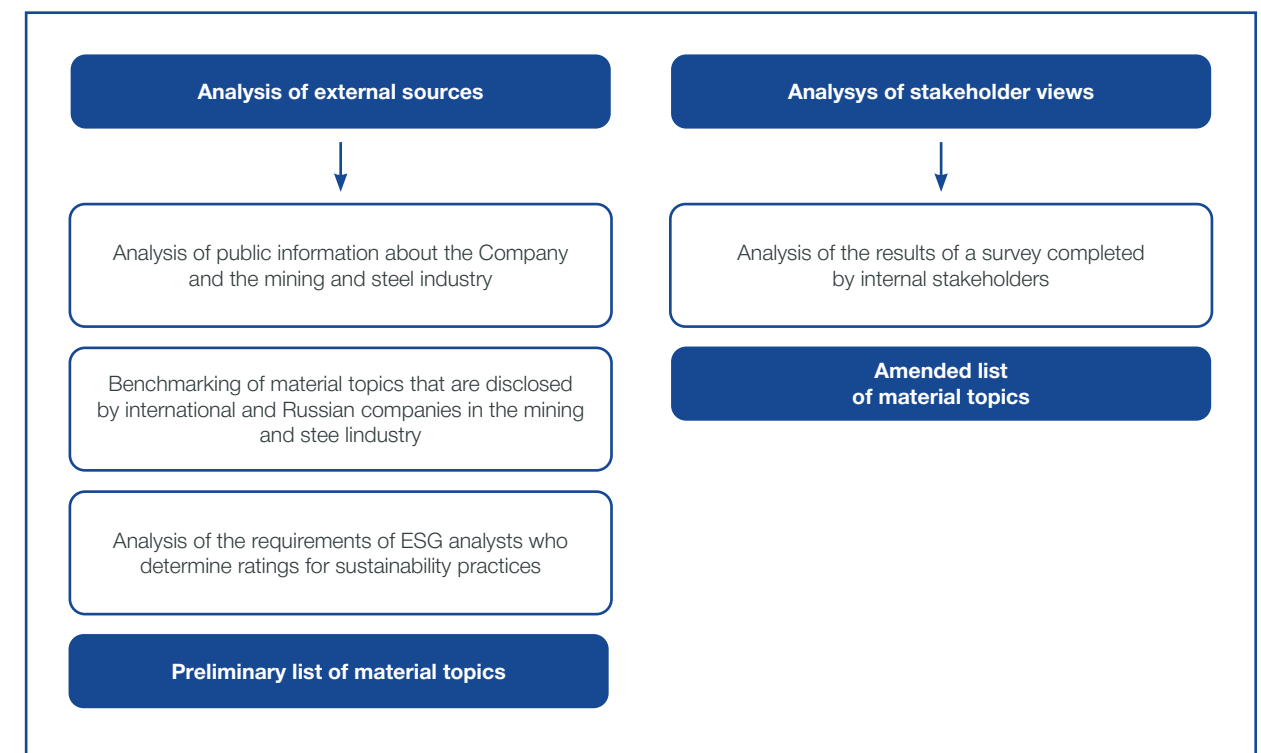
In the process of defining the Report's content, NLMK identified significant economic, environmental, and social topics that are of the greatest importance to the company and its stakeholders. This approach was developed based

on the requirements set out in the GRI Standards.

For the preparation of the 2021 Report, the heads of NLMK's functional areas updated the list of material topics based

on 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.

The process of defining material topics



High significance – high influence on stakeholders

1. Climate change issues, including:

- achievement of targets to reduce greenhouse gas emissions, measures, accounting and reporting system for greenhouse gas emissions
- a description of the risks and opportunities associated with climate change that could potentially impact the company's operations, revenue or expenses

2. Air emissions, including:

- emissions of pollutants into the atmosphere
- minimization of negative impact

3. Impact on water resources, including:

- approach to water use
- water consumption and wastewater statistics

4. Waste, including:

- waste generation
- recycling

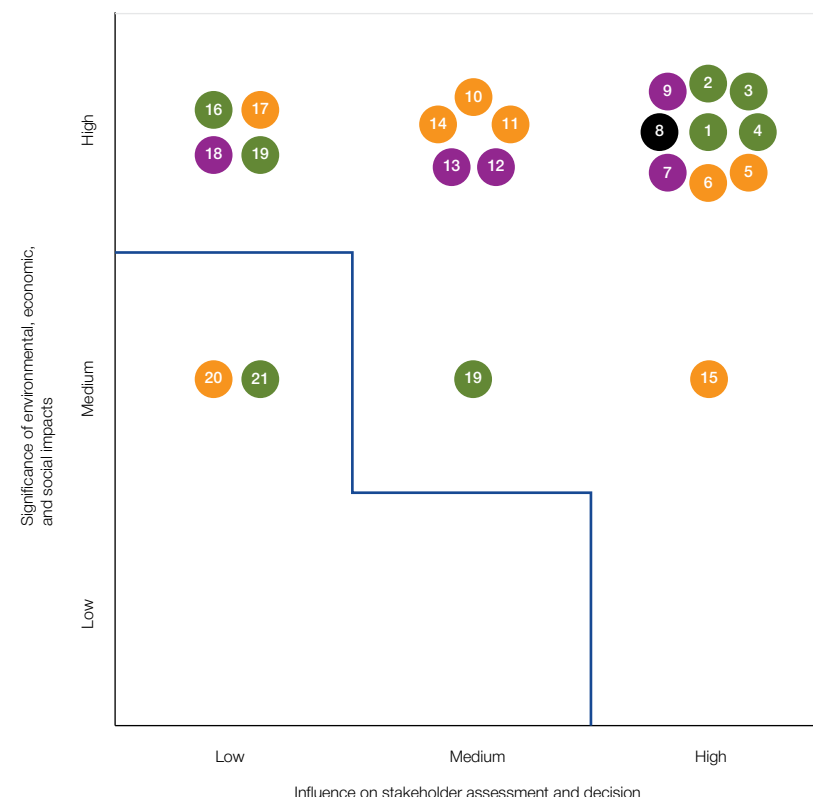
5. Health and safety in the workplace, including:

- process of hazard identification, risk assessment and accident investigation
- informing and training employees on occupational health and safety issues in the workplace
- promotion of a healthy lifestyle for employees, including providing access to medical services and services
- types and level of industrial injuries, as well as measures aimed at improving the level of safety at work

6. Employment, including:

- total number of employees, percentage of newly hired employees, employee turnover, percentage of employees hired from the local population, gender composition of employees
- compensation and benefits for employees

Materiality matrix GRI 102-47



7. Indirect economic impacts, including:

- description of infrastructure investment

8. Risk management, including:

- assessment of environmental and social risks and opportunities of new projects
- implementation of management tools based on identified risks aimed at preventing, minimizing and eliminating consequences for the health and safety of employees and local communities, as well as for the environment

9. Economic performance, including:

- net sales
- income from financial investments and asset sales
- operating costs
- salaries and other payments to employees
- payments to suppliers
- investing in communities

High significance – average influence on stakeholders

10. Emergency preparedness, including:

- emergency preparedness mechanisms
- measures taken to effectively respond to emergencies and ensure the protection of workers and local communities

11. Training and education, including:

- number of training hours per employee
- professional development programmes

12. Ethical business conduct, including:

- compliance with applicable law
- responsibility for sustainable development indicators at the level of the Board of Directors

13. Anti-corruption, including:

- implementation of practices and policies to prevent corruption
- informing about the policy and methods of combating corruption
- corruption risk assessment
- anti-corruption training
- description of confirmed cases of corruption and actions taken

14. Supply chain including:

- share of spending on local suppliers in the regions of operation
- supply chain transparency
- sustainability in the supply chain

Medium significance – high impact on stakeholders

15. Local communities, including:

- information about the company's interaction with local communities
- economic, social, cultural and environmental impact of the company on local communities and their rights
- investment in local communities

High significance – low influence on stakeholders

16. Energy management, including:

- energy consumption within the company
- the amount of energy required per unit of output
- reduction in energy consumption resulting from initiatives to reduce energy consumption and improve energy efficiency

17. Human rights policy:

- human rights assessment or human rights impact assessment
- training of employees in the field of human rights
- non-discrimination, information on the number of cases of discrimination, as well as measures taken
- diversity and equal opportunity: composition of governing bodies and key staff categories by gender, age and other indicators of diversity
- the ratio of the base salary of men and women by category of workers
- freedom of association and the right to enter into collective bargaining

18. Innovative development, including:

- Innovation
- Research and development
- Digitalization

Medium significance – medium influence on stakeholders

19. Responsible tailings management, including:

- formation, placement and presence of tailings at the end of the year
- tailings management approach

Medium significance – low influence on stakeholders

20. Countering COVID-19, including:

- measures taken to counter COVID-19
- impact of COVID-19 on business processes

21. Biodiversity, including:

- significant impacts on biodiversity associated with the company's activities
- reclamation of disturbed lands

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 2021 was used (USD 1 = RUB 72.15) or the rate on 31 December 2021 (USD 1 = RUB 71.88).

Operating performance indicators, as well as data in the field of sustainable development, are presented in international system units (International System of Units).

The sources of information in the field of sustainable development within the framework of personnel management, labor protection and industrial safety, as well as environmental protection are the forms of state mandatory statistical reporting, annually submitted to the relevant departments.

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 2021 information disclosure covers both the Group's Russian and international companies, unless the text states otherwise.

In 2021, the company significantly expanded the scope of disclosures on greenhouse gas emissions in line with TCFD recommendations. In the next reporting periods, the company plans to continue the practice of disclosing this information. A significant step in 2021 was enhanced disclosure of information on aspects related to climate change.

TCFD-index

TCFD recommendations	Annual report 2021	Page
1. Governance Disclose the organization's governance around climate-related risks and opportunities		
Describe the board's oversight of climate-related risks and opportunities	Information is represented in the Sustainability agenda management at the Board of Directors level section and Climate change: Climate strategy priorities	45, 59
Describe management's role in assessing and managing climate-related risks and opportunities.	Information is represented the Climate change: Climate strategy priorities	58–61
2. Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material		
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Information is represented in the Climate change: Assessment of climate risks and their impact on strategy, Climate change: Risk management and Climate change: Pathway to carbon neutrality sections	46–47, 58–60
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Information is represented in the Climate change: Assessment of climate risks and their impact on strategy, Climate change: Risk management and Climate change: Pathway to carbon neutrality sections	56–61
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Information is represented in the Climate change: Scenario analysis overview section	61–63
3. Risk management Disclose how the organization identifies, assesses, and manages climate-related risks		
Describe the organization's processes for identifying and assessing climate-related risks	Information is represented in the Climate change: Assessment of climate risks and their impact on strategy, Climate change: Risk management and Climate change: Scenario analysis overview sections	58–61
Describe the organization's processes for managing climate-related risks	Information is represented in the Climate change: Assessment of climate risks and their impact on strategy, Climate change: Risk management and Climate change: Scenario analysis overview sections	58–61
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Information is represented in the Climate change: Assessment of climate risks and their impact on strategy, Climate change: Risk management and Climate change: Scenario analysis overview sections	58–61
4. 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 organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Information is represented in the Climate change: Performance and targets section	48–54
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	Information is represented in the Climate change: Performance and targets section	49–51
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Information is represented in the Climate change: Performance and targets section	53–54

Annual Report 2021 approval procedure

No.	Stage	Document
1	Preliminary approval by the Board of Directors	Minutes of the meeting of the Board of Directors No. 290 dd. 24.05.2022
2	Approval by the General Meeting of Shareholders	Minutes No. dd. XX/XX/XXXX

WEF’s Stakeholder Capitalism Metrics

Principles of Governance

Theme	Core Metrics and Disclosures	Response and/or Reference	Related Standards
Quality of Governing	Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender	Board of Directors, p. 176 Biographies of members of the Board of Directors, p. 179 Committee Composition, p. 191	GRI 102-22 GRI 405-1a
Stakeholder Engagement	A list of the topics that are material to key stakeholders and the company, how the topics were identified	The process of identifying essential topics, p. 231 Dialogue with stakeholders, p. 106	GRI 102-21 GRI 102-43 GRI 102-47
Ethical Behavior	Anti-corruption 1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. 2a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and 2b) Total number and nature of incidents of corruption confirmed during the current year, related to this year. 3. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	Anti-corruption practice (anti-corruption compliance), p. 208 1. In 2021, more than 2,800 employees received full-time training in anti-corruption requirements. Electronic training was conducted for more than 10,000 employees. 2. In 2021, the compliance hotline received 46 applications related to the risk of theft and internal fraud. Checks have been carried out on all claims of violation. In 14 cases, the information was confirmed in full or in part, 8 applications were not completed at the reporting date. 3. Introduction of anti-corruption culture, p.210	GRI 205-2 GRI 205-3
Ethical Behavior	Compliance Description of internal and external mechanisms for: - Requests for advice on ethical behavior; - Reports of concerns about unethical or illegal behavior	Independent Compliance hotline of NLMK Group, p. 207	GRI 102-17
Risk and Opportunity Oversight	Integrating risk and opportunity into business process Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks. These opportunities and risks should integrate material economic, environmental and social issues, including climate change.	Activity control and risk management, p. 212 Assessment of climate risks and their impact on strategy, p. 58	GRI 102-15

Planet

Theme	Core Metrics and Disclosures	Response and/or Reference	Related Standards
Climate Change	Greenhouse gas (GHG) emissions For all relevant greenhouse gases report in metric tonnes of carbon dioxide equivalent (tCO ₂ e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Climate change: Performance and targets, p. 48	GRI 305:1-3 TCFD GHG Protocol
Climate Change	TCFD implementation Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	Climate change, p. 59 The company adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in its climate change-related reporting. The company also carried out a scenario analysis in alignment with TCFD's guidance that was detailed in its CDP Climate Change Questionnaire. GRI Index provides mapping of GRI disclosures to TCFD's recommendations. The company cites the TCFD index in the Appendices to the Annual Report, p. 235	TCFD
Freshwater Availability	Water consumption and withdrawal in water stressed areas	Not applicable. The regions of the Group's presence are characterized by high availability of water resources, the Group does not operate in water-deficient areas.	SASB CG-HP-140a.1 WRI Aqueduct water risk atlas tool

People

Theme	Core Metrics and Disclosures	Response and/or Reference	Related Standards
Dignity and Equality	Diversity and inclusion Percentage of employees per employee category, by age group, gender and other indicators of diversity , etc.	Personnel structure, p. 140	GRI 405-1b
Dignity and Equality	Pay equality The ratio of the basic salary by employee category and gender	Evaluation and remuneration, p. 127	GRI 405-2
Dignity and Equality	Risk for incidents of child, forced or compulsory labour	Human rights, p. 120	GRI 202-1
Health and Wellbeing	Health and safety The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	Occupational safety and industrial safety, p. 154	GRI:2018 403-9a&b, GRI:2018 403-6a
Skills for the Future	Training provided Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	Training and development, p. 129 57.5 hours of training per person in terms of the average number of students.	GRI 404-1

Prosperity

Theme	Core Metrics and Disclosures	Response and/or Reference	Related Standards
Employment and Wealth Generation	Absolute number and rate of employment	1. Personnel structure: Recruitment, p. 126 2. Personnel structure: Turnover, p. 126	GRI 401-1a&b
	- Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. - Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.		
Employment and Wealth Generation	Contribution to the economy	1. Financial Review: Creating economic value, p. 38 2. NLMK Group does not receive financial assistance from the state	GRI 201-1 GRI 201-4
	- Direct economic value generated and distributed (EVG&D) , ideally split out by: - Revenues - Operating costs - Employee wages and benefits - Payments to providers of capital - Payments to government - Community investment - Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.		
Employment and Wealth Generation	Contribution to financial well-being	1. Strategic priorities: Strategy 2022, p. 28 2. Information for Shareholders: Dividends, p. 296–297, Dividend payments, p. 296	
	- The company's investment strategy description. - Dividend payments		
Innovation for Better Products and Services	Total R&D expenses Total costs related to research and development	Our innovations, p. 22	
Community and Social Vitality	Total tax paid	Financial statements, p. 298	GRI 201-1

SASB index

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	48–54
Energy management		
EM-MM-130a.1 Total energy consumed, percentage grid electricity, percentage renewable	Total energy consumed – 403.6 PJ; Percentage grid electricity – 18% (consumption of purchased electricity – sold to external customers / total energy consumption of the Group); Percentage renewable – 0.43%	64–69
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 – 19.2 m m ³ Total fresh water consumed – 11.1 m m ³ . The difference is due to the fact that fresh water is withdrawn not only for own needs, but also for transfer to third-party consumers. The regions of the Group's presence are characterized by high availability of water resources. The Group does not operate in water-scarce areas	83–88
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	98–99
EM-MM-160a.2 Percentage of mine sites where:		
1) 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)	239
2) Acid rock drainage is actively mitigated	Not applicable. Acid effluents are not formed	239
3) 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	239
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	239
Greenhouse gas emissions		
EM-MM-110a.1 Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Gross global Scope 1 emissions – 30 m t CO ₂ -equiv. Only 1.1% is regulated by legal requirements at factories in the EU	49–54, 239
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) – 233,600 t, (2) nitrogen oxides (excluding N ₂ O) – 26,300 t, (3) sulfur oxides – 30,600 t, (4) solid particles 20,700 t, (5) mercury (Hg) – 0 t, (6) lead (Pb) – 1 t, (7) volatile organic compounds (VOC) – 2,600 t	239

Indicator	Reference / Comment	Page
Waste & hazardous materials management		
EM-MM-150a.1 Total weight of tailings waste, percentage recycled	Total weight of tailings – 23.9 m t The share of used tailings is 23% of the total volume	240
EM-MM-150a.2 Total weight of mineral processing waste, percentage recycled	The total weight of overburden is 60.7 m t (including non-waste). The share of used overburden is 28% of the total volume	240
EM-MM-150a.3 Number of tailings impoundments, broken down by MSHA hazard potential	NLMK Group operates one tailing dam. Detailed information is available at https://nlmk.com/upload/iblock/4dc/TSF-management.pdf	240
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 stucture	240
Security, human rights, rights of indigenous peoples		
EM-MM-210a.2 Percentage of proved and probable reserves in or near indigenous land	0; According to the company estimates, there is no presence of indigenous peoples in the regions where NLMK Group operates	240
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		240
Community relations		
EM-MM-210b.1 Discussion of process to manage risks and opportunities associated with community rights and interests		118–121
EM-MM-210b.2 Number and duration of non-technical delays	There were no non-technical delays at Russian assets	240
Activity metrics		
EM-MM-000.A Production of (1) metal ores and (2) finished metal products	Saleable iron ore production: 19.5 m t Finished steel production: 16.6 m t ¹	240
EM-MM-000.B Total number of employees	NLMK Group's average 2021 headcount was 50,600 people	124
Business ethics & transparency		
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.	208
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	240

¹ Including NBH.

GRI Index

GRI 102-55

Indicator	Reference / Comment	Page	Independent verification
GRI 102: General disclosures			
1. Organizational profile			
GRI 102-1 Name of the organization		8	
GRI 102-2 Activities, brands, products, and services		9	
GRI 102-3 Location of headquarters		39	
GRI 102-4 Location of operations		8	
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.	225, 230	
GRI 102-6 Markets served		20	
GRI 102-7 Scale of the organization		7, 10, 124, 224, 230	
GRI 102-8 Information on employees and other workers		124–125	✓ Average headcount breakdown by segment, region and contract type, % and thousands of people; Headcount breakdown by age, gender and categories, %.
GRI 102-9 Supply chain		116–117	✓ Procurement from suppliers of goods and materials by supplier country and by categories, number of suppliers and million Russian rubles ("RUB")
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.	117	
GRI 102-11 Precautionary Principle or approach		214	
GRI 102-12 External initiatives		259	
GRI 102-13 Membership of associations		259	
2. Strategy			
GRI 102-14 Statement from senior decision-maker		2	
GRI 102-15 Key impacts, risks, and opportunities		215	
3. Ethics and integrity			
GRI 102-16 Values, principles, standards, and norms of behaviour		32, 106, 206–207	
GRI 102-17 Mechanisms for advice and concerns about ethics		121, 207	
4. Corporate management			
GRI 102-18 Governance structure		171	
GRI 102-19 Delegating authority		45, 75	
GRI 102-20 Executive-level responsibility for economic, environmental, and social topics		45, 75, 120, 145, 188	
GRI 102-21 Consulting stakeholders on economic, environmental, and social topics		107	
GRI 102-22 Composition of the highest governance body and its committees		175, 191	
GRI 102-23 Chair of the highest governance body		175	

Indicator	Reference / Comment	Page	Independent verification
GRI 102-24 Nominating and selecting the highest governance body		174, 188	
GRI 102-25 Conflicts of interest		191	
GRI 102-26 Role of highest governance body in setting purpose, values, and strategy		174, 187, 198	
GRI 102-27 Collective knowledge of highest governance body		178	
GRI 102-28 Evaluating the highest governance body's performance		188	
GRI 102-29 Identifying and managing economic, environmental, and social impacts		187, 192	
GRI 102-30 Effectiveness of risk management processes		212	
GRI 102-31 Review of economic, environmental, and social topics		45, 75	
GRI 102-32 Highest governance body's role in sustainability reporting		188, 192	
GRI 102-35 Remuneration policies		203, 205	
GRI 102-36 Process for determining remuneration		203, 205	
GRI 102-37 Stakeholders' involvement in remuneration		203	
5. Dialogue with stakeholders			
GRI 102-40 List of stakeholder groups		106	
GRI 102-41 Collective bargaining agreements		141	☒ Number of employees covered by collective bargaining agreements, %
GRI 102-42 Identifying and selecting stakeholders		106	
GRI 102-43 Approach to stakeholder engagement		106	
GRI 102-44 Key topics and concerns raised		107	
6. Reporting practice			
GRI 102-45 Entities included in the consolidated financial statements		0	
GRI 102-46 Defining report content and topic boundaries		231	
GRI 102-47 List of major themes		232	
GRI 102-48 Restatements of information		234	
GRI 102-49 Changes in reporting		234	
GRI 102-50 Reporting period		0	
GRI 102-51 Date of most recent report		0	
GRI 102-52 Reporting cycle		0	
GRI 102-53 Contact point for questions regarding the report		39	
GRI 102-54 Claims of reporting in accordance with the GRI Standards		0	
GRI 102-55 GRI content index		241	
GRI 102-56 External assurance		234	
Topic-specific disclosures			
GRI 200 Economic			
GRI 201 Economic Performance			
GRI 103 Management approach		8, 28–31	
GRI 201-1 Direct economic value generated and distributed		38	
GRI 201-2 Financial implications and other risks and opportunities due to climate change		58	
GRI 201-3 Defined benefit plan obligations and other retirement plans		138	

Indicator	Reference / Comment	Page	Independent verification
GRI 201-4 Financial assistance received from government	NLMK Group did not receive significant amounts of government subsidies for the 12 months ending 31 December 2021. In the register of NLMK shareholders there was no government as of 31 December 2021.		
GRI 203 Indirect economic impacts			
GRI 103 Management approach		137	
GRI 203-1 Infrastructure investments and services supported		161, 164	☒ Investments in corporate citizenship programmes, billion RUB and %
GRI 203-2 Significant indirect economic impacts		158	
GRI 204 Procurement practices			
GRI 103 Management approach		117	
GRI 204-1 Proportion of spending on local suppliers			☒ Procurement from local suppliers for the Russian companies, % and billion RUB
GRI 205 Anti-corruption			
GRI 103 Management approach		208	
GRI 205-1 Operations assessed for risks related to corruption		208	
GRI 205-2 Communication and training about anti-corruption policies and procedures		207, 209	
GRI 205-3 Confirmed incidents of corruption and actions taken		210	
GRI 206 Anti-competitive behavior			
GRI 103 Management approach		210	
GRI 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		210	
GRI 300 Environmental			
GRI 103 Management approach		75–76	☒ Spending on environmental protection (incl. investments projects and current expenditures), million US dollars
GRI 301 Materials			
GRI 301-1 Materials used by weight or volume		117	
GRI 301-2 Recycled input materials used		89	
GRI 302 Energy			
GRI 103 Management approach		65	
GRI 302-1 Energy consumption within the organization		66–68	☒ Energy consumption by the Group, PJ Consumption of non-renewable fuels by the Group, including fuel types used, PJ Consumption, generation and sale of electricity and thermal energy by the Group, PJ
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	68	☒ Energy intensity, Gcal/tonne ("t")
GRI 302-4 Reduction of energy consumption		70	
GRI 303 Water and effluents			
GRI 103: Management approach		83	
GRI 303-1 Interactions with water as a shared resource		83	

Indicator	Reference / Comment	Page	Independent verification
GRI 303-2 Management of water discharge-related impacts		86	☑ Management of water discharge-related impacts
GRI 303-3 Water withdrawal		83–84	☑ Freshwater withdrawal, by sources and by regions, million m ³ Urban wastewater converted for treatment, million m ³
GRI 303-4 Water discharge		87–88	☑ Volume of water discharge by receiving water body and by region, million m ³ ; Volume of water collected and converted to third-party and volume of loss of withdrawn water during transportation, million m ³ ; Pollutants discharged into water bodies, thousands of t
GRI 303-5 Water consumption		83–84	☑ Water consumption, million m ³
GRI 304 Biodiversity			
GRI 103: Management approach		98	
GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		98	
GRI 304-2 Significant impacts of activities, products, and services on biodiversity		98	
GRI 304-3 Habitats protected or restored		99	☑ Land rehabilitated, ha
GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		98	
GRI 305 Emissions			
GRI 103: Management approach		45	
GRI 305-1 Direct (Scope 1) GHG emissions		49	☑ Direct GHG emissions (Scope 1), thousands of t of CO ₂ -equivalent
GRI 305-2 Energy indirect (Scope 2) GHG emission		49	☑ Indirect energy GHG emissions (Scope 2), market-based method and location-based method, thousands of t of CO ₂ -equivalent
GRI 305-3 Other indirect (Scope 3) GHG emissions		50	☑ Upstream GHG emissions (Scope 3), million of t of CO ₂ -equivalent
GRI 305-4 GHG emissions intensity		51	☑ Specific direct emissions from stationary sources (Scope 1), t of CO ₂ -equivalent per t of Fe and steel; Specific indirect energy emissions from stationary sources (Scope 2, location-based), t of CO ₂ -equivalent per t of Fe and steel; Specific indirect energy emissions from stationary sources (Scope 2, market-based), t of CO ₂ -equivalent per t of Fe and steel; Specific total emissions from stationary sources (Scope 1 + Scope 2, location-based), t of CO ₂ -equivalent per t of Fe and steel; Specific total emissions from stationary sources (Scope 1 + Scope 2, market-based), t of CO ₂ -equivalent per t of Fe and steel; Specific total emissions from stationary sources (Scope 1 + Scope 2, location-based), t of CO ₂ -equivalent per t of steel and commodity pig iron

Indicator	Reference / Comment	Page	Independent verification
GRI 305-5 Reduction of GHG emissions		52–53	☑ Reduction of CO ₂ emissions, thousands of t
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		96	☑ Volume of significant air emissions by the Group by substance type, thousands of t
GRI 306 Waste (2020)			
GRI 103: Management approach		89	
GRI 306-1 Waste generation and significant waste-related impacts		89	
GRI 306-2 Management of waste-related impacts		89–90	
GRI 306-3 Waste generated		90–91	☑ Waste generation by the Group, hazardous and non-hazardous, million t; Overburden of JSC Stoilensky GOK and beneficiation tailings, million t
GRI 306-4 Waste diverted from disposal		89–92	☑ Secondary raw materials recovered by third parties, hazardous and non-hazardous, million t; Secondary raw materials recovered in-house, million t; Share of utilized overburden of JSC Stoilensky GOK and beneficiation tailings of the Group, %
GRI 306-5 Waste directed to disposal		90–91	☑ Waste disposal at third-party landfills, hazardous and non-hazardous, million t; Overburden and beneficiation tailings generated and utilized by the Group, million t
GRI 307 Environmental compliance			
GRI 103: Management approach		79	
GRI 307-1 Non-compliance with environmental laws and regulations		79	
GRI 308 Supplier environmental assessment			
GRI 103: Management approach		77	
GRI 308-1 New suppliers that were screened using environmental criteria		77	
GRI 308-2 Negative environmental impacts in the supply chain and actions taken		78	☑ Suppliers and contractors of the Group screened using environmental criteria during audits conducted by the Group; Suppliers and contractors of the Group subject to measures to improve environmental compliance following audits conducted by the Group, %

Indicator	Reference / Comment	Page	Independent verification
GRI 400 Social			
GRI 401 Employment			
GRI 103: Management approach		126	
GRI 401-1 New employee hires and employee turnover		126	☒ Number and rate of new hires by region, by gender and by age; Rate of employee turnover, %
GRI 401-3 Parental leave		139	
GRI 403 Occupational health and safety			
GRI 103: Management approach		144	
GRI 403-1 Occupational health and safety management system		144	
GRI 403-2 Hazard identification, risk assessment, and incident investigation		148	
GRI 403-3 Occupational health services		148	
GRI 403-4 Worker participation, consultation, and communication on occupational health and safety		149	
GRI 403-5 Worker training on occupational health and safety		149	
GRI 403-6 Promotion of worker health		139	
GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		148	
GRI 403-8 Workers covered by an occupational health and safety management system		147	
GRI 403-9 Work-related injuries		154–155	☒ LTIFR for the Group employees and contractors; TRIFR for the Group employees and contractors; Number of occupational accidents, employees and contractors; Number of occupational fatalities, employees and contractors; Number of lost time injuries, employees and contractors; Total man-hours worked for employees and contractors
GRI 403-10 Work-related ill health		148	
GRI 404 Training and education			
GRI 103: Management approach		129	
GRI 404-1 Average hours of training per year per employee		129	☒ Average hours of training per year per employee in the Group's Russian companies
GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes		129, 132, 135, 136	
GRI 404-3 Percentage of employees receiving regular performance and career development reviews		127–128	☒ Proportion of the Group employees who received a regular performance and career development review, by category and gender, %
GRI 405 Diversity and equal opportunity			
GRI 103: Management approach		139	
GRI 405-1 Diversity of governance bodies and employees		124–125, 175	
GRI 405-2 Ratio of basic salary and remuneration of women to men		128	

Indicator	Reference / Comment	Page	Independent verification
GRI 406 Non-discrimination			
GRI 103: Management approach		118–121	
GRI 406-1 Incidents of discrimination and corrective actions taken		121	
GRI 407 Freedom of association and collective bargaining			
GRI 103: Management approach		118–121	
GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		121	
GRI 408 Child labor			
GRI 103: Management approach		118–121	
GRI 408-1 Operations and suppliers at significant risk for incidents of child labour		121	
GRI 409 Forced or compulsory labor			
GRI 103: Management approach		118–121	
GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour		121	
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.	120	
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.	121	
GRI 412-2 Employee training on human rights policies or procedures		121	
GRI 412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		121	
GRI 413 Local communities			
GRI 103: Management approach		160	
GRI 413-1 Operations with local community engagement, impact assessments, and development programmes		160	
GRI 413-2 Operations with significant actual and potential negative impacts on local communities	No such operations		
Company specific disclosures			
1) Average monthly salary at NLMK Group's Russian companies (company methodology, thousands RUB / employee)		127	☒
2) Significant emissions for the Group and for NLMK Lipetsk by type of substances, per unit of production (company methodology, kg/t and g/t)		96	☒
3) NLMK Group's social spending in 2016–2021 (company, billion RUB)		137	☒

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)	NLMK USA	DanSteel and plate distribution network	NBH Segment NLMK Clabecq S.A., NLMK Verona SpA, NLMK La Louvière S.A., NLMK Strasbourg S.A.	Other companies	Service and Supporting Business
Information on employees and other workers (GRI 102-8)	V	V	V	V	V	V	V	V
Supply chain (GRI 102-9)	V ¹	V ²	V ³	–	–	–	–	–
Collective bargaining agreements (GRI 102-41)	V	V	V	V	V	V	V ⁴	V
The management approach and its components (Only spending on environmental protection (incl. investments projects and current expenditures), million US dollars) (GRI 103-2)	V ¹	V ⁵	V	V	V	V	–	V ⁶
Financial implications and other risks and opportunities due to climate change (GRI 201-2)	V	V	V	V	V	V	V	V
Infrastructure investments and services supported (GRI 203-1)	V	V	V	–	V ⁷	V ⁸	–	–
Significant indirect economic impacts (GRI 203-2)	V	V	V	V	V	V	V	V
Procurement (GRI 204-1)	V ¹	V ²	V ³	–	–	–	–	–
Anti-corruption (GRI 205-1, 205-2, 205-3)	V	V	V	V	V	V	V	V
Anti-competitive behaviour (GRI 206-1)	V	V	V	V	V	V	V	V
Energy (GRI 302-1)	V ¹	V ⁹	V	V	V	V	–	–
Energy (GRI 302-3)	V ¹⁰	–	–	–	–	–	–	–
Water (GRI 303-1, 303-2, 303-3, 303-4, 303-5)	V ¹	V ⁵	V	V	V	V	–	V ⁶
Biodiversity (GRI 304-1, 304-2, 304-3, 304-4)	V ¹	V ⁵	V	V	V	V	–	V ⁶
Emissions (GRI 305-1, 305-2, 305-3, 305-4, 305-5)	V ¹	V ⁹	V	V	V	V	V ¹¹	V ¹²
Emissions (GRI 305-7)	V ¹	V ⁵	V	V	V	V	–	V ⁶

¹ Excluding NLMK Trading SA.
² Excluding NLMK Long and NLMK Vtorchermet.
³ Excluding Stagdok and Dolomit.
⁴ Excluding NLMK Jemappes Steel Center.
⁵ Only NLMK Ural, NLMK Metalware, NLMK Kaluga, NLMK Vtorchermet.
⁶ Only VIZ.
⁷ Only NLMK DanSteel.
⁸ Only NLMK Verona SpA.
⁹ Excluding NLMK Long.
¹⁰ Only NLMK Lipetsk.
¹¹ Only NLMK Manage Steel Center.
¹² Only NLMK Ural Service, VIZ, and NLMK India Service Center Pvt Ltd.
¹³ Only NLMK Distribution France, NLMK Deutschland, NLMK Manage Steel Center.
¹⁴ Only NLMK Trade House, NLMK Communication, NLMK IT, NLMK Engineering, VIZ, and NLMK India Service Center Pvt Ltd.

Indicator	Russia Flat Products (Russia)	Russia Long Products (Russia)	Mining Division (Russia)	NLMK USA	DanSteel and plate distribution network	NBH Segment		Service and Supporting Business
						NLMK Clabecq S.A., NLMK Verona SpA, NLMK La Louvière S.A., NLMK Strasbourg S.A.	Other companies	
Waste (GRI 306-1, 306-2, 306-3, 306-4, 306-5)	V ¹	V ⁶	V	V	V	V	–	V ⁶
Environmental compliance (GRI 307-1)	V	V	V	V	V	V	V	V
Supplier environmental assessment (GRI 308-1, 308-2)	V	V	V	–	–	–	–	–
Employment (GRI 401-1)	V	V	V	V	V	V	V	V
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)	V ¹	V	V	V	V	V	V ¹³	V ¹⁴
Training and education (GRI 404-1, 404-2, 404-3)	V	V	V	V	V	V	V	V
Diversity and equal opportunity (GRI 405-1)	V	V	V	V	V	V	V	V
Non-discrimination (GRI 406-1)	V	V	V	V	V	V	V	V
Freedom of association and collective bargaining (GRI 407-1)	V	V	V	V	V	V	V	V
Child labour (GRI 408-1)	V	V	V	V	V	V	V	V
Forced or compulsory labour (GRI 409-1)	V	V	V	V	V	V	V	V
Rights of indigenous peoples (GRI 411-1)	V	V	V	V	V	V	V	V
Human rights assessment (GRI 412-1, 412-2)	V	V	V	V	V	V	V	V
Local communities (GRI 413-1)	V	V	V	V	V	V	V	V
Average monthly salary at the Group's Russian companies	V	V	V	–	–	–	–	V
Significant air emissions by the Group by substance type, per unit of production	V ¹	V ⁶	V	V	V	V	–	V ⁶
NLMK Group's social spending in 2016–2021 (Russian companies)	V	V	V	–	–	–	–	V

¹ Excluding NLMK Trading SA.
² Excluding NLMK Long and NLMK Vtorchermet.
³ Excluding Stagdok and Dolomit.
⁴ Excluding NLMK Jemappes Steel Center.
⁵ Only NLMK Ural, NLMK Metalware, NLMK Kaluga, NLMK Vtorchermet.
⁶ Only VIZ.
⁷ Only NLMK DanSteel.
⁸ Only NLMK Verona SpA.
⁹ Excluding NLMK Long.
¹⁰ Only NLMK Lipetsk.
¹¹ Only NLMK Manage Steel Center.
¹² Only NLMK Ural Service, VIZ, and NLMK India Service Center Pvt Ltd.
¹³ Only NLMK Distribution France, NLMK Deutschland, NLMK Manage Steel Center.
¹⁴ Only NLMK Trade House, NLMK Communication, NLMK IT, NLMK Engineering, VIZ, and NLMK India Service Center Pvt Ltd.



Independent Limited Assurance Report

To the Management of Novolipetsk Steel:

Introduction

We have been engaged by the Management of Novolipetsk Steel (hereinafter – the “Company”) to provide limited assurance on the selected information listed below and included in the Annual Report for the year ended 31 December 2021 of the Company (hereinafter – the “Annual Report”). The Annual Report represents information related to the Company, its subsidiaries and a joint venture and its subsidiaries (hereinafter together – the “Group”), unless otherwise stated in the Annual Report.

Selected information

We assessed the quantitative and qualitative information specified in Appendix 1 to this report, that is disclosed in the Annual Report (hereinafter – the “Selected Information”).

The scope of our limited assurance procedures was limited to the Selected Information as at 31 December 2021 and for the year then ended 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 Sustainability Reporting Standards 102, 103, 203, 204, 302, 303, 304, 305, 306, 308, 401, 403 and 404 (hereinafter together – the “GRI Standards”) published by the Global Reporting Initiative (GRI), and in the Group’s methodology as set forth in the criteria defined in notes to the Group’s specific disclosures in the Our employees and Environmental protection sections of the Annual Report, (hereinafter – the “NLMK Methodology”, and together with the GRI Standards – the “Reporting Criteria”). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the Group’s management

Management of the Group is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines (including the NLMK Methodology) for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and



- reporting our conclusion to the management of the Group.

This report, including our conclusion, has been prepared solely for the management of the Group in accordance with the agreement between us, to assist management in reporting on the Group’s sustainability performance and activities. We permit this report to be disclosed in the Annual Report, which will 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 except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

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 or Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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 the Group’s personnel responsible for the preparation of the Annual Report and collection of underlying data;
- performed analysis of the relevant internal methodology and guidelines (including the NLMK Methodology), gaining an understanding of the design of the key systems, processes and controls for preparing and reporting the Selected Information; and

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.



- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported.

Reporting and measurement methodologies

Under the GRI Standards there is a range of different, but acceptable, measurement and reporting techniques. The techniques, together with the NLMK Methodology, 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 for which the Group is solely responsible for.

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 as at 31 December 2021 and for the year then ended has not been prepared, in all material respects, in accordance with the Reporting Criteria.

28 March 2022

Moscow, Russian Federation

A. B. Fomin is authorised to sign on behalf of the general director of AO PricewaterhouseCoopers Audit (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906104343)



Appendix 1 to the Independent Limited Assurance Report dated 28 March 2022

The Selected Information subject to limited assurance procedures and prepared in accordance with the GRI Disclosures and the NLMK Methodology, as applicable, is set out below:

GRI disclosure* / the Group's specific disclosure*	Selected Information as at 31 December 2021 and for the year then ended
102-8 Information on employees and other workers	- Average headcount breakdown by segment, region and contract type, % and thousands of people; - Headcount breakdown by age, gender and categories, %.
102-9 Supply chain	Procurement from suppliers of goods and materials by supplier country and by categories, number of suppliers and million Russian rubles ("RUB").
102-41 Collective bargaining agreements	Number of employees covered by collective bargaining agreements, %.
103-2 The management approach and its components	Spending on environmental protection (incl. investments projects and current expenditures), million US dollars.
203-1 Infrastructure investments and services supported	Investments in corporate citizenship programmes, billion RUB and %.
204-1 Proportion of spending on local suppliers	Procurement from local suppliers for the Russian companies, % and billion RUB.
302-1 Energy consumption within the organization	- Energy consumption by the Group, PJ; - Consumption from non-renewable fuels by the Group, including fuel types used, PJ; - Consumption, generation, and sale of electricity and thermal energy by the Group, PJ.
302-3 Energy intensity	Energy intensity, Gcal/tonne ("t").
303-2 Management of water discharge-related impacts	Management of water discharge-related impacts.
303-3 Water withdrawal	- Freshwater withdrawal, by sources and by regions, million m³; - Urban wastewater converted for treatment, million m³.
303-4 Water discharge	- Volume of water discharge by receiving water body and by region, million m³; - Volume of water collected and converted to third-party and volume of loss of withdrawn water during transportation, million m³; - Pollutants discharged into water bodies, thousands of t.
303-5 Water consumption	Water consumption, million m³.
304-3 Habitats protected or restored	Land rehabilitated, ha.



GRI disclosure* / the Group's specific disclosure*	Selected Information as at 31 December 2021 and for the year then ended
305-1 Direct (Scope 1) GHG emissions	Direct GHG emissions (Scope 1), thousands of t of CO₂-equivalent.
305-2 Energy indirect (Scope 2) GHG emissions	Indirect energy GHG emissions (Scope 2), market-based method and location-based method, thousands of t of CO₂-equivalent.
305-3 Other indirect (Scope 3) GHG emissions	Upstream GHG emissions (Scope 3), million of t of CO₂-equivalent.
305-4 GHG emissions intensity	- Specific direct emissions from stationary sources (Scope 1), t of CO₂-equivalent per t of Fe and steel; - Specific indirect energy emissions from stationary sources (Scope 2, location-based), t of CO₂-equivalent per t of Fe and steel; - Specific indirect energy emissions from stationary sources (Scope 2, market-based), t of CO₂-equivalent per t of Fe and steel; - Specific total emissions from stationary sources (Scope 1 + Scope 2, location-based), t of CO₂-equivalent per t of Fe and steel; - Specific total emissions from stationary sources (Scope 1 + Scope 2, market-based), t of CO₂-equivalent per t of Fe and steel; - Specific total emissions from stationary sources (Scope 1 + Scope 2, location-based), t of CO₂-equivalent per t of steel and commodity pig iron.
305-5 Reduction of GHG emissions	Reduction of CO₂ emissions, thousands of t.
305-7 Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	Volume of significant air emissions by the Group by substance type, thousands of t.
306-3 Waste generated	- Waste generation by the Group, hazardous and non-hazardous, million t; - Secondary raw materials recovered in-house, million t; - Overburden of JSC Stoilensky GOK and beneficiation tailings, million t.
306-4 Waste diverted from disposal	- Secondary raw materials recovered by third parties, hazardous and non-hazardous, million t; - Secondary raw materials recovered in-house, million t; - Share of utilized overburden of JSC Stoilensky GOK and beneficiation tailings of the Group, %.
306-5 Waste directed to disposal	- Waste disposal at third-party landfills, hazardous and non-hazardous, million t; - Overburden and beneficiation tailings generated and utilized by the Group, million t.
308-2 Negative environmental impacts in the supply chain and actions taken	Suppliers and contractors of the Group screened using environmental criteria during audits conducted by the Group;

GRI disclosure* / the Group's specific disclosure*	Selected Information as at 31 December 2021 and for the year then ended
	Suppliers and contractors of the Group subject to measures to improve environmental compliance following audits conducted by the Group, %.
401-1 New employees hires and employee turnover	- Number and rate of new hires by region, by gender and by age; - Rate of employee turnover, %.
403-9 Work-related injuries	- LTIFR for the Group employees and contractors; - TRIFR for the Group employees and contractors; - Number of occupational accidents, employees and contractors; - Number of occupational fatalities, employees and contractors; - Number of lost time injuries, employees and contractors; - Total man-hours worked for employees and contractors.
404-1 Average hours of training per year per employee	Average hours of training per year per employee in the Group's Russian companies.
404-3 Percentage of employees receiving regular performance and career development reviews	Proportion of the Group employees who received a regular performance and career development review, by category and gender, %.
The Group's specific disclosure	- Average monthly salary at the Group's Russian companies, thousands RUB / employee; - Significant air emissions by the Group and by the Company by substance type, per unit of production, kg/t and g/t; - Social support costs for employees of the Group's Russian companies, billion RUB.

* Reporting boundaries in terms of the Company and the number of its subsidiaries and a joint venture and its subsidiaries included for each information disclosure are set up in Appendix "GRI indicator consolidation boundaries" to the Annual Report, unless stated otherwise in the Annual Report.

NLMK’s internal audit service conclusion on the risk management and internal control in the company in 2021

Opinion prepared in line with the requirements of Federal Law 208-FZ dd. 26 December 1995 “On Joint-Stock Companies”.

In its activities, the Audit Department is guided by the Bank of Russia Governance Code, the Regulations on the Audit Department, International Professional Standards of Internal Audit, internal audit guidelines and practices, documents of international 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.

The Audit Department bases its opinion about the reliability and efficiency of the company’s risk management and internal control system on the result of audits, previous checks, and activities implemented by the management. It assesses the effectiveness of risk management measures, including response to materialized risks, and whether there are any significant and/or systematic flaws in the internal control system.

In 2021, the Audit Department conducted checks in line with the risk-oriented approach for the following processes: counterparty qualifications, tenders and contact approval, repairs, compliance of anti-corruption and antitrust requirements, managing the risk of free trade restrictions/geopolitical risk, managing the company’s top risks.

As a result of the reliability and efficiency evaluation of the risk management and internal control system, the Audit Department has sufficient grounds to express the opinion that overall the company’s risk management and internal control is effective in all significant aspects and in line with the scale of the company’s activities. The assessment did not detect any factors that could prevent the company from achieving its goals and potentially have a significant adverse impact on the interests of the company’s shareholders or non-compliance with current legislation.

Elena Sidorova
 Director of the Audit Department
 Lipetsk, 18 February 2022

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.

NLMK Group leaders head a number of industry associations and relevant commissions and committees, 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 (RUIE) and member of the Supervisory Board of the Russian Steel Association.

NLMK Group’s participation in industry associations and external initiatives

GRI 102-12 GRI 102-13

Association/Initiative	NLMK Group’s status
World Steel Association, an international association of iron and steel product manufacturers	Member 2018 signatory to worldsteel’s Sustainability Charter¹. 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
The Russian Union of Industrialists and Entrepreneurs (RUIE)	Member of 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	Member of the Supervisory Board and the Management Committee Member in all commissions of the Association, including the Commission for protection of labour, industrial and environmental safety
European Steel Association (EUROFER)	Member of the Association and the Management Bureau Participation in working groups
Council of Electricity Consumers of the Russian Federation	Member of the Council
Council of Non-Resource Exporters - Expert Council of the Committee on Transport and Construction of the State Duma of the Russian Federation	Member of 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	Member in the Association

¹ In early 2022, NLMK Group re-affirmed its commitment to sustainable development by re-signing worldsteel’s Sustainability Charter.

Responsibility statement

NLMK management, having considered the information available regarding the activities of the company, confirms its responsibility for:

Preparation and fair presentation of NLMK Group's IFRS consolidated financial statements as of 31 December 2021 and for the year ended on that date, published in this Annual Report (and disclosed on 3 February 2022 on the Group's official website in the Investors section), which includes the company's balance sheets, profit and loss statements, cash flow statements, equity statements and the statements on total shareholder income, and notes to the consolidated financial statements.

Fair presentation of NLMK’s financial status, operational results and cash flow results, as well as those of its subsidiaries and affiliates in the consolidated financial statements, disclosed in this Annual Report (as well as on the company's official website in the Investors section).

Completeness and correctness of the information disclosed in the NLMK Group Annual Report for 2021, specifically the information on the operational results of NLMK Group, the results of its strategic development, risks and events which may have impact on the operations of the Group in the near future.

The company management confirms that the operational and financial data, disclosed in the financial statements and this Annual Report, fully reflect the results of NLMK Group’s operations in 2021 and main changes against previous periods as well as give a comprehensive representation on the development of NLMK and its subsidiaries and affiliates.

Grigory 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
3	Report of the Board on results of joint-stock company strategy development	70.3	Compliance ensured	Information is represented in the About the company section, Strategy in action part
4	Information about consumption of energy resources	70.3	Compliance ensured	Information is represented in Appendix
5	Information about development perspectives	70.3	Compliance ensured	Information is represented in part About Company, section Strategy 2030
6	Report on dividends declared	70.3	Compliance ensured	Information is represented the Information for shareholders section and Appendices
7	Information about key risk factors	70.3	Compliance ensured	Information is represented in the Operational control and risk management section
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 the 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 the 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 the Board of Directors section

No.	Regulation	Reference to the clause	Status of compliance	Comments
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 the Corporate governance section
12	Joint-stock company policy in the field of remuneration and (or) compensation of expenses	70.3	Compliance ensured	Information is represented in the Report on remuneration paid to governing bodies section
13	Report on compliance with the Corporate Governance Code principles and recommendations	70.3	Compliance ensured	Information is represented the 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 the 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 the 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 the 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 the 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 the Appendix

No.	Regulation	Reference to the clause	Status of compliance	Comments
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 the 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 the 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 31.12.2021

No.	Company name	Address	Activity	NLMK share in charter capital, %
1	2	3	4	5
<u>Subsidiary companies</u>				
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	Sary 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

No.	Company name	Address	Activity	NLMK share in charter capital, %
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	Zhernovsky-1 Mining and Processing Complex Limited Liability Company	Novokuznetsk, Kemerovo Region, Russia	Entire range of works related to coal mining and processing	100
10	NLMK Information Technologies Limited Liability Company	Lipetsk, Russia	IT, computing, and telecom services	100
11	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
12	NLMK Metalware Limited Liability Company	Beryozovsky, Sverdlovsk Region, Russia	Production of wire, wire products, fasteners, and springs	100
13	NLMK Communications Limited Liability Company	Lipetsk, Russia	Telecom services	100
14	NLMK Long Limited Liability Company	Yekaterinburg, Sverdlovsk Region, Russia	Managing company, trading and procurement activities	100
15	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
16	Novolipetskaya Metallobaza Limited Liability Company	Lipetsk, Russia	Manufacturing of plastic and steel products	100
17	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
18	NLMK Trading House, Limited Liability Company	Moscow, Russia	Sale of NLMK Group products	100
19	Neptune Limited Liability Company	Lipetsk, Russia	Sports and recreation services	100

NLMK Lipetsk's energy resource consumption (fuels and coals) in 2020–2021

Name	UoM	2021	2020	Change, %
Electric energy	m kWh	3,779	2,555	48
	RUB m with VAT	4,488	3,713	21
Natural gas	m m³	2,125	2,044	4
	RUB m with VAT	12,212	11,377	7
Thermal energy	Gcal	29,580	24,237	22
	RUB m with VAT	56	41	37
Diesel fuel	'000 litres	23,308	22,311	4
	RUB m with VAT	1,011	899	12
Petrol	t	289	253	14
	RUB m with VAT	18	14	30
Fuel oil	t	1,510	3,101	-51
	RUB m with VAT	8	16	-52
Coals	'000 t	4,831	4,848	-0.4
	RUB m with VAT	49,583	36,071	37

List of transactions performed by NLMK in 2021 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 2021, 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 2021 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 one 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 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 function 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 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 2021, 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 on __.__.2022 (MoM No __).

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 2021.

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-06–28/102 dd. 27 December 2021).

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.	Substantive terms of the transaction	Management body that approved the transaction	Interested party(ies)
	The contract for the supply of wagons concluded between Novolipetsk Steel (buyer) and Freight One (supplier). The transaction amount is RUB 4,809.24 m, including VAT. The transaction term is from the moment of signing until the parties fulfill their contractual obligations and conduct mutual settlements.	The Board of Directors (Minutes No. 283 dd. 29 September 2021)	Vladimir Lisin, Chairman of the Board of Directors of Novolipetsk Steel, is at the same time a member of the Board of Directors of Freight One, a controlling person of Novolipetsk Steel and Freight One. Oleg Bagrin, Deputy Chairman of the Board of Directors of Novolipetsk Steel, is also a member of the Board of Directors of Freight One.

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 must ensure equal and fair treatment of all shareholders for the realization of their right to participate in the management of the company.			
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.	1. 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.	☒ Compliance ensured ☐ Partial compliance ☐ 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.	1. 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. 2. The notice of the General Meeting specifies the venue of the meeting and the documents needed to access the venue. 3. 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 (if the company's Charter provides for such information).	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	Due to the current epidemiological situation, in 2021 meetings of the company shareholders were held in the format of absentee voting (via electronic voting technology). At the same time, when holding in-person meetings of shareholders, the notification about such meetings include, among other things, the documents needed to access the venue of the General Meeting.
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 therefore, 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.	1. 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. 2. 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. 3. 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.	☒ 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.	1. 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. 2. 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.	☒ 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.	1. The charter of the company provides for the possibility of filling in the electronic ballot on the website, the address of which is indicated in the communication on the holding of the general meeting of shareholders.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	1. When holding general meetings of shareholders in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was provided for reports on issues on the agenda and time for discussion of these issues, shareholders were given the opportunity to express their opinions and ask questions on the agenda that interested them. 2. The company invited candidates to the management and control bodies of the company and took all necessary measures to ensure their participation in the general meeting of shareholders, at which their candidacies were put to the vote. Candidates for the management and control bodies of the company who attended the general meeting of shareholders were available to answer questions from shareholders. 3. The sole executive body, the person responsible for keeping accounting records, the Chairman or other members of the Audit Committee of the Board of Directors were available to answer questions from shareholders at general meetings of shareholders held in the reporting period. 4. In the reporting period, the company used telecommunication means to provide shareholders with remote access to participate in general meetings, or the Board of Directors made a reasonable decision that there was no need (possibility) to use such means in the reporting period.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	Due to the current epidemiological situation, in 2021, meetings of the company shareholders in 2021 were held in the form of absentee voting (via electronic voting technology). At the same time, when holding in-person meetings of shareholders: - sufficient time is provided for reports on agenda items and discussion of issues; - shareholders are given the opportunity to express their opinion and ask their questions on the agenda; - candidates for management and control bodies are invited; - CEO (Chairman of the Management Board), members of the Audit Committee (including its Chair), as well as candidates for management and control bodies are available to answer shareholders' questions.

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	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.	- 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. - The justification for the proposed distribution of net profit, including for the payment of dividends and the company's own needs, and an assessment of its compliance with the Dividend Policy adopted in the company, with explanations and an economic justification for the need to allocate a certain part of net profit for the company's own needs in the reporting period, were included in the materials to the General Meeting of Shareholders, the agenda of which covers the issue of distribution of profits (including the payment (declaration) of dividends).	☒ 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.	The Regulation on the company's Dividend Policy, in addition to the restrictions established by law, defines financial / economic circumstances under which the company should not make a decision on the payment of dividends.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
1.2.3	The company does not allow for deterioration of its shareholders' dividend rights.	In the reporting period, the company did not take any actions resulting in the deterioration of its shareholders' dividend rights.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	During the reporting period, other ways for persons controlling the company to receive profit (income) at the expense of the company other than dividends (for example, through transfer pricing, unreasonable provision of services by the controlling person to the company at inflated prices, through internal loans replacing dividends to the controlling person and (or) his or her controlled persons) were not used.	☒ Compliance ensured ☐ Partial compliance ☐ 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.	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.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
1.3.2	The company does not take any actions which result in or may result in artificial redistribution of corporate governance.	There are no quasi-treasury shares or they have not participated in voting within the reporting period.	☒ Compliance ensured ☐ Partial compliance ☐ 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.			
1.4.1	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.	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.	☒ 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
2.1	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.	- 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. - In the reporting period, the Nominations (Appointments, Personnel) Committee considered the issue of the compliance of the professional qualifications, skills and experience of members of the executive bodies with the current and expected needs of the company, dictated by the approved strategy of the company. - 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.	☒ Compliance ensured ☐ Partial compliance ☐ 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.	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.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
2.1.3	The Board of Directors defines the principles and approaches of the company's risk management and internal control system	- The principles and approaches to the organization of the risk management and internal control system in the company are defined by the Board of Directors and are enshrined in the company's internal documents defining the policy in the field of risk management and internal control. - In the reporting period, the Board of Directors approved (revised) the acceptable level of risks (risk appetite) of the company, or the Audit Committee and (or) the Risk Committee (if any) considered the advisability of submitting the issue of revising the risk appetite of the company for consideration by the Board of Directors.	☒ Compliance ensured ☐ Partial compliance ☐ 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.	- 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. - During the reporting period, the Board of Directors considered issues related to the specified policy (policies).	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	- 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.	☒ 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.	The internal documents of the company define the persons responsible for the implementation of the Information Policy.	☒ 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.	During the reporting period, the Board of Directors considered the results of self-assessment and (or) external assessment of corporate governance practices in the company.	☒ 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.	- 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 (self-evaluation) of the Board of Directors' activities performed during the reporting period.	☒ 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
2.2.2	The Chairman of the Board of Directors is available for communication with the company's shareholders.	1. The company has a transparent procedure that provides shareholders with the opportunity to send complaints to the Chairman of the Board of Directors (and, if applicable, to the Senior Independent Director) and receive feedback on them.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	1. 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.	☒ 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.	1. 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.	☒ 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.	1. During the reporting period, the Board of Directors analyzed its own needs in the field of professional qualifications, experience and skills and identified the competencies required for the Board of Directors in the short and long term.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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. In the reporting period, the Board of Directors considered the issue of compliance of the number of the Board members with the needs of the company and the interests of shareholders.	☒ Compliance ensured ☐ Partial compliance ☐ 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.	☒ 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
2.4.2	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.		☒ Compliance ensured ☐ Partial compliance ☐ 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 elected members of the Board are independent directors.		☒ Compliance ensured ☐ Partial compliance ☐ 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		☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	1. The Chairman of the Board of Directors is an independent director or a Senior Independent Director chosen from among independent directors. 2. The role, rights, and duties of the Board Chairman (and Senior Independent Director, if any) are duly defined in internal corporate documents.		☐ Compliance ensured ☒ Partial compliance ☐ Non-compliance	1. 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. 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. 2. Compliance ensured
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.	1. The efficiency of Chairman of the Board's performance was evaluated during the evaluation of the Board's performance in the reporting period.		☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	1. 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.		☒ 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
2.6	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.	- 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.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
2.6.2	The rights and obligations of the Board members are clearly worded and stated in the company's internal documents.	There is a published document in effect in the company which clearly defines the Board members' rights and obligations.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
2.6.3	Board members have enough time to perform their duties.	- 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.	☒ 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.	- 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.	☒ 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.	The Board of Directors had at least six meetings during the reporting year.	☒ 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.	- 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. - In the reporting period, members of the Board of Directors who were absent from the venue of the meeting of the Board of Directors were given the opportunity to participate in the discussion of agenda items and voting remotely - via tele- and video conferencing.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	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.	☒ 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.	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, not less than ¾ of the votes, or by a simple majority of votes of all the elected Board members.	☐ Compliance ensured ☒ Partial compliance ☐ Non-compliance	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. 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. 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. At the same time, in case of risk factors, it will take measures to adjust this system by amending internal corporate documents.

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.	- 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.		☐ Compliance ensured ☒ Partial compliance ☐ Non-compliance	1. 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. 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. 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. 2. Compliance ensured 3. Compliance ensured 4. Compliance ensured
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.	- 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 internal documents of the company define the tasks of the Remuneration Committee, including, but not limited to, the tasks contained in recommendation 180 of the Code, as well as the conditions (events) upon the occurrence of which the Remuneration Committee considers the issue of reviewing the company's Remuneration Policy of members of the Board of Directors, executive bodies and other key executives.		☐ Compliance ensured ☒ Partial compliance ☐ Non-compliance	1. 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. 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. 2. Compliance ensured 3. 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.	- 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. - In order to form a Board of Directors that best meets the goals and objectives of the company, the Nomination Committee in the reporting period, independently or jointly with other committees of the Board of Directors, or the company's authorized department for interaction with shareholders, organized interaction with shareholders, not limited to the circle of largest shareholders, in the context of the selection of candidates to the company's Board of Directors.	☒ Compliance ensured ☐ Partial compliance ☐ 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).	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.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
2.8.5	The committees are composed in such a way as to enable comprehensive examination of issues under consideration based on various opinions.	- Audit Committee, Remuneration Committee, Nomination Committee (or the corresponding committee with combined functions) in the reporting period were headed by independent directors. - The company's internal documents (policies) provide for provisions according to which persons who are not members of the Audit Committee, the Nomination Committee (or the relevant committee with integrated functionality) and the Remuneration Committee may attend committee meetings only at the invitation of the Chairman of the relevant committee.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
2.8.6	Committee chairs regularly inform the Board of Directors and its Chairman of their respective Committees' activities.	Within the reporting period Committee chairs regularly reported on their activities to the Board of Directors.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	- The internal documents of the company define the procedures for assessing (self-evaluating) the quality of the work of the Board of Directors. - 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. - 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' in-person meeting.	☒ 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.	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.	☒ 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
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.	1. Biographical information about the Corporate Secretary (including information about age, education, qualifications, experience), as well as information about positions in the management bodies of other legal entities held by the Corporate Secretary for at least five recent years is provided on the company's official website and in the Annual Report.	☒ 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.	1. The company has adopted and disclosed an internal document: Regulations on the Corporate Secretary. 2. The Board of Directors approves the candidate for the position of Corporate Secretary and terminates their powers, considers the issue of paying them additional remuneration. 3. The internal documents of the company enshrine the right of the Corporate Secretary to request, receive documents of the company and information from management bodies, structural divisions and officials of the company.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	1. The remuneration of members of the Board of Directors, executive bodies and other key executives of the company is determined taking into account the results of a benchmarking analysis with peer companies.	☒ 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.	1. During the reporting period, the Remuneration Committee reviewed the Remuneration policy (policies) and (or) the practice of its (their) implementation, assessed their effectiveness and transparency, and, if necessary, submitted appropriate recommendations to the Board of Directors to revise the said policy (policies).	☒ 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.	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.	☒ 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.	☒ Compliance ensured ☐ Partial compliance ☐ 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. In the reporting period, the company paid remuneration to members of the Board of Directors in accordance with the company's Remuneration policy. 2. In the reporting period, the company did not use with regard to members of the Board of Directors any form of short-term incentives or additional financial incentives, the payment of which depends on the company performance (indicators). No remuneration was paid for participation in particular meetings of the Board or committees of the Board of Directors.	☒ Compliance ensured ☐ Partial compliance ☐ 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.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	☒ Compliance ensured ☐ Partial compliance ☐ 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.	1. 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 2. 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. 3. When determining the amount of remuneration paid to members of the executive bodies and other key executives of the company, the risks borne by the company are taken into account in order to avoid creating incentives for making excessively risky management decisions.	☒ 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
4.3.2	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).	1. 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.		☐ Compliance ensured ☒ Partial compliance ☐ 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 introduce a programme of long-term motivation of members of executive bodies and key executives using company shares (financial instruments based on company shares). If a long-term incentive programme is implemented with the use of the company's shares (financial instruments based on the company's shares), it will be provided that the right to sell such shares and other financial instruments comes no earlier than three years from the date of their sale and is due to the achievement of certain indicators of the company's activity.
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.	1. 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.		☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	1. 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.		☒ Compliance ensured ☐ Partial compliance ☐ 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.	1. 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.		☒ Compliance ensured ☐ Partial compliance ☐ 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.	1. The company has adopted an anti-corruption policy. 2. The company has organized a safe, confidential and accessible way (hotline) to inform the Board of Directors or the Audit Committee of the Board of Directors about violations of legislation, internal procedures, or the company's code of ethics.		☒ Compliance ensured ☐ Partial compliance ☐ 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.	1. 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. 2. In the reporting period, the Board of Directors reviewed the results of reliability and efficiency assessment of the company's risk management and internal control system, and information on the results of the review was included in the company's Annual Report.		☒ 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
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.	☒ Compliance ensured ☐ Partial compliance ☐ 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. In the reporting period, as part of the internal audit, an assessment was made of the corporate governance practice (certain practices), including communication procedures (including communication on internal control and risk management) at all levels of the company's management, as well as interaction with stakeholders.	☒ Compliance ensured ☐ Partial compliance ☐ 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. During the reporting period, the Board of Directors (or one of its committees) considered the effectiveness of communication between the company, its shareholders, investors and other interested parties and the advisability (necessity) of revising the Information policy of the company.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	☒ Compliance ensured ☐ Partial compliance ☐ 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.	☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	1. The Information policy of the company defines approaches to the disclosure of information about other events (actions) that have a significant impact on the value or quotations of its securities, the disclosure of information about which is not provided for by law. 2. The company discloses information on its equity structure in full in its Annual Report and on the company's website in line with Recommendation 290 of the Code. 3. The company discloses information on controlled entities that are of significant importance to it, including key areas of their activities, on the mechanisms that ensure the accountability of controlled entities, the powers of the Board of Directors of the company in relation to determining the strategy and evaluating the performance of controlled entities. 4. The company discloses a non-financial report - a report on sustainable development, an environmental report, a report on corporate social responsibility or another report containing non-financial information, including on factors related to the environment (among them environmental and climate change), society (social factors) and corporate governance, except for the report of the equity securities issuer and the Annual Report of the joint-stock company.	☒ 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
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.	- The company's Annual Report contains information on the results of the Audit committee's assessment of the effectiveness of the external and internal audit process. - The company's Annual Report contains information on environmental and social aspects of the company's activities.		☒ 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.	- The Information Policy (internal documents defining the information policy) of the company defines an easy procedure for providing access to information and documents of the company at the request of shareholders. - The information policy (internal documents defining the information policy) contains provisions stipulating that if a shareholder receives a request to provide information about organizations controlled by the company, the company makes the necessary efforts to obtain such information from the relevant organizations controlled by the company.		☐ Compliance ensured ☒ Partial compliance ☐ Non-compliance	- Compliance ensured. - Partial compliance. The company, in accordance with the Information Policy, discloses, among other things, information about significant controlled legal entities, including information about key areas of activity and performance indicators, as well as information about significant events affecting the financial and economic activities of these companies. During 2022, the company plans to assess the feasibility of updating the current version of the Information Policy. At the same time, this recommendation of the Code is observed in practice: at the request of a shareholder, the company provides all the necessary information, and in case of its absence, the necessary efforts are made to obtain the missing information from the relevant organizations controlled by the company.
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.	- 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.		☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	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.		☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	The company has a procedure in place ensuring that the independent directors declare their opinion on material corporate events before they are approved.		☒ 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
7.1.3	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.	- 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. - During the reporting period all material corporate events underwent an approval procedure prior to their implementation.		☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.				
7.2.1	Information on material corporate events is disclosed with an explanation of the grounds, conditions, and consequences of such events.	If the company committed significant corporate actions during the reporting period, the company promptly and in detail disclosed information about such actions, including the reasons, conditions for the actions and the consequences of such actions for shareholders.		☒ Compliance ensured ☐ Partial compliance ☐ Non-compliance	
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.	- 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. - In the absence of a formal interest of a member of the Board of Directors, the sole executive body, a member of the collegial executive body of the company or a person who is the controlling person of the company, or a person entitled to give the company mandatory instructions, in the transactions of the company, but in the presence of a conflict of interest or other actual interest, the internal documents of the company provide that such persons do not take part in voting on the approval of such a transaction.		☐ Compliance ensured ☒ Partial compliance ☐ Non-compliance	- Partial compliance. The company's internal documents do not provide for a procedure for engaging an independent appraiser to determine the value of property alienated or acquired under a major or interested-party transaction. The company engages an independent appraiser in cases provided for in the legislation of the Russian Federation, which, in the company's opinion, completely eliminates associated risks. The company does not plan to revise the procedure for engaging an independent appraiser in the near future and intends to continue acting within the framework of the current legislation. At the same time, the company monitors this system and, in case of prerequisites for the emergence of risks, will take necessary measures to correct the system. - Compliance ensured. - Compliance ensured.

Report on the payment of declared (accrued) dividends

Year	Period	Dividend per share, RUB	Declaration date	Amount, RUB	Dividends/free cash flow, % ¹	Date of payment	Paid out ² as of 31.12.2021	
							RUB	% from declared
2021	9M	13.33	26.11.2021	79,889,719,109.20	96	from 08.12.2021 to 19.01.2022 (inclusive)	79,869,125,636.59 ³	99.97
2021	6M	13.62	27.08.2021	81,627,755,008.80	128	from 08.09.2021 to 12.10.2021 (inclusive)	81,526,123,885.30	99.88
2021	3M	7.71	11.06.2021	46,207,782,020.40	133	from 24.06.2021 to 28.07.2021 (inclusive)	46,151,949,151.92	99.88
2020	year	21.64 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 7.25 per share)	29.04.2021	129,693,437,473.60 (taking into account paid interim dividends, the outstanding dividend amount to be paid is RUB 43,450,897,490.00)	159	from 12.05.2021 to 16.06.2021 (inclusive)	129,537,206,162.01	99.88
2020	9M	6.43	18.12.2020	38,536,451,153.20	207	from 30.12.2020 to 10.02.2021 (inclusive)	38,490,037,326.05	99.88
2020	6M	4.75	25.09.2020	28,467,829,390	121	from 13.10.2020 to 17.11.2020 (inclusive)	28,433,396,553.64	99.88
2020	3M	3.21	30.06.2020	19,238,259,440.40	83	from 14.07.2020 to 17.08.2020 (inclusive)	19,215,508,661.40	99.88
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)	104	from 10.06.2020 to 15.07.2020 (inclusive)	103,930,812,372.99	99.89
2019	9M	3.22	20.12.2019	19,298,191,712.80	124	from 10.01.2020 to 13.02.2020 (inclusive)	19,278,336,612.39	99.90
2019	6M	3.68	27.09.2019	22,055,076,243.20	133	from 11.10.2019 to 15.11.2019 (inclusive).	22,032,160,596.42	99.90
2019	3M	7.34	07.06.2019	43,990,287,941.60	99	from 20.06.2019 to 24.07.2019 (inclusive)	43,942,798,941.29	99.89
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)	104	from 07.05.2019 to 13.06.2019 (inclusive)	136,561,427,815.00	99.89
2018	9M	6.04	21.12.2018	36,199,092,529.60	84	from 10.01.2019 to 13.02.2019 (inclusive)	36,161,117,065.45	99.90
2018	6M	5.24	28.09.2018	31,404,510,737.60	166	from 13.10.2018 to 19.11.2018 (inclusive).	31,371,264,920.92	99.89
2018	3M	5.73	08.06.2018	34,341,192,085.20	93	from 21.06.2018 to 25.07.2018 (inclusive)	34,305,019,118.04	99.89

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.

³ As at 31 December 2020 dividends payment deadline did not expire. The data is related to the expiry date of the dividend payout period the 9 months of 2020 – deadline expiring – 10 February 2021.

FINANCIAL STATEMENTS

Part 1 – CONSOLIDATED IFRS FINANCIAL STATEMENTS for 2021

Part 2 – 2021 NLMK's RAS FINANCIAL STATEMENTS for 2021

GRI 102-56



NOVOLIPETSK STEEL

CONSOLIDATED FINANCIAL STATEMENTS

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

**AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2021**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

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Independent Auditor's Report

To the Shareholders and Board of Directors of Novolipetsk Steel:

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 2021, 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 2021;
- 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.

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
Assessment of the recoverability of the carrying value of property, plant and equipment, intangible assets and goodwill <i>Refer to Notes 8 and 9 to the consolidated financial statements</i> The Group management performed an analysis of existence of impairment indications of the Group's property, plant and equipment (PP&E), intangible assets, goodwill, as well as indicators of potential reversal of the impairment loss recognised in prior periods. This analysis revealed high volatility on the market of certain finished products and raw materials. The analysis triggered testing a number of the Group's cash-generating units (CGUs) for impairment. CGU where management identified indicators that an impairment loss recognised in prior periods may no longer exist or may have decreased was tested for impairment reversal. The recoverable amount of PP&E, intangible assets and goodwill for each CGU subject to testing were calculated by management as at 31 December 2021. As a result of this testing performed, no additional impairment has been recognized as at 31 December 2021 and no impairment loss recognised in prior periods was reversed. 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.	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. Specific work performed over the impairment test included: • comparing the key assumptions used within the impairment models to the historic performance of the respective CGUs, approved estimates, and other supporting calculations; • 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. 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.



Other matter – Materiality and Group audit scope

Overview

Materiality	Overall Group materiality: 127 million US Dollars (USD), which represents 1% of the Group's consolidated average revenue for 2020-2021
Group scoping	- We conducted audit work at 5 reporting units in four countries. - Our audit scope addressed 76% of the Group's revenues and 73% of the Group's consolidated total assets

Materiality

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.

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 127 million (2020: USD 92 million)
How we determined it	1% of the Group's consolidated average revenue for 2020-2021
Rationale for the materiality benchmark applied	We chose the Group's consolidated average revenue for 2020-2021 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.

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 the 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 2021 and the Issuer's Report for the 12 months 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 2021 and the Issuer's Report for the 12 months 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 judgment 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.

2 February 2022

Moscow, Russian Federation

Signed on the original - A. B. Fomin

A. B. Fomin is authorised to sign on behalf of the general director of AO PricewaterhouseCoopers Audit (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906104343)

	Note	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Assets				
Current assets				
Cash and cash equivalents	3	541	842	713
Short-term financial investments	5	259	191	287
Trade and other accounts receivable	6	1,916	1,148	1,047
Inventories	7	2,649	1,373	1,634
Other current assets		14	16	14
		5,379	3,570	3,695
Non-current assets				
Long-term financial investments	5	1	7	5
Investments in joint ventures	4	64	131	223
Property, plant and equipment	8	6,184	5,659	6,039
Goodwill	9	211	212	248
Other intangible assets	9	136	159	162
Deferred income tax assets	17	178	119	101
Other non-current assets		8	5	11
		6,782	6,292	6,789
Total assets		12,161	9,862	10,484
Liabilities and equity				
Current liabilities				
Trade and other accounts payable	10	1,708	1,065	1,124
Dividends payable		10	109	318
Short-term borrowings	11	1,504	1,054	468
Current income tax liability		88	51	32
Other short-term liabilities		2	3	-
		3,312	2,282	1,942
Non-current liabilities				
Long-term borrowings	11	1,962	2,432	2,188
Deferred income tax liability	17	413	359	405
Other long-term liabilities		32	48	2
		2,407	2,839	2,595
Total liabilities		5,719	5,121	4,537
Equity attributable to Novolipetsk Steel shareholders				
Common stock	12(a)	221	221	221
Additional paid-in capital		8	8	9
Accumulated other comprehensive loss		(7,098)	(7,140)	(6,140)
Retained earnings		13,283	11,641	11,840
		6,414	4,730	5,930
Non-controlling interests		28	11	17
Total equity		6,442	4,741	5,947
Total liabilities and equity		12,161	9,862	10,484

The consolidated financial statements as set out on pages 9 to 67 were approved by the Group's management and authorised for issue on 2 February 2022.

	Note	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue	14	16,196	9,245	10,554
Cost of sales		(7,794)	(5,920)	(7,303)
Gross profit		8,402	3,325	3,251
General and administrative expenses		(443)	(346)	(352)
Selling expenses		(884)	(845)	(843)
Net impairment losses on financial assets		-	(8)	(1)
Other operating (expenses)/income, net		(16)	9	13
Taxes, other than income tax, and contributions	16	(391)	(64)	(66)
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		6,668	2,071	2,002
Loss on disposals of property, plant and equipment		(13)	(8)	(4)
Impairment of non-current assets	8, 9	(39)	(5)	(30)
Share of results of joint ventures and impairment of investments in joint ventures	4	(82)	(236)	(88)
Finance income	18	9	18	18
Finance costs	18	(115)	(90)	(68)
Foreign currency exchange loss, net	19, 21	(53)	(40)	(6)
Hedging result	21	(5)	(24)	-
Income/(expenses) on operations with financial instruments		7	(39)	-
Other expenses, net		(43)	(67)	(30)
Profit before income tax		6,334	1,580	1,794
Income tax expense	17	(1,280)	(343)	(453)
Profit for the year		5,054	1,237	1,341
Profit is attributable to:				
Novolipetsk Steel shareholders		5,036	1,236	1,339
Non-controlling interests		18	1	2
Earnings per share:				
Earnings per share attributable to Novolipetsk Steel shareholders (US dollars)	13	0.8403	0.2062	0.2234
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 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit for the year		5,054	1,237	1,341
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Hedge reserve of cash flows	21	83	(205)	-
Income tax related to hedge reserve of cash flows	21	(15)	41	-
Cumulative translation adjustment	2(b)	(26)	(839)	644
Total comprehensive income/(loss) for the year		5,096	234	1,985
attributable to:				
Novolipetsk Steel shareholders		5,078	236	1,981
Non-controlling interests		18	(2)	4

		Attributable to Novolipetsk Steel shareholders					Total equity
	Note	Common stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	
Balance at 1 January 2019		221	10	(6,782)	12,370	15	5,834
Profit for the year		-	-	-	1,339	2	1,341
Cumulative translation adjustment	2(b)	-	-	642	-	2	644
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	12(b)	-	-	-	(1,869)	-	(1,869)
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	21	-	-	(164)	-	-	(164)
Cumulative translation adjustment	2(b)	-	-	(836)	-	(3)	(839)
Total comprehensive (loss)/income		-	-	(1,000)	1,236	(2)	234
Disposal of assets to an entity under common control		-	(1)	-	-	-	(1)
Dividends to shareholders	12(b)	-	-	-	(1,435)	(4)	(1,439)
Balance at 31 December 2020		221	8	(7,140)	11,641	11	4,741
Profit for the year		-	-	-	5,036	18	5,054
Hedge reserve of cash flows net of related income tax	21	-	-	68	-	-	68
Cumulative translation adjustment	2(b)	-	-	(26)	-	-	(26)
Total comprehensive income		-	-	42	5,036	18	5,096
Dividends to shareholders	12(b)	-	-	-	(3,394)	(1)	(3,395)
Balance at 31 December 2021		221	8	(7,098)	13,283	28	6,442

	Note	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Cash flows from operating activities				
Profit for the year		5,054	1,237	1,341
Adjustments to reconcile profit for the year to net cash provided by operating activities:				
Depreciation and amortisation		595	574	562
Loss on disposals of property, plant and equipment		13	8	4
Finance income	18	(9)	(18)	(18)
Finance costs	18	115	90	68
Share of results of joint ventures and impairment of investments in joint ventures	4	82	236	88
Income tax expense	17	1,280	343	453
Impairment of non-current assets	8, 9	39	5	30
Foreign currency exchange loss, net	19,21	53	40	6
Hedging result	21	5	24	-
(Income)/expenses on operations with financial instruments		(7)	39	-
Gain on disposal of subsidiary		(3)	-	-
Change in impairment allowance for inventories and credit loss allowance of accounts receivable		(4)	4	5
Changes in operating assets and liabilities				
(Increase)/decrease in trade and other accounts receivable		(819)	(177)	314
(Increase)/decrease in inventories		(1,285)	117	284
Increase in other operating assets		(2)	(2)	(1)
Increase /(decrease) in trade and other accounts payable		677	46	(132)
Cash provided by operations		5,784	2,566	3,004
Income tax paid		(1,268)	(285)	(381)
Net cash provided by operating activities		4,516	2,281	2,623
Cash flows from investing activities				
Purchases and construction of property, plant and equipment and intangible assets		(1,217)	(1,124)	(1,080)
Proceeds from sale of property, plant and equipment		4	15	1
Purchases of investments and loans given		(370)	(51)	(164)
Proceeds from repayment of loans given		147	142	115
Placement of bank deposits		(298)	(836)	(933)
Withdrawal of bank deposits		446	847	777
Interest received		6	10	29
Contribution to share capital of joint venture	4	(18)	(131)	(155)
Acquisition of subsidiary, net of cash and cash equivalents acquired		-	(4)	-
Acquisition of non-controlling interest		-	-	(1)
Proceeds from disposal of subsidiary, net of cash disposed		6	-	-
Net cash used in investing activities		(1,294)	(1,132)	(1,411)
Cash flows from financing activities				
Proceeds from borrowings		2,462	2,002	1,015
Repayment of borrowings		(2,337)	(1,284)	(500)
Payments on leases		(22)	(20)	(14)
Interest paid		(55)	(64)	(49)
Payments from settlement of derivative financial instruments		-	(16)	-
Commissions paid		(43)	-	-
Dividends paid to Novolipetsk Steel shareholders		(3,523)	(1,637)	(2,120)
Dividends paid to non-controlling interests		-	(1)	-
Net cash used in financing activities		(3,518)	(1,020)	(1,668)
Net (decrease)/ increase in cash and cash equivalents		(296)	129	(456)
Effect of exchange rate changes on cash and cash equivalents		(5)	-	(10)
Cash and cash equivalents at the beginning of the year	3	842	713	1,179
Cash and cash equivalents at the end of the year	3	541	842	713

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 20).

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 2021, the Parent Company’s major shareholder with 79.25% (79.25% as at 31 December 2020 and 81.40% as at 31 December 2019) 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 20) are:

	Activity	Country of incorporation	Share at 31 December 2021	Share at 31 December 2020	Share at 31 December 2019
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.	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 2021	Share at 31 December 2020	Share at 31 December 2019
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 24. 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 26. 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.

	2021	2020	2019
Russian ruble to US dollar			
For the year ended 31 December	73.6541	72.1464	64.7362
As at 31 December	74.2926	73.8757	61.9057
Russian ruble to Euro			
For the year ended 31 December	87.1877	82.4488	72.5021
As at 31 December	84.0695	90.6824	69.3406

3 Cash and cash equivalents

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Cash	404	441	388
Deposits	109	384	296
Other cash equivalents	28	17	29
	541	842	713

4 Investments in joint ventures

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
NLMK Belgium Holdings S.A. ("NBH")	54	121	213
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	10	10	10
	64	131	223

The table below summarises the movements in the carrying amount of the Group's investments in joint ventures.

	2021	2020	2019
As at 1 January	131	223	159
Share of net loss	(21)	(81)	(101)
Contribution into share capital	18	131	155
Impairment of investments	-	(120)	(31)
Share of change in unrealised profit in inventory	(61)	(35)	44
Share of change in other comprehensive loss	1	(1)	(1)
Translation adjustment	(4)	14	(2)
As at 31 December	64	131	223

4 Investments in joint ventures (continued)

Summarised consolidated financial information for NBH before impairment losses is as follows:

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Current assets	1,067	693	767
Non-current assets	731	673	551
Total assets	1,798	1,366	1,318
Current liabilities	(1,037)	(635)	(654)
Non-current liabilities	(587)	(539)	(507)
Total liabilities	(1,624)	(1,174)	(1,161)
Equity	174	192	157
	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue	1,782	1,374	1,562
Net loss	(42)	(167)	(207)

NBH cash and cash equivalents as at 31 December 2021, 2020 and 2019 amounted to \$2, \$32 and \$25, respectively.

NBH financial liabilities excluding trade and other accounts payable as at 31 December 2021, 2020 and 2019 amounted to \$834, \$510 and \$649, 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.

	2021	2020	2019
Net assets as at 1 January	49	23	33
Net loss for the year	(41)	(161)	(202)
Contribution into share capital	36	185	195
Other comprehensive income/(loss)	3	(1)	(2)
Translation adjustment	(4)	3	(1)
Net assets as at 31 December	43	49	23
PP&E valuation difference	131	143	134
Adjusted net assets as at 31 December	174	192	157
As at 31 December:			
Share in net assets	85	94	77
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	416	376
Accumulated impairment of investments	(469)	(469)	(349)
Share of unrealised profit in inventory	(122)	(61)	(26)
Cumulative translation adjustment	44	41	35
Investments in NBH	54	121	213

The other investor in NBH is SOGEPA, a Belgian state-owned company, controlling the stake of 49.0% as of 31 December 2021, 2020 and 2019.

Information about the Group's operations with NBH and investment impairment testing is disclosed in Notes 22 and 8, respectively.

5 Financial investments

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Short-term financial investments			
Bank deposits (Note 21(c))	1	149	157
Loans to related parties (Note 22(c))	258	41	128
Other short-term financial investments	-	1	2
	259	191	287
Long-term financial investments			
Loans to related parties (Note 22(c))	1	6	5
Bank deposits (Note 21(c))	-	1	-
	1	7	5
	260	198	292

The carrying amounts of financial investments approximate their fair values.

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for similar instruments with similar to NBH credit risk and remaining maturity.

The fair values of loans were included in level 3 of the fair value hierarchy.

6 Trade and other accounts receivable

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Financial assets			
Trade accounts receivable	1,473	834	818
Credit loss allowance of trade accounts receivable	(13)	(14)	(18)
Other accounts receivable	41	147	33
Credit loss allowance of other accounts receivable	(19)	(22)	(23)
	1,482	945	810
Non-financial assets			
Advances given to suppliers	112	79	70
Allowance for impairment of advances given to suppliers	(11)	(9)	(3)
VAT and other taxes receivable	192	132	168
Prepaid export custom duties	139	-	-
Accounts receivable from employees	2	1	2
	434	203	237
	1,916	1,148	1,047

The carrying amounts of trade and other accounts receivable approximate their fair values.

6 Trade and other accounts receivable (continued)

As at 31 December 2021, 2020 and 2019, accounts receivable with a carrying value of \$112, \$119 and \$133, respectively, served as collateral for certain borrowings and committed unutilised credit facilities (Note 11).

Movements in the credit loss allowance of financial receivables are as follows:

	2021	2020	2019
As at 1 January	(36)	(41)	(38)
Credit loss allowance recognised	(4)	(5)	(7)
Accounts receivable written-off	3	3	2
Credit loss allowance reversed	4	3	5
Translation adjustment	1	4	(3)
As at 31 December	(32)	(36)	(41)

7 Inventories

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Raw materials	1,320	771	927
Work in process	791	298	383
Finished goods	579	350	384
	2,690	1,419	1,694
Impairment allowance	(41)	(46)	(60)
	2,649	1,373	1,634

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 2021	As at 31 December 2020	As at 31 December 2019
Raw materials	152	82	219
Work in process	479	108	141
Finished goods	99	42	42

As at 31 December 2021, 2020 and 2019 inventories with a carrying value of \$251, \$287 and \$460, respectively, served as collateral for certain borrowings and committed unutilised credit facilities (Note 11).

Cost of raw materials and acquired semi-finished goods in cost of production for the years ended 31 December 2021, 2020 and 2019 amounted to \$6,042, \$3,939 and \$4,835, respectively. Cost of fuel and energy resources in cost of production for the years ended 31 December 2021, 2020 and 2019 amounted to \$628, \$540 and \$607, respectively.

In November 2020 the Group has signed settlement agreement with the United States Government and received 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 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
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)
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

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 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
Additions	-	2	-	3	-	1,175	1,180
Disposals	(1)	(5)	(1)	(8)	(1)	(4)	(20)
Impairment	-	-	-	-	-	(9)	(9)
Transfers	8	200	378	279	112	(977)	-
Depreciation charge	-	(58)	(101)	(380)	(32)	-	(571)
Translation adjustment	(1)	(9)	(8)	(26)	(2)	(9)	(55)
Total property, plant and equipment							
Cost at 31 December 2021	134	2,005	2,501	6,613	453	1,468	13,174
Accumulated depreciation and impairment	-	(812)	(1,354)	(4,585)	(220)	(19)	(6,990)
Net book value at 31 December 2021	134	1,193	1,147	2,028	233	1,449	6,184
Including:							
Right-of-use assets							
Cost at 31 December 2021	19	48	1	20	1	-	89
Accumulated depreciation	-	(20)	(1)	(11)	-	-	(32)
Net book value at 31 December 2021	19	28	-	9	1	-	57

The amount of borrowing costs capitalised is \$28, \$32 and \$59 for the years ended 31 December 2021, 2020 and 2019, respectively. The capitalisation rate was 2.7%, 3.2% and 5.5% in 2021, 2020 and 2019, 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 2021. High volatility on the market of certain finished products and raw materials triggered impairment assessment (or reversal thereof) of some of the Group's cash generating units (further – "CGUs"), which required the reassessment of the recoverable amounts using the income approach based primarily on Level 3 inputs as at 31 December 2021. Goodwill was also tested for impairment as of the same date. Testing for impairment in the comparative periods was also caused by similar factors and was conducted as of 31 December 2020 and 2019.

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 2021, 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 2020: 5-year; 31 December 2019: 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 2021 impairment testing showed neither impairment, nor reversal of previously recognised impairment loss.

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		7.9%	Flat products and plate	684	-0.3%	-1.6%	0.4 p.p.
LLC VIZ-Steel	Property, plant and equipment	14.7%	Flat products	1,725	-15.0%	-27.0%	15.8 p.p.
LLC VIZ-Steel	Goodwill	14.7%	Flat products	1,725	-11.8%	-21.4%	9.2 p.p.
NLMK DanSteel A/S	Property, plant and equipment	8.3%	Plate	705	-1.7%	-7.3%	2.5 p.p.

* Weighted average prices based on the forecast product mix, averaged for the period from 2022 to 2026.

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 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.

9 Intangible assets

	Goodwill	Mineral rights	Industrial intellectual property	Beneficial lease interest	Total
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	(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
Additions	-	1	31	-	32
Impairment	-	(30)	-	-	(30)
Amortisation charge	-	(3)	(21)	-	(24)
Translation adjustment	(1)	(1)	-	-	(2)
Cost at 31 December 2021	225	262	126	-	613
Accumulated amortisation and impairment	(14)	(206)	(46)	-	(266)
Net book value at 31 December 2021	211	56	80	-	347
Including:					
Right-of-use assets					
Cost at 31 December 2021	-	-	18	-	18
Accumulated amortisation	-	-	(6)	-	(6)
Net book value at 31 December 2021	-	-	12	-	12

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 \$56, \$59 and \$73 as at 31 December 2021, 2020 and 2019, 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.

Due to the high uncertainty regarding the development of coal licenses at the Zhernovsky coal deposit, an impairment charge of \$30 was recognized for the exploration asset.

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:

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Russian flat products	137	137	163
NLMK USA	21	21	21
Russian long products	2	3	3
Mining	51	51	61
	211	212	248

Goodwill impairment testing

The Group tested goodwill for impairment as at 31 December 2021, 2020 and 2019. For the purpose of annual impairment testing of goodwill related to CGU JSC Stoilensky GOK and JSC Altai-Koks as at 31 December 2021, 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 and JSC Altai-Koks), 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 2021, 2020 and 2019.

10 Trade and other accounts payable

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Financial liabilities			
Trade accounts payable	756	429	558
Accounts payable for purchases of property, plant and equipment	137	159	184
Other accounts payable	43	27	29
	936	615	771
Non-financial liabilities			
Accounts payable and accrued liabilities to employees	221	144	149
Advances received	311	175	103
Taxes payable other than income tax	240	131	101
	772	450	353
	1,708	1,065	1,124

10 Trade and other accounts payable (continued)

The carrying amounts of trade and other accounts payable approximate their fair values.

In 2021 and 2020 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 31 December 2021	As at 31 December 2020	As at 31 December 2019
Bonds					
1.45%	EUR	2026	571	-	-
From 4.00% to 4.70%	USD	2023-2026	1,236	1,709	1,709
Loans					
From EURIBOR+0.45% to EURIBOR+1.30%	EUR	2022-2024	1,248	1,065	784
0.94%-0.95%	EUR	2022	339	368	-
LIBOR +1.25%	USD	2025	-	258	85
Leases		2022-2089	72	86	78
			3,466	3,486	2,656
Less: short-term loans and current maturities of long-term loans, bonds and leases			(1,504)	(1,054)	(468)
Long-term borrowings			1,962	2,432	2,188

* Rates and maturity as of 31 December 2021

The carrying amounts and fair value of long-term bonds are as follows:

	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	1,807	1,873	1,709	1,864	1,709	1,823

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.

In June 2021 the Group has placed bonds in the amount of EUR 500 million. The funds received from the placement of the bonds were partially used for repayment of previously issued bonds nominated in US dollars with maturity in 2023 and 2024.

The Group has complied with the financial and non-financial covenants of its borrowing facilities during the years ended 31 December 2021, 2020 and 2019.

Bonds, loans and bonds' coupons as at 31 December 2021 were designated as hedging instrument with carrying amount and fair value of \$1,907 and \$1,942, respectively (Note 21). Carrying amount and fair value of hedging instrument as at 31 December 2020 were \$1,287 and \$1,386, respectively.

11 Borrowings (continued)

The long-term borrowings mature as follows:

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
1-2 years	447	579	410
2-5 years	1,492	1,327	1,245
Over 5 years	23	526	533
	1,962	2,432	2,188

Collateral for borrowings and committed unutilised credit facilities

As at 31 December 2021, 2020 and 2019, the loan facilities were secured by inventories and accounts receivable with the total carrying value of \$363, \$406 and \$593, respectively (Notes 6, 7).

Net debt reconciliation

	Short-term borrowings	Long-term borrowings	Cash and cash equivalents	Short-term bank deposits	Net debt
Balance at 1 January 2019	(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)
Cash flows	(422)	444	(296)	(153)	(427)
Interest accrued	(82)	-	-	6	(76)
Foreign exchange difference	66	58	(27)	(6)	91
Leasing recognised	(4)	(6)	-	-	(10)
Commissions accrued and other financial expenses	-	(44)	-	-	(44)
Translation adjustment	(8)	18	22	5	37
Balance at 31 December 2021	(1,504)	(1,962)	541	1	(2,924)

12 Shareholders' equity

(a) Shares

As at 31 December 2021, 2020 and 2019, 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.

12 Shareholders' equity (continued)

(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 2021, 2020 and 2019, the retained earnings of the Parent Company, available for distribution in accordance with the legislative requirements of the Russian Federation, amounted to \$3,669, \$3,322 and \$4,671, converted into US dollars using the exchange rates at 31 December 2021, 2020 and 2019, 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.

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	2021		2020		2019	
		Per share*	Total amount	Per share*	Total amount	Per share*	Total amount
For the 4 th quarter of previous year	April	7.25	580	3.12	263	5.80	543
For the 1 st quarter of current year	June	7.71	640	3.21	275	7.34	674
For the 2 nd quarter of current year	September	13.62	1,103	4.75	369	3.68	343
For the 3 rd quarter of current year	December	13.33	1,071	6.43	528	3.22	309
			3,394		1,435		1,869

* 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 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit for the year attributable to the NLMK shareholders (millions of US dollars)	5,036	1,236	1,339
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)	0.8403	0.2062	0.2234

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 2021, 2020 and 2019.

14 Revenue

(a) Revenue by type

	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue from sale of goods			
Flat products	9,390	4,819	5,804
Pig iron, slabs and billets	3,814	2,684	2,628
Long products and metalware	1,922	990	1,231
Coke and other chemical products	279	197	295
Scrap	116	54	75
Iron ore and sintering ore	81	69	48
Other products	196	136	178
Total revenue from sale of goods	15,798	8,949	10,259
Revenue from transportation services	398	296	295
	16,196	9,245	10,554

(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:

	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Russia	6,646	3,820	4,337
North America	3,451	1,426	1,948
European Union	2,837	1,562	1,917
Middle East, including Turkey	1,614	1,033	1,169
Central and South America	705	210	285
CIS	397	249	405
Asia and Oceania	392	780	244
Other regions	154	165	249
	16,196	9,245	10,554

The Group does not have customers with a share of more than 10% of the total revenue in 2021, 2020 and 2019.

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.

	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Cost of sales	711	696	750
General and administrative expenses	261	182	191
Selling expenses	38	31	29
	1,010	909	970

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 \$44, \$14 and \$17 in 2021, 2020 and 2019, respectively. As at 31 December 2021, 2020 and 2019 accrued liabilities to key management personnel related to the long-term incentive plan amounted to \$24, nil and nil respectively.

16 Taxes, other than income tax, and contributions

Allocation of taxes, other than income tax, and contributions to the functional items of consolidated statement of profit or loss is indicated below.

	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Cost of sales	83	59	57
General and administrative expenses	7	4	3
Selling expenses (export custom duties)	301	-	-
Other operating expenses	-	1	6
	391	64	66

17 Income tax

Income tax charge comprises the following:

	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Current income tax expense	(1,303)	(308)	(379)
Deferred income tax benefit/(expense)	8	6	(74)
Income tax related to hedge reserve of cash flows	15	(41)	-
Total income tax expense	(1,280)	(343)	(453)

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 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit before income tax	6,334	1,580	1,794
Income tax at rate 20%	(1,267)	(316)	(359)
Change in income tax:			
- tax effect of non-deductible (expenses)/income	(11)	3	(15)
- non-taxable translation adjustments	(4)	4	(1)
- effect of different tax rates	(24)	22	9
- unrecognized deferred tax asset on investments in joint ventures	(21)	(59)	(26)
- unrecognized tax loss carry forward for the year	(4)	(10)	(27)
- utilisation of previously unrecognized tax loss carry forward	68	13	1
- effect of tax on intercompany dividends	-	-	(1)
- impairment of previously recognised deferred tax assets	(17)	-	(34)
Total income tax expense	(1,280)	(343)	(453)

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 2021	Credited/(charged) to profit or loss	Translation adjustment	As at 1 January 2021
Deferred tax assets				
Trade and other accounts payable	47	20	1	26
Trade and other accounts receivable	-	(13)	-	13
Inventories	112	95	(1)	18
Tax losses carried forward	9	(30)	-	39
Borrowings	11	(2)	-	13
Other long-term liabilities	8	(2)	-	10
	187	68	-	119
Deferred tax liabilities				
Property, plant and equipment	(397)	(48)	(1)	(348)
Other intangible assets	(10)	4	(3)	(11)
Trade and other accounts receivable	(15)	(16)	1	-
	(422)	(60)	(3)	(359)
Total deferred tax liability, net	(235)	8	(3)	(240)

17 Income tax (continued)

	As at 31 December 2020	Credited/(charged) 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)
	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)

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 2021	As at 31 December 2020	As at 31 December 2019
From 10 to 20 years	214	180	256
No expiration	318	1,468	1,407
Total	532	1,648	1,663

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 \$3,607, \$1,441 and \$1,417 for the years ended 31 December 2021, 2020 and 2019, 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 2021, 2020 and 2019, 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 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Interest income on bank accounts and bank deposits	6	7	13
Other finance income	3	11	5
Total finance income	9	18	18
Interest expense on borrowings	(82)	(100)	(81)
Capitalised interest	27	32	33
Other finance costs	(60)	(22)	(20)
Total finance costs	(115)	(90)	(68)

19 Foreign exchange differences

	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Foreign exchange (loss)/gain on cash and cash equivalents	(27)	59	(94)
Foreign exchange (loss)/gain on financial investments	(54)	74	(139)
Foreign exchange gain/(loss) on debt financing	85	(171)	242
Foreign exchange loss on other assets and liabilities	(57)	(2)	(15)
	(53)	(40)	(6)

Starting from February 3, 2020 the Group adopted hedge accounting of cash flows in accordance with IFRS 9 "Financial instruments" (Note 21).

20 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 22). NBH deconsolidation adjustments include elimination of NBH's sales, recognition of the Group's sales to NBH and elimination of unrealised profits (Notes 4, 22), 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.

20 Segment information (continued)

Information on the segments' profit or loss for the year ended 31 December 2021 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	108	8,648	2,207	3,230	639	1,736	-	(372)	16,196
Intersegment revenue	2,402	2,921	641	-	1	46	(5,965)	(46)	-
Cost of sales	(420)	(6,494)	(2,172)	(2,170)	(554)	(1,633)	5,442	207	(7,794)
Gross profit	2,090	5,075	676	1,060	86	149	(523)	(211)	8,402
Operating profit/(loss)*	1,991	3,605	487	970	13	(27)	(336)	(35)	6,668
Net finance income/(costs)	5	(103)	(2)	(3)	(3)	(12)	-	12	(106)
Income tax expense	(393)	(707)	(77)	(199)	-	(1)	96	1	(1,280)
Profit/(loss) for the year	1,566	3,326	397	767	9	(42)	(866)	(103)	5,054
Segment assets	2,888	8,517	1,128	1,610	535	1,798	(2,705)	(1,610)	12,161
Segment liabilities	(401)	(6,564)	(298)	(243)	(369)	(1,624)	2,868	912	(5,719)
Depreciation and amortization	(129)	(376)	(43)	(35)	(12)	(62)	-	62	(595)
Capital expenditures	(182)	(894)	(38)	(69)	(29)	(167)	-	167	(1,212)

* 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.

20 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.

20 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.

20 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 2021	As at 31 December 2020	As at 31 December 2019
Russian Federation	5,936	5,503	5,975
USA	320	287	298
Denmark	219	220	169
Other	64	25	18
	6,539	6,035	6,460

21 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 23(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.

21 Risks and uncertainties (continued)

The interest rate risk profile of the Group is follows:

	As at 31 December 2021	As at 31 December 2019	As at 31 December 2019
Fixed rate instruments			
Financial assets			
- cash and cash equivalents (Note 3)	541	842	713
- financial investments (Note 5)	260	198	292
- trade and other accounts receivable less credit loss allowance (Note 6)	1,482	945	810
	2,283	1,985	1,815
Financial liabilities			
- trade and other accounts payable (Note 10)	(936)	(615)	(771)
- dividends payable	(10)	(109)	(318)
- borrowings (Note 11)	(2,218)	(2,163)	(1,787)
	(3,164)	(2,887)	(2,876)
Variable rate instruments			
Financial liabilities			
- borrowings (Note 11)	(1,248)	(1,323)	(869)
	(1,248)	(1,323)	(869)

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 and Euro. 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". 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).

21 Risks and uncertainties (continued)

In June 2021 the Group performed advanced repayment of the portion of US dollars nominated bonds and discontinued the revaluation of hedging instrument regarding repaid liabilities. Accumulated effects from the remeasurement of hedging instruments in the amount of \$66 was recorded in the hedge reserve of cash flows in other comprehensive loss. The effect will be reclassified to profit as the hedged revenue is recognised.

On January 1, 2021 the Group designated the portion of Euro nominated long-term borrowings as hedging instruments of the expected highly probable Euro nominated revenue in accordance with IFRS 9 "Financial instruments". A portion of future monthly revenues expected to be received in Euro over the period from February 2022 through July 2022 was designated as a hedged item, the Group's long-term loans nominated in Euro were designated as hedging instrument.

On June 2, 2021 the Group designated the portion of Euro nominated borrowings as hedging instrument of the expected highly probable Euro nominated revenue in accordance with IFRS 9 "Financial instruments". A portion of future monthly revenues expected to be received in Euro over the period from July 2022 through December 2026 was designated as a hedged item. The Group's bonds and bonds' coupons nominated in Euro were designated as hedging instrument (Note 11).

The nominal amounts of the hedged items and the hedging instruments are equal. To the extent that a change in the foreign currency rate impacts on the value of the hedging instruments, 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.

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 and Euro. The amount of hedged revenue aligns the amount of payments on bonds, bonds' coupons and loans. The Group expects that the hedging relationships are effective since the future cash outflows on bonds and bonds' coupons in US dollars and loans in Euro match the future cash inflows on the hedged portion of revenue in US dollars and Euro.

Information on the amounts of income/(expenses) on hedging instrument recognized in other comprehensive loss is as follows:

	Hedge reserve of cash flows	Income tax related to hedge reserve of cash flows	Hedge reserve of cash flows net of related income tax
As at 1 January 2020	-	-	-
Change of hedge reserve of cash flows – recognition of (loss)/income from the remeasurement of hedging instruments	(229)	46	(183)
Change of hedge reserve of cash flows – hedging result	24	(5)	19
As at 31 December 2020	(205)	41	(164)
Change of hedge reserve of cash flows – recognition of income/(loss) from the remeasurement of hedging instruments	72	(13)	59
Change of hedge reserve of cash flows – hedging result	11	(2)	9
As at 31 December 2021	(122)	26	(96)

21 Risks and uncertainties (continued)

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 31 December 2021 is as follows:

	2022	2023	2024	2025	2026	Total
Reclassifications	37	(93)	(64)	(25)	23	(122)
Income tax	(6)	20	13	5	(6)	26
	31	(73)	(51)	(20)	17	(96)

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 2021.

	US dollar	Euro
Cash and cash equivalents	30	91
Trade and other accounts receivable	3	608
Financial investments	-	258
Trade and other accounts payable	(103)	(292)
Borrowings	(1,235)	(2,158)
Cash flow hedge	814	1,093
Net foreign currency position	(491)	(400)

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.

	US dollar	Euro	Hong Kong dollar
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	1,287	-	-
Net foreign currency position	(55)	(1,099)	162

21 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

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 2021, 2020 and 2019 would have increased/(decreased) equity by the amounts shown below, however effect on profit for the year would be different, and would amount to \$70 loss, \$230 loss and \$376 loss, respectively, due to foreign exchange effects from intercompany operations (Note 19) and applying of hedge accounting.

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
US dollar	(326)	(336)	(418)
Euro	(373)	(275)	(81)
Hong Kong dollar	-	41	39

A 25 percent weakening of these currencies against the functional currency as at 31 December 2021, 2020 and 2019 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.

21 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.

21 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.

21 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 2021	As at 31 December 2020	As at 31 December 2019
Cash and cash equivalents (Note 3)	541	842	713
Trade and other accounts receivable (Note 6)	1,482	945	810
Financial investments (Note 5)	260	198	292
Total on-balance sheet exposure	2,283	1,985	1,815
Financial guarantees issued (Note 22(d))	314	283	331
	2,597	2,268	2,146

All loans to NBH are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses

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 2021	As at 31 December 2020	As at 31 December 2019
AAA	203	23	28
A	184	80	53
B	284	89	49
C	54	51	39
D	7	12	1
NR, including:			
- NBH group companies	454	297	249
- Credit insurance (AA international agencies' credit ratings)	164	169	254
- Bank coverage (A- and above international agencies' credit ratings)	84	72	55
- Not covered	26	27	72
	1,460	820	800

Analysis by credit quality, based on international agencies' credit rating, of bank balances and bank deposits is as follows:

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Bank balances and term deposits			
AAA-BBB	536	835	706
BB-B	2	5	5
Unrated and cash on hand	3	2	2
	541	842	713
Short-term and long-term bank deposits			
AAA-BBB	1	148	157
BB-B	-	2	-
	1	150	157

21 Risks and uncertainties (continued)

As at 31 December 2021, ageing of trade and other receivables is as follows:

	Trade and other receivables		
	Gross amount	Credit loss allowance	Net of allowance
Not past due	1,434	(13)	1,421
Past due, including:			
- up to 1 month	44	-	44
- from 1 to 3 months	10	(1)	9
- from 3 to 12 months	9	(2)	7
- over 12 months	17	(16)	1
Total	1,514	(32)	1,482

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

21 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 2021	As at 31 December 2020	As at 31 December 2019
Less than 1 year	1,563	1,134	545
From 1 to 2 years	504	662	491
From 2 to 5 years	1,591	1,464	1,432
Over 5 years	151	672	708
Total borrowings	3,809	3,932	3,176

Liquidity risk related to financial guarantees issued is disclosed in Note 22(d).

As at 31 December 2021, 2020 and 2019, 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.

22 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.

22 Related party transactions (continued)

(a) Sales to and purchases from related parties

	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2019
Sales			
NBH group companies	1,364	897	947
Companies of Freight One Group and other transport companies under the common control of beneficial owner	2	2	2
Other related parties	4	4	6
Purchases			
Companies of Freight One Group and other transport companies under the common control of beneficial owner	456	376	384
NBH group companies	46	49	60
Other related parties	39	26	18

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 8.4%, 9.7% and 9.0% of the total sales of the Group for the years ended 31 December 2021, 2020 and 2019, respectively.

(b) Accounts receivable from and accounts payable to related parties

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Accounts receivable and advances given			
NBH group companies	454	298	249
Companies of Freight One Group and other transport companies under the common control of beneficial owner	35	32	26
Accounts payable			
NBH group companies	22	22	28
Companies of Freight One Group and other transport companies under the common control of beneficial owner	10	11	5

(c) Financial transactions

As at 31 December 2021, 2020 and 2019 loans issued to NBH group companies amounted to \$259, \$47 and \$133 and maturing 31 December 2022, 31 December 2021 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 2021, 2020 and 2019, guarantees issued by the Group for borrowings received by NBH group companies amounted to \$314, \$283 and \$331, 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.

22 Related party transactions (continued)

The maturity of the guaranteed obligations is as follows:

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Less than 1 year	241	107	130
From 1 to 2 years	-	127	-
Over 2 years	73	49	201
	314	283	331

23 Commitments and contingencies

(a) Anti-dumping and antimonopoly 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.

In 2021, the Federal Antimonopoly Service of the Russian Federation initiated cases against NLMK PJSC and other Russian metallurgical companies on violation of antimonopoly legislation in terms of pricing on the Russian market of hot-rolled flat products. The Group doesn't agree with the initiation of the case and defends its position within the legal investigation. No provision arising from any possible decisions as a result of this investigation 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, management believes that the Group has met the Government's federal and regional requirements concerning environmental matters, therefore, there are no significant liabilities for environmental damage and remediation.

(d) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to \$780, \$881 and \$1,157 as at 31 December 2021, 2020 and 2019, 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.

23 Commitments and contingencies (continued)

(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.

From 1 January 2022 an excise tax on liquid steel will be introduced and the mineral extraction tax (MET) will be increased. In general, excise tax on liquid steel will be calculated in relation to the mass of semi-finished products obtained from liquid steel as 2.7% of the average export market price of steel slabs per month. Along with that, if the steel is smelted in open-hearth, induction and (or) electric steelmaking furnaces and if the share of ferrous scrap in the total mass of raw materials used for the production of liquid steel is at least 80%, the excise tax will be calculated as 30% of the difference between average export market price of steel billet per month and average market price of scarp on the Russian market per month minus 12.5 thousand rubles and 50% of the cost of purchased ferroalloys and alloying elements. MET for iron ore will be calculated on the weight of iron ore mined as 4.8% of the index SGX TSI Iron Ore CFR China (62% Fe Fines) Index Futures / Options multiplied by the ratio of the actual iron content in the ore to the reference value (62%).

(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 2021, 2020 and 2019.

(h) Assessment of the coronavirus impact on the Group

At the date of issuing these consolidated financial statements the situation with the spread of coronavirus infection (COVID-19) is still evolving. In 2021 the Russian economy started to recover from the pandemic as a result of an increase in business activity and due to government support measures. This was also supported by the global economic recovery and high prices on global commodity markets. The Group benefits from a strong financial position, with low leverage and significant liquidity.

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.

24 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.

24 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 joint control, any retained interest in the entity is re-measured to its fair value as at the date of ceasing control or joint control, 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.

24 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 advances 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.

24 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.

24 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".

24 Significant accounting policies (continued)

(f) Leases

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.

24 Significant accounting policies (continued)

(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.

24 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.

24 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.

24 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.

24 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, 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.

24 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.

24 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.

24 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 and Euro nominated revenue with the portion of US dollars and Euro 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.

25 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 23).

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).

(d) Export duties recognition and disclosure

Starting from 1 August 2021 Resolution of the Russian Federation Government became effective and introduced export customs duties on ferrous metallurgy products for the period from 1 August till 31 December 2021. The Group has applied its judgement and does not consider export custom duties as part of selling price of goods. The Group considers duties as an additional tax imposed on the Group and accordingly presents them as part of operating expenses in the line «Taxes, other than income tax, and contributions» (Note 16).

26 New or revised standards and interpretations

The following amended standards became effective from 1 January 2021, but did not have a material impact on the Group:

- 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;
- 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).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group has not early adopted:

- 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);
- 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);
- 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 IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022);
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

The Group is currently assessing the impact of the amendments on its consolidated financial statements. Unless otherwise described above, the new standards and interpretations are not expected to have any material impact on the Group financial statements when adopted.

27 Subsequent events

On 2 February 2022, the Board of Directors of the Parent Company recommended dividends for the fourth quarter of 2021 of 12.18 Russian rubles per share in the total amount of \$946 at the exchange rate as at 2 February 2022.



Аудиторское заключение независимого аудитора

Акционерам и Совету директоров публичного акционерного общества «Новолипецкий металлургический комбинат»:

Мнение

По нашему мнению, прилагаемая бухгалтерская (финансовая) отчетность отражает достоверно во всех существенных отношениях финансовое положение публичного акционерного общества «Новолипецкий металлургический комбинат» (далее – «Общество») по состоянию на 31 декабря 2021 года, а также финансовые результаты и движение денежных средств Общества за год, закончившийся на указанную дату, в соответствии с правилами составления бухгалтерской (финансовой) отчетности, установленными в Российской Федерации.

Предмет аудита

Мы провели аудит бухгалтерской (финансовой) отчетности Общества, которая включает:

- бухгалтерский баланс по состоянию на 31 декабря 2021 года;
- отчет о финансовых результатах за год, закончившийся на указанную дату;
- отчет об изменениях капитала за год, закончившийся на указанную дату;
- отчет о движении денежных средств за год, закончившийся на указанную дату;
- пояснения к бухгалтерскому балансу и отчету о финансовых результатах, включая основные положения учетной политики.

Основание для выражения мнения

Мы провели аудит в соответствии с Международными стандартами аудита (МСА). Наши обязанности согласно указанным стандартам далее описаны в разделе «Ответственность аудитора за аудит бухгалтерской (финансовой) отчетности» нашего заключения.

Мы полагаем, что полученные нами аудиторские доказательства являются достаточными и надлежащими, чтобы служить основанием для выражения нашего мнения.

Независимость

Мы независимы по отношению к Обществу в соответствии с Международным кодексом этики профессиональных бухгалтеров (включающим Международные стандарты независимости), выпущенным Советом по международным стандартам этики для бухгалтеров (Кодекс СМСЭБ) и этическими требованиями Кодекса профессиональной этики аудиторов и Правил независимости аудиторов и аудиторских организаций, применимыми к нашему аудиту бухгалтерской (финансовой) отчетности в Российской Федерации. Нами выполнены прочие этические обязанности в соответствии с этими требованиями и Кодексом СМСЭБ.

Ключевые вопросы аудита

Ключевые вопросы аудита – это вопросы, которые, согласно нашему профессиональному суждению, являлись наиболее значимыми для нашего аудита бухгалтерской (финансовой) отчетности за текущий период. Эти вопросы были рассмотрены в контексте нашего аудита бухгалтерской (финансовой) отчетности в целом и при формировании нашего мнения об этой отчетности, и мы не выражаем отдельного мнения по этим вопросам.

Ключевой вопрос аудита

Какие аудиторские процедуры были выполнены в отношении ключевого вопроса аудита

Восстановление обесценения долгосрочных финансовых вложений в ООО «НЛМК Оверсиз Холдингс»

Ежегодно по состоянию на отчетную дату руководство Общества проводит проверку на предмет наличия признаков обесценения финансовых вложений, в том числе инвестиций в дочерние общества, по которым не определяется рыночная стоимость.

При наличии признаков обесценения руководство определяет расчетную стоимость финансовых вложений и сравнивает ее с их учетной (балансовой) стоимостью.

В случае, если проверка на обесценение выявляет устойчивое снижение стоимости финансовых вложений, создается резерв под обесценение на величину разницы между учетной (балансовой) и расчетной стоимостью финансовых вложений.

Мы получили, изучили и оценили документацию по проверке на обесценение финансовых вложений, подготовленную руководством, и не выявили каких-либо дополнительных факторов, которые должны были быть, но не были приняты во внимание при проведении данной проверки.

Мы проверили расчетную стоимость инвестиций в дочерние общества ООО «НЛМК Оверсиз Холдингс», по которым данная стоимость была определена руководством на основании их чистых активов.

В рамках проверки расчетной стоимости инвестиций в ООО «НЛМК Оверсиз Холдингс», включавшей проверку расчетной стоимости его объектов инвестиций, определенной на основании моделей

И напротив, при выявлении индикаторов восстановления и устойчивого роста стоимости финансовых вложений, проводится восстановление резерва по финансовым вложениям на величину разницы между учетной (балансовой) и расчетной стоимостью финансовых вложений.

Расчетная стоимость инвестиции в дочернее общество ООО «НЛМК Оверсиз Холдингс», имеющего в активах вложения в собственные дочерние общества, определяется как величина его чистых активов, скорректированная с учетом расчетной стоимости конечных объектов инвестиций. Последняя, в свою очередь, определяется на основании моделей дисконтированных денежных потоков для основных производственных предприятий и на основании чистых активов для прочих компаний. Данные модели и расчеты подготовлены по состоянию на 31 декабря 2021 года. В результате проведенного руководством тестирования было выявлено существенное превышение расчетной стоимости финансового вложения в ООО «НЛМК Оверсиз Холдингс» над его учетной (балансовой) стоимостью, в результате чего было проведено восстановление резерва под обесценение в размере 36 770 млн. руб.

Мы обратили особое внимание на данный вопрос в силу наличия высокой степени суждения в оценке обесценения финансовых вложений, а также значительной балансовой стоимости рассматриваемых активов и начисленных/восстановленных резервов.

дисконтированных денежных потоков, мы провели следующие основные процедуры:

- проверку моделей дисконтированных денежных потоков, подготовленных руководством, с привлечением экспертов аудитора в области оценки для оказания нам содействия в оценке методологии, математической точности и допущений, использованных в моделях;
- сравнение ключевых допущений, использованных в моделях обесценения, с результатами деятельности объектов инвестиций ООО «НЛМК Оверсиз Холдингс», утвержденными бюджетными показателями и прочими подтверждающими расчетами;
- сравнительный анализ ключевых допущений, использованных в моделях обесценения, включая цены на основное сырье и цены реализации продукции, уровень инфляции, ставки дисконтирования, с внешними экспертными оценками, макроэкономическими и отраслевыми прогнозами, который подтвердил их обоснованность;
- анализ чувствительности в отношении ключевых допущений с целью оценки их потенциального влияния на результаты обесценения и диапазона возможных значений возмещаемых стоимостей;

Объем аудиторских процедур по проверке моделей обесценения в отношении каждого объекта инвестиций ООО «НЛМК Оверсиз Холдингс» выполнен в зависимости от его значимости, запаса прочности, индивидуальных рисков и чувствительности к ключевым допущениям.

Прочие сведения – существенность и объем аудита

Существенность

При планировании аудита мы определили существенность и провели оценку рисков существенного искажения бухгалтерской (финансовой) отчетности. В частности, мы проанализировали, в каких областях руководство выносило субъективные суждения, например, в отношении значимых оценочных значений, что включало применение допущений и рассмотрение будущих событий, с которыми в силу их характера связана неопределенность. Как и во всех наших аудитах, мы также рассмотрели риск обхода системы внутреннего контроля руководством, включая, помимо прочего, оценку наличия признаков необъективности руководства, которая создает риск существенного искажения вследствие недобросовестных действий.

На определение объема нашего аудита оказало влияние применение нами существенности. Аудит предназначен для получения разумной уверенности в том, что бухгалтерская (финансовая) отчетность не содержит существенных искажений. Искажения могут возникать в результате недобросовестных действий или ошибок. Они считаются существенными, если можно обоснованно предположить, что в отдельности или в совокупности они могут повлиять на экономические решения пользователей, принимаемые на основе этой бухгалтерской (финансовой) отчетности.

Основываясь на своем профессиональном суждении, мы установили определенные количественные пороговые значения для существенности, в том числе для существенности на уровне бухгалтерской (финансовой) отчетности Общества в целом, как указано в таблице ниже. С помощью этих значений и с учетом качественных факторов, мы определили объем нашего аудита, а также характер, сроки проведения и объем наших аудиторских процедур и оценили влияние искажений (взятых по отдельности и в совокупности), при наличии таковых, на бухгалтерскую (финансовую) отчетность в целом.

Существенность на уровне бухгалтерской (финансовой) отчетности Общества в целом	6 150 000 тыс. руб.
Как мы ее определили	1% от средней выручки Общества за 2020 - 2021 годы
Обоснование примененного базового показателя для определения уровня существенности	Мы приняли решение использовать в качестве базового показателя для определения уровня существенности среднюю выручку Общества за 2020-2021 годы, потому что мы считаем, что именно этот базовый показатель наиболее объективно отражает результаты деятельности Общества в течение периода времени, когда финансовые результаты волатильны. Мы установили существенность на уровне 1%, что на основании нашего опыта попадает в диапазон приемлемых количественных пороговых значений существенности для публичных компаний в данной отрасли. Также мы принимаем во внимание искажения и/или потенциальные искажения, которые, по нашему мнению, являются существенными в силу качественных факторов.



Определение объема аудита

Объем аудита определен нами таким образом, чтобы мы могли выполнить работы в достаточном объеме для выражения нашего мнения о бухгалтерской (финансовой) отчетности в целом с учетом структуры Общества, используемых Обществом учетных процессов и средств контроля, а также с учетом специфики отрасли, в которой Общество осуществляет свою деятельность.

Прочая информация

Руководство несет ответственность за прочую информацию. Прочая информация содержит Годовой отчет Общества за 2021 год и Отчет эмитента эмиссионных ценных бумаг за 12 месяцев 2021 года (но не включает бухгалтерскую (финансовую) отчетность и наше аудиторское заключение о данной отчетности), которые, как ожидается, будут нам предоставлены после даты настоящего аудиторского заключения.

Наше мнение о бухгалтерской (финансовой) отчетности не распространяется на прочую информацию, и мы не будем предоставлять вывода, выражающего уверенность в какой-либо форме в отношении данной информации.

В связи с проведением нами аудита бухгалтерской (финансовой) отчетности наша обязанность заключается в ознакомлении с указанной выше прочей информацией, когда она будет нам предоставлена, рассмотрении вопроса о том, имеются ли существенные несоответствия между прочей информацией и бухгалтерской (финансовой) отчетностью или нашими знаниями, полученными в ходе аудита, и не содержит ли прочая информация иных возможных существенных искажений.

Если при ознакомлении с Годовым отчетом Общества за 2021 год и Отчетом эмитента эмиссионных ценных бумаг за 12 месяцев 2021 года мы придем к выводу о том, что в них содержится существенное искажение, мы должны довести это до сведения лиц, отвечающих за корпоративное управление.

Ответственность руководства и лиц, отвечающих за корпоративное управление, за бухгалтерскую (финансовую) отчетность

Руководство несет ответственность за подготовку и достоверное представление указанной бухгалтерской (финансовой) отчетности в соответствии с правилами составления бухгалтерской (финансовой) отчетности, установленными в Российской Федерации, и за систему внутреннего контроля, которую руководство считает необходимой для подготовки бухгалтерской (финансовой) отчетности, не содержащей существенных искажений вследствие недобросовестных действий или ошибок.

При подготовке бухгалтерской (финансовой) отчетности руководство несет ответственность за оценку способности Общества продолжать непрерывно свою деятельность, за раскрытие в соответствующих случаях сведений, относящихся к непрерывности деятельности, и за составление отчетности на основе допущения о непрерывности деятельности, за исключением случаев, когда руководство намеревается ликвидировать Общество, прекратить его деятельность или когда у него отсутствует какая-либо иная реальная альтернатива, кроме ликвидации или прекращения деятельности.

Лица, отвечающие за корпоративное управление, несут ответственность за надзор за подготовкой бухгалтерской (финансовой) отчетности Общества.

Ответственность аудитора за аудит бухгалтерской (финансовой) отчетности

Наша цель состоит в получении разумной уверенности в том, что бухгалтерская (финансовая) отчетность не содержит существенных искажений вследствие недобросовестных действий или ошибок, и в выпуске аудиторского заключения, содержащего наше мнение. Разумная уверенность представляет собой высокую степень уверенности, но не является гарантией того, что аудит, проведенный в соответствии с МСА, всегда выявляет существенные искажения при их наличии. Искажения могут быть результатом недобросовестных действий или ошибок и считаются существенными, если можно обоснованно предположить, что в отдельности или в совокупности они могут повлиять на экономические решения пользователей, принимаемые на основе этой бухгалтерской (финансовой) отчетности.

В рамках аудита, проводимого в соответствии с МСА, мы применяем профессиональное суждение и сохраняем профессиональный скептицизм на протяжении всего аудита. Кроме того, мы выполняем следующее:

- выявляем и оцениваем риски существенного искажения бухгалтерской (финансовой) отчетности вследствие недобросовестных действий или ошибок; разрабатываем и проводим аудиторские процедуры в ответ на эти риски; получаем аудиторские доказательства, являющиеся достаточными и надлежащими, чтобы служить основанием для выражения нашего мнения. Риск необнаружения существенного искажения в результате недобросовестных действий выше, чем риск необнаружения существенного искажения в результате ошибки, так как недобросовестные действия могут включать сговор, подлог, умышленный пропуск, искаженное представление информации или действия в обход системы внутреннего контроля;
- получаем понимание системы внутреннего контроля, имеющей значение для аудита, с целью разработки аудиторских процедур, соответствующих обстоятельствам, но не с целью выражения мнения об эффективности системы внутреннего контроля Общества;
- оцениваем надлежащий характер применяемой учетной политики и обоснованность оценочных значений, рассчитанных руководством, и соответствующего раскрытия информации;
- делаем вывод о правомерности применения руководством допущения о непрерывности деятельности, а на основании полученных аудиторских доказательств – вывод о том, имеется ли существенная неопределенность в связи с событиями или условиями, в результате которых могут возникнуть значительные сомнения в способности Общества продолжать непрерывно свою деятельность. Если мы приходим к выводу о наличии существенной неопределенности, мы должны привлечь внимание в нашем аудиторском заключении к соответствующему раскрытию информации в бухгалтерской (финансовой) отчетности или, если такое раскрытие информации является ненадлежащим, модифицировать наше мнение. Наши выводы основаны на аудиторских доказательствах, полученных до даты нашего аудиторского заключения. Однако будущие события или условия могут привести к тому, что Общество утратит способность продолжать непрерывно свою деятельность;
- проводим оценку представления бухгалтерской (финансовой) отчетности в целом, ее структуры и содержания, включая раскрытие информации, а также того, представляет ли бухгалтерская (финансовая) отчетность лежащие в ее основе операции и события так, чтобы было обеспечено их достоверное представление.

Мы осуществляем информационное взаимодействие с лицами, отвечающими за корпоративное управление, доводя до их сведения помимо прочего, информацию о запланированном объеме и сроках аудита, а также о существенных замечаниях по результатам аудита, в том числе о значительных недостатках системы внутреннего контроля, которые мы выявляем в процессе аудита.



Мы также предоставляем лицам, отвечающим за корпоративное управление, заявление о том, что мы соблюдали все соответствующие этические требования в отношении независимости и информировали этих лиц обо всех взаимоотношениях и прочих вопросах, которые можно обоснованно считать оказывающими влияние на независимость аудитора, а в необходимых случаях – о действиях, предпринятых для устранения угроз, или принятых мерах предосторожности.

Из тех вопросов, которые мы довели до сведения лиц, отвечающих за корпоративное управление, мы определяем вопросы, которые были наиболее значимыми для аудита бухгалтерской (финансовой) отчетности за текущий период и, следовательно, являются ключевыми вопросами аудита. Мы описываем эти вопросы в нашем аудиторском заключении, кроме случаев, когда публичное раскрытие информации об этих вопросах запрещено законом или нормативным актом, или когда в крайне редких случаях мы приходим к выводу о том, что информация о каком-либо вопросе не должна быть сообщена в нашем заключении, так как можно обоснованно предположить, что отрицательные последствия сообщения такой информации превысят общественно значимую пользу от ее сообщения.

Руководитель задания, по результатам которого выпущено настоящее аудиторское заключение независимого аудитора (руководитель аудита), – Алексей Борисович Фомин.

2 февраля 2022 года

Москва, Российская Федерация

А.Б.Фомин, лицо, уполномоченное генеральным директором на подписание от имени Акционерного общества «ПрайсвотерхаусКуперс Аудит» (основной регистрационный номер записи в реестре аудиторов и аудиторских организаций (ОРНЗ) – 12006020338), руководитель аудита (ОРНЗ – 21906104343)



NOVOLIPETSK STEEL

NLMK 2, Metallurgov Sq., Lipetsk, 398040 Russia
phone: +7 (4742) 44 42 22 | fax: +7 (4742) 44 11 11
e-mail: info@nlmk.com | www.nlmk.com

ACCOUNTING (FINANCIAL) STATEMENTS NOVOLIPETSK STEEL FOR 2021

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Balance Sheet
As of 31 December 2021.

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 Companies /**

Joint private and foreign property

Unit of measurement – RUB thou.

Address **398040, Lipetsk, 2, Metallurgov sq.**

The accounting statements are subject to obligatory auditing

Auditor **PWC Audit**

The auditor's taxpayer identification number

The auditor's main state registration number

Form under OKUD

Date (day, month, year)

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31.12.2021

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TIN

7705051102

OGRN

1027700148431

☒ YES ☐ NO

Indicator	Code	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019	Disclosure in Notes
1	2	3	4	5	6
ASSETS					
I. Non-current assets					
Intangible assets	1110	1,145,079	1,401,412	1,707,636	2.1, 3.1
R&D results	1120	18,132	2,765	2,510	2.2
Fixed assets	1150	216,597,030	192,736,224	165,776,831	2.3, 3.2
Financial investments	1170	206,517,266	169,674,801	158,223,497	2.4, 2.6, 3.3
Deferred tax assets	1180	3,662,978	2,482,779	1,222,741	2.12, 3.11
Other non-current assets	1190	13,363,562	8,316,059	7,563,601	2.7, 3.5.1
Total for Section I	1100	441,304,047	374,614,040	334,496,816	
II. Current Assets					
Inventories	1210	109,973,750	57,259,269	55,675,785	2.5, 3.4
Input VAT	1220	1,338,833	1,049,657	1,176,619	
Accounts receivable	1230	126,274,388	78,512,363	109,715,882	2.5, 3.5.1
Financial investments (excluding cash equivalents)	1240	177,878	10,605,000	9,481,811	2.4, 2.6, 3.3
Cash and cash equivalents	1250	25,389,114	47,458,916	26,636,800	2.8, 3.6
Other current assets	1260	--	43	43	
Total for Section II	1200	263,153,963	194,885,248	202,686,940	
BALANCE (sum of lines 1100 + 1200)	1600	704,458,010	569,499,288	537,183,756	



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Indicator	Code	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019	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	3.7
Revaluation of non-current assets	1340	3,234,383	3,259,484	3,275,807	
Additional capital (w/o revaluation)	1350	771,777	771,777	771,777	
Reserve capital	1360	299,661	299,661	299,661	
Retained profit (uncovered loss)	1370	272,577,474	245,414,209	289,131,900	
Total for Section III	1300	282,876,522	255,738,358	299,472,372	
IV. Long-term liabilities					
Debt	1410	140,058,784	152,793,410	105,703,843	2.6, 2.9, 3.8
Deferred tax liabilities	1420	15,783,089	12,056,430	10,847,050	2.12, 3.11
Other liabilities	1450	--	--	385,320	2.5, 3.5.2
Total for Section IV	1400	155,841,873	164,849,840	116,936,213	
V. Short-term liabilities					
Debt	1510	95,354,511	43,916,850	30,406,203	2.6, 2.9, 3.8
Payables	1520	160,793,167	100,325,861	86,497,982	2.5, 3.5.2
Estimated liabilities	1540	9,591,937	4,668,379	3,870,986	2.10, 3.9
Total for Section V	1500	265,739,615	148,911,090	120,775,171	
BALANCE (sum of lines 1300 + 1400 + 1500)	1700	704,458,010	569,499,288	537,183,756	

NLMK official

by virtue of Power of Attorney No.505-20/109 dd. 01.02.2021

E. Morozova

2 February 2022



Profit and loss statement
for 2021.

Entity **NLMK**
Taxpayer's identification number
Type of activity **Production of cold-rolled steel flats**
Type of ownership / ownership
Public joint-stock companies / Joint private and foreign property
Unit of measurement – RUB thou.

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Indicator	Code	for 2021	for 2020	Disclosure in Notes
1	2	3	4	5
Revenue	2110	792,927,899	437,079,106	2.11, 3.10.1
incl. sales of iron and steel products	2110.1	787,970,309	434,795,572	
Cost of sales	2120	(495,622,579)	(325,865,606)	2.11, 3.10.1
incl. iron and steel products sold	2120.1	(489,839,657)	(323,384,896)	
Gross income (loss)	2100	297,305,320	111,213,500	
Commercial costs	2210	(59,446,777)	(33,317,051)	
Administrative costs	2220	(24,617,984)	(18,460,815)	
Sales profit (loss)	2,200	213,240,559	59,435,634	
Income from shareholding in other organizations	2310	79,014,241	48,980,386	3.3.
Interest receivable	2320	354,203	348,436	2.4, 3.3
Interest payable	2330	(5,392,327)	(6,131,228)	2.9, 3.8
Other income	2340	60,044,403	20,397,324	2.11, 3.10.2
Other costs	2350	(27,800,449)	(55,923,841)	
Profit (loss) before taxes	2,300	319,460,630	67,106,711	
Income tax	2410	(41,721,742)	(6,310,959)	
incl. current income tax	2411	(39,175,282)	(6,361,617)	2.12, 3.11
deferred income tax	2412	(2,546,460)	50,658	
Other	2460	(22,173)	(3,167)	
Redistribution of income tax of the consolidated group of taxpayers	2465	474,866	332,529	2.12, 3.11
Net profit (loss)	2400	278,191,581	61,125,114	3.7



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Form 0710002 p. 2				
Indicator	Code	for 2021	for 2020	Disclosure in Notes
1	2	3	4	5
Consolidated financial performance for the period	2500	278,191,581	61,125,114	
FOR REFERENCE				
Base profit (loss) per share (RUB)	2900	46,4	10,2	3.7

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E. Morozova

2 February 2022

Profit and
Loss Statement



CAPITAL STATEMENT for 2021.

Entity **NLMK**
Taxpayer's identification number
Type of activity **Production of cold-rolled steel flats**
Type of ownership / ownership
Public joint-stock companies / Joint private and foreign property
Unit of measurement – RUB thou.

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1. Capital flow

Indicator	Code	Charter capital	Additional capital	Reserve capital	Retained profit (uncovered loss)	Total
1	2	3	4	5	6	7
Capital as of 31 December 2019	3100	5,993,227	4,047,584	299,661	289,131,900	299,472,372
for 2020						
Capital increase – total:	3210	--	--	--	61,207,393	61,207,393
including:						
net profit	3211	X	X	X	61,125,114	61,125,114
income directly pertaining to the capital increase	3213	X	--	X	82,279	82,279
Capital reduction – total:	3220	--	--	--	(104,941,407)	(104,941,407)
including:						
dividends	3227	X	X	X	(104,941,407)	(104,941,407)
Additional capital change	3230	X	(16,323)	--	16,323	X
Capital as of 31 December 2020	3200	5,993,227	4,031,261	299,661	245,414,209	255,738,358
for 2021						
Capital increase – total:	3310	--	--	--	278,314,318	278,314,318
including:						
net profit	3311	X	X	X	278,191,581	278,191,581
income directly pertaining to the capital increase	3313	X	--	X	122,737	122,737
Capital reduction – total:	3320	--	--	--	(251,176,154)	(251,176,154)
including:						
dividends	3327	X	X	X	(251,176,154)	(251,176,154)
Additional capital change	3330	X	(25,101)	--	25,101	X
Capital as of 31 December 2021	3300	5,993,227	4,006,160	299,661	272,577,474	282,876,522



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3. Net assets

Indicator	Code	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
1	2	3	4	5
Net assets	3600	282,876,522	255,738,358	299,472,372

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E. Morozova

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CASH FLOW STATEMENT

for 2021.

Entity **NLMK**
Taxpayer's identification number
Type of activity **Production of cold-rolled steel flats**
Type of ownership / ownership
Public joint-stock companies / Joint private and foreign property
Unit of measurement – RUB thou.

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Indicator	Code	for 2021	for 2020
1	2	3	4
Cash flow from current operations			
Inflow – total	4110	836,032,369	458,410,301
including:			
from sales of goods, products, works and services	4111	833,967,533	456,750,478
from rent, license payments, royalties, commissions and other similar payments	4112	371,286	233,448
other inflow	4119	1,693,550	1,426,375
Payments - total	4120	(658,780,135)	(380,650,067)
including those to suppliers (contractors) for raw and other materials, works, services	4121	(531,388,862)	(326,956,793)
related to employee salaries and wages	4122	(34,857,573)	(32,260,560)
interest on liabilities	4123	(5,222,751)	(6,134,854)
corporate income tax	4124	(39,694,792)	(5,072,579)
other payments	4129	(47,616,157)	(10,225,281)
Balance of cash flows from current operations	4100	(177,252,234)	77,760,234
Cash flows from investment operations			
Inflow – total	4210	111,736,662	81,359,005
including:			
from sale of non-current assets (except financial investments)	4211	26,903	800,091
from sale of interest (shares) in other companies	4212	645	40,836
from repayment of loans granted, from sale of debt securities (rights of demand of funds from other persons)	4213	21,178,526	8,382,160
from dividends, interest on debt financial investments and similar incoming funds from share participation in other organizations	4214	80,417,755	72,135,918
other inflow	4219	10,112,833	--



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Indicator	Code	for 2021	for 2020
1	2	3	4
Payments – total	4220	(91,699,230)	(64,951,279)
including those related to acquisition, set-up, upgrade, reconstruction and preparation for usage of non-current assets	4221	(47,903,836)	(40,849,888)
related to acquisition of stock (shares) in other companies	4222	(2,334,008)	(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	(41,445,278)	(8,356,133)
other payments	4229	(16,108)	(874,258)
Balance of cash flows from investment operations	4200	20,037,432	16,407,726
Cash flows from financial operations			
Inflow – total	4310	169,415,257	90,753,572
including:			
receiving loans and credits	4311	169,415,257	90,753,572
Payments – total	4320	(386,875,658)	(166,007,430)
including:			
payment of dividends and other payments related to profit distribution in favour of owners (participants)	4322	(227,938,724)	(111,456,848)
related to repayment (buy-back) of bills of exchange and other debt securities, repayment of loans and credits	4323	(125,772,476)	(48,924,784)
other payments	4329	(33,164,458)	(5,625,798)
Balance of cash flows from financial operations	4300	(217,460,401)	(75,253,858)
Balance of cash flows for the reporting period	4400	(20,170,735)	18,914,102
Balance of cash and cash equivalents as of the beginning of the reporting period	4450	47,458,761	26,636,609
Balance of cash and cash equivalents as of the end of the reporting period	4500	25,388,809	47,458,761
Foreign currency to RUB exchange rate fluctuation effect	4490	(1,899,217)	1,908,050

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E. Morozova

2 February 2022



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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: NLMK.

Domicile of the Company: 2, Metallurgov sq., 398040, Lipetsk. 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 representative office in Moscow.

As of 31.12.2021 the Company’s headcount was 25,771 people, as of 31.12.2020 – 27,207 people.

Board of Directors as of December 31, 2021:

Chairman of the Board of Directors Vladimir Lisin

Members:

- Oleg Bagrin
- Thomas Veraszto
- Nikolai Gagarin
- Evgenia Zavalishina
- Sergey Kravchenko
- Joachim Limberg
- Marjan Oudeman
- Stanislav Shekshnya

Management Board as of December 31, 2021:

Grigory Fedorishin	– President (Chairman of the Management Board)
Tatiana Averchenkova	– Managing Director
Mikhail Arkhipov	– Vice President, HR & Management System
Ilya Guschin	– Vice-president, Sales
Barend de Vos	– Vice-President, International Operations
Sergey Likharev	– Vice-President for Logistics
Shamil Kurmashov	– Vice President, CFO
Sergey Chebotarev	– Vice President, Energy and Utilities



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 March 4, 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.

Russian economy showed a positive trend of recovering from pandemic in 2021. Recovery of global economy and high prices at world markets including prices for steel and steel products also contribute to this situation. However, higher prices in some Russian and world markets also lead to the growth of inflation in Russia. The COVID-19 pandemic did not significantly affect the production and supply chains 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.

As of the date of issue of accounting (financial) statements, the situation with the spread of coronavirus infection (COVID-19) is still dynamic. The Company's advantages are a stable financial position, low debt burden and a liquidity cushion.

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 website.¹

Management believes that the tax policy of the Company 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 Company 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 Company.

¹Posted on the website of NLMK (<http://www.nlmk.com>)



From 1 January 2022 an excise tax on liquid steel will be introduced and the mineral extraction tax (MET) will be increased. In general, excise tax on liquid steel will be calculated in relation to the mass of semi-finished products obtained from liquid steel as 2.7% of the average export market price of steel slabs per month. Along with that, if the steel is smelted in open-hearth, induction and (or) electric steelmaking furnaces and if the share of ferrous scrap in the total mass of raw materials used for the production of liquid steel is at least 80%, the excise tax will be calculated as 30% of the difference between average export market price of steel billet per month and average market price of scrap on the Russian market per month minus 12.5 thousand rubles and 50% of the cost of purchased ferroalloys and alloying elements. MET for iron ore will be calculated on the weight of iron ore mined as 4.8% of the index SGX TSI Iron Ore CFR China (62% Fe Fines) Index Futures / Options multiplied by the ratio of the actual iron content in the ore to the reference value (62%).

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. 17 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.

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). CFCs' income is taxed at 20% in line with the legislation requirements.

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 January 1, 2008, standard depreciation charges are established on the basis of a 20-year term. For similar intangible assets accounted from January 1, 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

Assets, except for land plots, with the original value of 40 thousand rubles 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 since 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

Units of financial investment accounting: for shares – a share; for bonds – a bond; for contributions in authorized capital – interest; for certificates of deposit, notes – series and number of a security; for loans, deposits, assignment and simple partnership contracts – a contract. Financial investments are accounted on the basis of actual acquisition costs. Debt securities for which current market value is n/a 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 (shares, bonds), for which current market value is not determined, are evaluated at the moment of retirement at the average original cost of each retiring unit of financial investment accounting split by batches. The identification of batches of retiring securities is provided by the entity or subdivision concluding an agreement, which is the basis for recording the retirement of securities in accounting.

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.

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.

In relation to inventories intended for administrative purposes, FAS 5/2019 Inventories is not applied.

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.

General costs are fully recognized as general expenses in the course of the reporting period.

Expenses related to the sales of products (works, services) are fully recognized as general expenses in the course of the reporting period.

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 inventories and probable net price of 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 as expenses related to normal operation in full in the reporting period

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.

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 profit tax return.

Every month, the Company calculates deferred tax assets, deferred tax liabilities, deferred profit tax, expenses (income) on profit tax, contingent expenses (income) on profit tax, running 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 profit 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 "Profit tax redistribution within a consolidated taxpayer group". 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 rouble 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 roubles 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 rouble set by the RF Central Bank:

				(RUB)
Foreign currency	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019	
USD 1	74.2926	73.8757	61.9057	
EUR 1	84.0695	90.6824	69,3406	

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

FAS 5/2019 Inventories has been applied since accounting (financial) statements of 2021, the effect of accounting policy changes due to the start of FAS 5/2019 application are shown in prospective.

Starting of 1 January 2021 financial investments (shares, bonds), for which current market value is not determined, are evaluated at the moment of retirement at the average original cost of each retiring unit of financial investment accounting split by batches. Earlier they were evaluated at the original cost if financial investments acquired first (FIFO method) Changes in the accounting policy did not have a significant effect on the data of previous periods.

2. 16 COMPARATIVE DATA

Comparative data of these statements are derived by carrying over the respective reporting parameters for the previous reporting period.

3. DISCLOSURE OF SIGNIFICANT INDICATORS

3. 1 INTANGIBLE ASSETS

Availability of intangible assets

Description	As of 31.12.2021			As of 31.12.2020			As of 31.12.2019		
	Original value	Depreciation	Balance valuation	Original value	Depreciation	Balance valuation	Original value	Depreciation	Balance valuation
Groups of intangible assets – total	1,231,635	(127,408)	1,104,227	1,484,837	(122,511)	1,362,326	1,790,481	(118,767)	1,671,714
incl.:									
research and development	40,802	(18,754)	22,048	36,939	(16,467)	20,472	36,739	(15,180)	21,559
Software and data bases	1,188,464	(106,295)	1,082,169	1,445,529	(103,692)	1,341,837	1,751,019	(100,903)	1,650,116
trademarks and service marks	275	(265)	10	275	(258)	17	629	(590)	39
Original works of entertainment books or art	2,069	(2,069)	--	2069	(2,069)	--	2,069	(2,069)	--
other intellectual property items	25	(25)	--	25	(25)	--	25	(25)	--
Costs for purchase of intangible assets	X	X	40,852	X	X	39,086	X	X	35,922
Total	X	X	1,145,079	X	X	1,401,412	X	X	1,707,636
<i>For reference:</i>									
<i>intangible assets, created by the organization itself</i>	<i>151,271</i>	<i>(131,003)</i>	<i>20,268</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>intangible assets with fully repaid value</i>	<i>183,091</i>	<i>(183,091)</i>	<i>--</i>	<i>99,925</i>	<i>(99,925)</i>	<i>--</i>	<i>100,030</i>	<i>(100,030)</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 thou.)

Accounting
(Financial)
reports
for 2021

Description	As of 31.12.2021			As of 31.12.2020			As of 31.12.2019		
	Original value	Depreciation	Balance valuation	Original value	Depreciation	Balance valuation	Original value	Depreciation	Balance valuation
Fixed assets									
Buildings	47,325,405	(14,452,735)	32,872,670	38,348,838	(13,151,761)	25,197,077	35,773,855	(11,882,138)	23,891,717
Structures	67,556,455	(22,884,386)	44,672,069	50,437,540	(19,998,963)	30,438,577	35,227,726	(17,784,886)	17,442,840
Machinery and equipment including household equipment and other items	220,073,953	(138,529,025)	81,544,928	209,651,315	(125,674,284)	83,977,031	186,947,935	(114,806,928)	72,141,007
Vehicles	11,523,575	(3,462,802)	8,060,773	6,745,323	(3,085,900)	3,659,423	5,318,957	(2,768,108)	2,550,849
Cultivated resources of plant origin	1,370	(631)	739	1,370	(592)	778	1,370	(553)	817
Land plots and land improvement expenses	1,361,684	--	1,361,684	1,345,426	--	1,345,426	1,345,426	--	1,345,426
Total	347,842,442	(179,329,579)	168,512,863	306,529,812	(161,911,500)	144,618,312	264,615,269	(147,242,613)	117,372,656
<i>For reference:</i>									
<i>The cost of real estate objects, received for use and undergoing state registration.</i>	11,866,637	X	X	8,727,773	x	x	6,122,476	x	x
<i>cost of leased out main assets</i>	3,420,690	(1,462,842)	1,957,848	2,971,177	(1,327,340)	1,643,837	1,513,213	(938,194)	575,019
Capital investments in progress									
Construction of objects	X	X	36,687,096	X	X	36,969,565	X	X	37,429,523
Acquisition of objects	X	X	632,640	X	X	972,912	X	X	850,685
Equipment to be installed	X	X	6,641,193	X	X	5,471,515	X	X	6,809,043
Materials and spare parts for construction and installation works	X	X	4,123,238	X	X	4,703,920	X	X	3,314,924
Total	X	X	48,084,167	X	X	48,117,912	X	X	48,404,175



Fixed assets flow (initial value)

Description	for 2021		for 2020	
	Acquired	Retired	Acquired	Retired
Buildings	9,025,921	(49,354)	2,613,438	(38,455)
Structures	17,150,470	(31,555)	15,392,203	(182,389)
Machinery and equipment including household equipment and other items	11,596,100	(1,173,462)	24,977,868	(2,274,488)
Vehicles	4,851,955	(73,703)	1,493,291	(66,926)
Land plots and land improvement expenses	16,258	--	--	--
Total	42,640,704	(1,328,074)	44,476,800	(2,562,258)
<i>For reference:</i>				
<i>The increase of the facilities' value due to additional construction, installation of additional equipment, reconstruction</i>	27,285,737	--	12,789,716	
<i>the decrease of the objects' value as a result of partial liquidation</i>	--	(200,094)	--	(25,901)

Depreciation of the fixed assets retired in 2021 amounted to RUB 1,209,114 thou. in 2021 and RUB 1,810,003 thou. over 2020.

Non-depreciable fixed assets

Description	Original value		
	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Land plots	1,361,684	1,345,426	1,345,426
Facilities under preservation	611,539	693,299	694,231
Housing facilities	17,541	17,541	17,541
Total	1,990,764	2,056,266	2,057,198

As of 31.12.2021 the Company rents fixed assets (including land plots) for the amount of RUB 4,222,373 thou. as of 31.12.2020 – RUB 4,249,662 thou. as of 31.12.2019 – RUB 4,267,248 thou. (off-balance sheet price under lease agreements). The Company rents land lots with the total area of 2,220 thousand square meters. The land lots rented are located in Lipetsk and Lipetsk Region.

3. 3 FINANCIAL INVESTMENTS

Availability of financial investments

(RUB thou.)

Description	As of 31.12.2021			As of 31.12.2020			As of 31.12.2019		
	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	223,713,843	(17,196,577)	206,517,266	233,837,323	(64,162,522)	169,674,801	209,619,174	(51,395,677)	158,223,497
investments in charter capitals of other entities	223,163,075	(16,746,741)	206,416,334	233,339,221	(63,712,684)	169,626,537	209,128,494	(50,945,128)	158,183,366
of which:									
NLMK Overseas Holdings	118,548,843	(7,000,000)	111,548,843	116,234,843	(43,770,000)	72,464,843	90,362,843	(30,900,000)	59,462,843
NLMK Kaluga	39,185,090	(7,218,000)	31,967,090	39,185,090	(7,218,000)	31,967,090	39,185,090	(7,218,000)	31,967,090
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
Uralvtorchermet	--	--	--	12,901,320	(12,459,329)	441,991	12,901,320	(11,225,918)	1,675,402
Vtorchermet NLMK	1,682,834	--	1,682,834	1,240,843	--	1,240,843	1,240,843	--	1,240,843
NLMK-Metalware	4,196,960	--	4,196,960	4,196,960	--	4,196,960	4,196,960	--	4,196,960
Mining & Concentration									
Complex Zhernovsky-1	2,772,287	(2,528,741)	243,546	2,772,287	(265,355)	2,506,932	2,772,287	--	2,772,287
Loans granted	75,624	--	75,624	48,264		48,264	40,131	--	40,131
Other financial investments	475,144	(449,836)	25,308	449,838	(449,838)	--	450,549	(450,549)	--
Short-term financial investments - total	178,544	(666)	177,878	10,606,000	(1,000)	10,605,000	9,482,811	(1,000)	9,481,811
Loans granted	159,660	(666)	158,994	62,580	(1,000)	61,580	12,926	(1,000)	11,926
Deposits	18,884	--	18,884	10,543,420		10,543,420	9,469,885	--	9,469,885
Total	223,892,387	(17,197,243)	206,695,144	244,443,323	(64,163,522)	180,279,801	219,101,985	(51,396,677)	167,705,308

As of 31.12.2021, 31.12.2020 and 31.12.2019 there were no financial investments for which the current market value was to be determined.



Financial investments flow

In December 2021, Metallurg Hotel Complex was liquidated, the cost of the retired financial asset is RUB 50,810 thou. Due to the retirement of financial asset Metallurg Hotel Complex, the earlier accrued provision in the amount of RUB 36,725 thou. was recovered.

In November 2021 a reorganization of Vtorchermet NLMK in the form of merging with Uralvtorchermet took place, the cost of financial investment of Vtorchermet NLMK made RUB 1,682,834 thousand. Based on the provisions of paragraph 7 of RAS 1/2008 "Accounting policy of an organization", the previously accrued impairment provision for this financial investment into Uralvtorchermet in the amount of RUB 12,459,329 thousand was summarized with initial cost of investment into Uralvtorchermet to form the cost of joining the Uralvtorchermet LLC investment to Vtorchermet NLMK LLC in the amount of RUB 441 991 thousand. No indicators for recovery of provision for impairment were defined at the moment of joining.

In order to increase net assets of NLMK Overseas Holdings in 2021 the Company made a contribution into its assets in cash in the amount of RUB 2,314,000 thousand (in 2020, a contribution into its assets in cash in the amount of of RUB 14,871,000 thousand by offsetting the Company's cash claims under the interest-free loans granted in the amount of RUB 11,001,000 thousand) and reflected as financial investments, guided by the provisions of paragraph 7 of RAS 1/2008 "Accounting policy of an organization".

The Company granted loans to its related parties.

Impairment of financial investments

Due to improvements in the economic environment, management of the Company identified indicators of a potential reversal of the previously recognised impairment provision for the Company's financial investments, as a result the financial investment into NLMK Overseas Holding LLC was tested for possible reversal of the previously recognised impairment.

The recoverable amount of an investment in the capital of the subsidiary NLMK Overseas Holdings LLC, which also has in its assets investments in its own subsidiaries and jointly controlled companies, is determined as the amount of net assets of NLMK Overseas Holdings LLC according to its reporting data, adjusted for the difference between the total book value of the investments of NLMK Overseas Holdings LLC and the corresponding estimated value of the final investment facilities, the most significant of which are NLMK Indiana LLC, NLMK Pennsylvania LLC, NLMK DanSteel A/S and NLMK Belgium Holdings S.A. The estimated value of the ultimate investments, in its turn, is determined on the basis of models for assessing the recoverable investment amount into major manufacturing enterprises and on the basis of net assets to estimate the recoverable amount of investments into other companies. Based on the results of an impairment test for investments in NLMK Overseas Holdings LLC, a reserve in the amount of RUB 36,770,000 thousand was reversed in 2021 (a reserve of RUB 12,870,00 thousand accrues in 2020).

The recoverable cost of investment in the capital of the subsidiary company Mining & Concentration Complex Zhernovsky-1 LLC is determined by a model for assessing the recoverable amount of an investment. Based on the results of an impairment test for investments in Mining & Concentration Complex Zhernovsky-1 LLC, a reserve in the amount RUB 2,263,386 thousand was accrued in 2021 (in 2020 - RUB 265,355 thousand).

Information on the main approaches to determining the key prerequisites and assumptions used to determine the recoverable amount of investments as of 31 December 2021, as well as the sensitivity of the recoverable amount to changes in assumptions, is presented in 2021 Consolidated Financial Statements of NLMK prepared in accordance with the International Financial Reporting Standards. The assumptions used to define the amount of investments to be reimbursed, not disclosed in the consolidated financial statements are given in the table below.



Cash generating unit	Discount rate, %	Product types	Average price of product sale*, USD per ton (FCA)	Sensitivity**, %					
				Price change		Change of sale volumes		Change of the discount rate	
				(1 %)	1 %	(1 %)	1 %	(1 p.p.)	1 p.p.
NLMK Pennsylvania LLC	10.8 %	Flat products	848	-15.1 %	15.2 %	-1.8 %	1.8 %	10.2 %	-7.5 %
NLMK Indiana LLC	18.1 %	Flat products	705	-11.5 %	11.5 %	-1.5 %	1.5 %	2.4 %	-1.8 %

* Average weighted prices with regard to the product mix of products sold, averaged over the period of 2022-2026.

** Sensitivity of the recoverable cost of final investee to changes in relevant factors during the forecast and post-forecast periods.

Income from financial investments

Name	Income, RUB k	
	for 2021	for 2020
Income from short-term deposits (from 3 months up to 1 year)	36,863	101,191
Dividends from subsidiaries	79,014,241	48,980,386
Interests on loans granted	11,954	3,988
Total	79,063,058	49,085,565

3.4 INVENTORIES

Structure of inventories

(RUB thou.)

Type of stock	As of 31.12.2021			As of 31.12.2020			As of 31.12.2019		
	Production cost	Provisions for inventory impairment	Balance valuation	Production cost	Provisions for inventory impairment	Balance valuation	Production cost	Provisions for inventory impairment	Balance valuation
Feedstock, materials and other similar valuables	48,072,972	(1,364,037)	46,708,935	28,456,170	(1,908,513)	26,547,657	30,949,980	(1,909,124)	29,040,856
WIP costs	19,947,475	(218,484)	19,728,991	13,430,094	(346,073)	13,084,021	11,181,845	(358,371)	10,823,474
Finished products and goods for reselling	16,312,396	--	16,312,396	8,553,718	--	8,553,718	8,208,828	--	8,208,828
Goods shipped	26,990,563	--	26,990,563	8,841,876	--	8,841,876	7,439,395	--	7,439,395
Deferred expenses	232,865	--	232,865	231,997	--	231,997	163,232	--	163,232
Total	111,556,271	(1,582,521)	109,973,750	59,513,855	(2,254,586)	57,259,269	57,943,280	(2,267,495)	55,675,785

Inventories to be sold to buyers instead of further processing are accounted in finished products.

Inventory flow

(RUB thou.)

Description	for 2021			for 2020		
	Acquired	Retired	Intergroup inventory turnover	Acquired	Retired	Intergroup inventory turnover
Feedstock, materials and other similar valuables	479,538,831	(4,859,039)	(454,518,514)	272,995,612	(9,498,334)	(265,990,477)
WIP costs	70,555,651	(2,127)	(63,908,554)	63,607,903	(102,810)	(61,244,546)
Finished products and goods for reselling	602,604	(217,613,152)	224,769,226	946,112	(145,118,523)	144,517,301
Goods shipped	4,366,778	(279,875,932)	293,657,841	810	(181,316,051)	182,717,722
Deferred expenses	612,601	(611,734)	1	618,863	(550,098)	0
Total	555,676,465	(502,961,984)	0	338,169,300	(336,585,816)	0



3. 5 ACCOUNTS RECEIVABLE AND PAYABLE

3. 5. 1 ACCOUNTS RECEIVABLE

Structure of accounts receivable

(RUB thou.)

Type of debt	As of 31.12.2021			As of 31.12.2020			As of 31.12.2019		
	Accounted for by the Contract terms	Bad debt provision	Balance valuation	Accounted for by the Contract terms	Bad debt provision	Balance valuation	Accounted for by the Contract terms	Bad debt provision	Balance valuation
Long-term accounts receivable - total	52,573,715	--	52,573,715	12,101,872	--	12,101,872	60,988,431	--	60,988,431
including:									
settlements with buyers and customers	--	--	--	--	--	--	--	--	--
advance payments made ¹ - total	1,912,647	--	1,912,647	198,000	--	198,000	1,400,653	--	1,400,653
including:									
under current operations	105,956	--	105,956	103,481	--	103,481	77,664	--	77,664
for non-current assets ³	1,806,691	--	1,806,691	94,519	--	94,519	1,322,989	--	1,322,989
other	50,661,068	--	50,661,068	11,903,872	--	11,903,872	59,587,778	--	59,587,778
Short- term accounts receivable - total	96,092,405	(9,028,170)	87,064,235	83,802,923	(9,076,373)	74,726,550	64,729,561	(8,438,509)	56,291,052
including:									
settlements with buyers and customers	27,467,000	(101,890)	27,365,110	13,952,510	(193,290)	13,759,220	13,189,398	(169,846)	13,019,552
advance payments made - total	16,785,812	(707,987)	16,077,825	12,202,196	(594,771)	11,607,425	8,754,720	(142,353)	8,612,367
including:									
under current operations	5,227,623	(706,669)	4,520,954	3,979,338	(593,453)	3,385,885	2,512,790	(141,035)	2,371,755
for non-current assets ³	11,558,189	(1,318)	11,556,871	8,222,858	(1,318)	8,221,540	6,241,930	(1,318)	6,240,612
other	51,839,593	(8,218,293) ²	43,621,300	57,648,217	(8,288,312) ²	49,359,905	42,785,443	(8,126,310) ²	34,659,133
Total	148,666,120	(9,028,170)	139,637,950	95,904,795	(9,076,373)	86,828,422	125,717,992	(8,438,509)	117,279,483

¹ Here and hereafter the advance payments made are shown VAT included.

² Including the reserve in full amount for bad debt of Stalkonstruktziya Concern CJSC of RUB 2,046,892 thousand, to Mr. N. Maximov in the amount of RUB 5,583,697 thousand, which is not included into the overdue debt. There were no significant changes YoY in the structure and composition of the provisions (reserves).

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 thou.)

Type of debt	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Other long-term receivables– total	50,661,068	11,903,872	59,587,778
including:			
settlements with personnel on other operations	178,428	217,012	257,209
interest-free loans granted	50,392,943	3,113,758	48,003,296
of which			
NLMK Overseas Holdings	48,469,637 ²	--	45,736,659 ²
interest on long-term financial investments	89,697	8,573,102 ¹	11,327,273 ¹
Other short-term receivables- total	43,621,300	49,359,905	34,659,133
including:			
interest-free loans granted	89,032	32,959,567	1,923,308
of which			
interest-free Loan to NLMK Overseas Holdings	--	32,483,381 ²	--
received non-interest bearing notes	2,000,000	1,300,862	1,822,526
settlements on interest accrued	697,679	1,976,378	167,459
settlements with budget and off-budget funds in terms of taxes and duties	51,585	25,525	43,310
budget settlements on VAT	8,923,851	5,883,978	5,762,672
settlements with customs	10,418,370	333,429	321,288
claim settlements	112,905	201,728	133,519
settlements with CTG participants	1,903,344	1,468,309	238,902
settlements related to reimbursable services	51,966	36,772	31,913
lease settlements	75,796	83,288	15,942
settlements with personnel on salaries and other operations	4,736	11,944	6,723
settlements with reporting persons	59,751	18,165	60,324
settlements related to dividends	8,420,061	--	22,155,942
interest-free loans granted (cash pooling)	10,302,404	4,554,889	1,776,782
other	509,820	505,071	198,523
Total	94,282,368	61,263,777	94,246,911

¹ Interest on the long-term loan of NLMK Ural.

² Interest-free loan as of 31.12.2021 maturing on 31.12.2023 as of 31.12.2020 maturing on 31.12.2021, as of 31.12.2019 maturing on 31.12.2021.



Overdue accounts receivable

(RUB thou.)

Type of debt	As of 31.12.2021		As of 31.12.2020		As of 31.12.2019	
	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	3,696,658	2,300,395	3,307,793	1,863,327	2,481,211	1,674,609
including:						
settlements with buyers and customers	978,652	876,762	915,518	722,228	1,277,607	1,107,761
advance payments made - total	1,896,028	1,189,359	1,543,518	950,065	574,710	433,675
incl.:						
under current operations	1,896,028	1,189,359	1,543,518	950,065	574,710	433,675
other	821,978	234,274	848,757	191,034	628,894	133,173

3. 5. 2 Accounts payable

Structure of accounts payable

(RUB thou.)

Type of debt	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Long-term accounts payable - total	--	--	385,320
incl.:			
settlements with suppliers and contractors	--	--	385,320
Short-term accounts payable - total	160,793,167	100,325,861	86,497,982
including:			
advances received ¹	97,620,654	48,468,030	31,556,300
suppliers and contractors	56,795,434	37,913,965	31,356,508
settlements related to taxes and duties	3,116,564	3,676,872	1,777,048
settlements related to payables to employees	1,124,326	1,027,276	962,781
settlements related to debt to state off-budget funds	753,901	665,696	655,058
debt to shareholders in terms of dividends	520,862	7,862,227	19,666,723
other	861,426	711,795	523,564
Total	160,793,167	100,325,861	86,883,302

¹ Hereinafter advance payments received from buyers and customers are indicated net of VAT to be paid to the budget.



Overdue accounts payable

(RUB thou.)

Indicator	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Total	5,717,029	7,190,579	6,226,536
including:			
settlements with suppliers and contractors	5,620,134	7,108,975	5,454,612
advance payments received	79,894	39,250	716,298
other	17,001	42,354	55,626

3. 6 CASH AND CASH EQUIVALENTS

(RUB thou.)

Description	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Settlement accounts	12,153,053	1,325,552	478,934
Currency accounts	6,045,530	22,246,831	14,948,889
Deposits (up to 3 months)	7,185,170	23,871,338	11,203,786
Other cash equivalents	5,361	15,195	5,191
of which: financial documents	305	155	191
Total	25,389,114	47,458,916	26,636,800

Other income and payments from current operations

(RUB thou.)

Description	for 2021	for 2020
Other income from current operations	1,693,550	1,426,375
Income from litigation, claims	667,287	547,892
Interest on cash equivalents	291,066	213,950
Remuneration under the program of Depositary Receipts	293,063	198,769
Purchase - sale of currency	187,801	301,700
Other income	254,333	164,064



Description	End	
	for 2021	for 2020
Other payments under the current operations	(47,616,157)	(10,225,281)
Tax payments	(44,908,498)	(6,498,130)
including:		
VAT, import duties	(9,912,123)	(4,911,932)
advance payments to the customs related to the exports	(33,014,000)	--
Other settlements with personnel	(955,581)	(888,324)
Settlements with various creditors	(190,723)	(120,054)
Settlements related to claims	(849,437)	(649,068)
Charity expenses	(695,989)	(565,935)
Purchase - sale of currency	--	(1,080)
Payments related to financial instruments	--	(1,421,786)
Other remittance	(15,929)	(80,904)

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 inflows and payments on investment activities

Description	(RUB thou.)	
	for 2021	for 2020
Other inflows from investment activity	10,112,833	--
Placement of deposits for a period of over 3 months and up to one year	29,861,210	--
Refund of deposits from over 3 months to one year	(19,748,377)	--
Other payments on investment activities	(16,108)	(874,258)
Placement of deposits for a period of over 3 months and up to one year	--	(61,119,611)
Refund of deposits from over 3 months to one year	--	60,388,183
Other payments on investment activities	(16,108)	(142,830)

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 29,984,781 thousand. (in 2020 - RUB 5,107,316 thousand).



Cash flows with subsidiaries and other related parties (including VAT) ³

(RUB thou.)

Description	Earnings		Payments	
	for 2021	for 2020	for 2021	for 2020
Cash flow from current operations	487,828,579	248,547,963	(359,200,038)	(175,906,552)
Subsidiaries	32,288,565	16,301,199	(358,981,342)	(174,909,862)
Other companies ¹	455,540,014	232,246,764	(218,696)	(996,690)
of which: NLMK Trading SA	455,525,877	232,241,959	(218,696)	(996,690)
Cash flows from investment operations	101,491,574	72,005,750	(47,038,253)	(19,192,070)
Subsidiaries ²	101,491,574	72,005,750	(47,038,253) ²	(19,192,070) ²
Cash flows from financial operations	45,129,088	30,819,673	(54,456,618)	(17,246,710)
Subsidiaries	36,161,330	2,487,494	(40,913,335)	(509,999)
Other companies ¹	8,967,758	28,332,179	(13,543,283)	(16,736,711)
of which: NLMK Trading SA	2,353,058	28,332,179	(13,543,283)	(16,736,711)
Total	634,449,241	351,373,386	(460,694,909)	(212,345,332)

¹ Cash flows of NLMK Trading SA, NLMK Pennsylvania LLC, NLMK DanSteel A/S.

² Including contribution to the property of LLC NLMK Overseas Holdings in order to increase net assets amounted to RUB 2,314,000 thou. (in 2020 - RUB 14,871,000 thou.), reflected in line "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 contracts have been shown in aggregated form.

3. 7 EQUITY AND DIVIDENDS

Company's shares

As of 31.12.2021 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 charter capital

Item	Share, %		
	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
FLETCHER GROUP HOLDINGS LIMITED	79	79	81

Other shares are free-floating (including: global depositary shares traded on the London Stock Exchange (Deutsche Bank Trust Company Americas is NLMK's depositary bank) and shares traded on Moscow Exchange).

Earnings per share

Description	for 2021	for 2020
Net profit for the reporting period, RUB thou.	278,191,581	61,125,114
Weighted average number of outstanding common shares, pcs.	5,993,227,240	5,993,227,240
Basic profit (loss) per share, RUB	46.4	10.2

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 General Shareholders' Meeting held on 29.04.2021 approved payment of dividends in the amount of RUB 21.64 per common stock upon 2020 performance results that made in total RUB 129,693,437 thou. with account of interim dividends of RUB 86,242,539 thou. accrued in 2020.

In 2021 the following interim dividends were declared: RUB 7.71 per common stock for Q1 which made RUB 46,207,782 thou.; RUB 13.62 per common stock for H1 which made RUB 81,627,755 thou.; RUB 13.33 per common stock for 9 months which made RUB 79,889,719 thou.

As of 31.12.2021 the dividends for 2020, Q1, H1 2021 and 9M 2021 accrued to the main company running business, are paid in full.

Detailed information on the structure of dividends and the dividend policy are published on the Company's web-site (<http://www.nlmk.com>)

3. 8 CREDITS AND LOANS

Structure of credits and loans

	(RUB thou.)		
Type of liabilities	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Long-term liabilities– total	140,058,784	152,793,410	105,703,843
including: loans	140,058,784	125,588,690	105,703,843
credits	--	27,204,720	--
Short-term liabilities– total	95,354,511	43,916,850	30,406,203
including: loans	15,315,014	11,899,989	814,132
of which:			
Steel Funding DAC	812,812	--	--
NLMK Trading SA	--	11,236,646	--
Stoilensky	14,492,399	--	--
Loans under cash-pooling agreement	12,767,545	32,014,750	29,497,258
of which:			
Altai Koks	9,298,993	3,189,836	1,453,136
NLMK Trade House	1,706,084	1,422,305	99,552
NLMK Kaluga	1,084,670	647,373	2,745,339
Novolipetsk Steel Service Center	177,409	600,000	382,712
Stoilensky	--	24,739,612	22,081,120
Construction and Assembly Trust NLMK	--	428,906	312,476
credits	67,271,952	2,111	94,813
Total	235,413,295	196,710,260	136,110,046

For working capital financing and for other corporate purposes, the Company signed: as of 31.12.2021, 31.12.2020 and 31.12.2019 - agreements with ALFA-BANK, Sberbank of Russia and VTB Bank on the opening of credit facilities with the limit not exceeding RUB 85,000,000 thou. in total, as of 31.12.2021 - an agreement on opening a credit facility with UNICREDIT S.P.A. as a facility agent, ING BANK N.V. as a mandated lead arranger and a syndicate of banks with a limit not exceeding RUB 50,441,700 thou., as of 31.12.2020 - RUB 54,409,440 thou.



Unused credit limit for all the credit facility agreements as at the reporting date makes RUB 68,186,100 thou., as of 31.12.2020 - RUB 112,204,720 thou.

Bank credits

(RUB thou.)				
Lender description	Maturity	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
ALFA-BANK	2022	25,223,774	27,206,831	--
UNICREDIT S.P.A.	2022	42,048,178	--	--
Other credit institutions	2020	--	--	94,813
Total bank credits, incl. interest accrued		67,271,952	27,206,831	94,813
incl.:				
with maturity up to 1 year, incl. current portion of long-term credits		67,271,952	2,111	94,813

Loans

(RUB thou.)			
Lender name	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Steel Funding DAC (Eurobonds) ²	134,185,262 ²	126,252,032 ²	105,795,552 ²
Subsidiaries and other related parties	21,188,536	11,236,647	722,423
of which: interest-free loans	14,492,399	--	150,000
Loans under cash-pooling	12,767,545 ¹	32,014,750 ¹	29,497,258 ¹
of which: interest-free loans	11,370,431	30,806,250	25,246,398
Total loans, incl. interest accrued	168,141,343	169,503,429	136,015,233
including:			
with maturity up to 1 year, incl. current portion of long-term loans	28,082,559	43,914,739	30,311,390

¹ Including the interest accrued.

² As of 31.12.2021 three issues of Eurobonds due in 2023-2026. The rest of the debt is a short-term debt.

In June 2021 the Company placed a bond loan for the amount of Euro 500 m. Funds received during the loan placement were partially used to buy back previously issued dollar bond loans with maturity dates in 2023 and 2024.

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 thou.)

Name of the estimated liability	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Estimated liabilities - total	9,591,937	4,668,379	3,870,986
including:			
on upcoming expenses for vacations	1,935,953	1,917,835	1,667,478
on upcoming expenses for bonuses	6,410,900 ¹	2,420,994	1,904,749
on unsettled court proceedings and claims	1,245,084	329,550	298,759

¹ The amounts include the created estimated liabilities - RUB 3,455,000 thou. under the long-term motivation programme for achieving the Company's strategic targets in 2019-2021, payments under which are expected in 2022.

3. 10 INCOME AND EXPENSES

3. 10. 1 Income and expenses related to ordinary activities

Income from ordinary activities

(RUB thou.)

Description	for 2021	for 2020
Revenue from sales of products (services) outside the RF	428,869,464	228,197,950
Revenue from sales in the RF	364,058,435	208,881,156
Total	792,927,899	437,079,106

Expenses for production

(RUB thou.)

Description	for 2021	for 2020
Material expenses - total	519,110,188	319,928,307
Including: raw and other materials	355,109,527	223,499,492
fuel, energy	117,629,068	57,088,776
work and services rendered by third parties ¹	46,371,593	39,340,039
Labour costs	30,330,424	25,449,708
Social allocations	8,002,923	7,656,094
Depreciation	18,303,253	16,297,423
Other costs	37,541,165 ²	12,665,125
Total by components	613,287,953	381,996,657
Balance change (increase [-], decrease [+]): construction in progress, semi-finished products, finished products	-33,600,613	-4,353,185
Total expenses on ordinary activities	579,687,340	377,643,472
<i>For reference: Expenses for capital and routine repair</i>	<i>19,450,094</i>	<i>15,525,815</i>

¹ Including expenses related to the sale of products in the amount of RUB 32,656,640 thou. (over 2020– RUB 30,089,305 thou.).

² Including export duties in the amount of RUB 22,782,888 thou.

3. 10. 2 Other income and expenses

Other income and expenses

(RUB thou.)

Description	for 2021		for 2020	
	Income	Expenses	Income	Expenses
The right of claim assignment	10,662,097	10,661,592	9,169,673	9,136,061
Sale of foreign currency	3,554,527	3,371,663	5,262,236	4,960,536
Expenses on credits	--	3,217,753	--	584,249
Exchange rate difference	3,176,263	--	--	18,143,952
Sales of inventories	2,052,985	1,548,130	2,003,160	1,664,739
Profit and loss of previous years	1,253,270	1,836,501	333,584	1,128,201
Charity expenses	--	801,415	--	855,348
Writing-off of inventories, tare, inventories from repairs	729,802	743,393	1,071,072	304,526
Retirement of fixed assets, capital investments	625,554	215,654	1,035,623	1,072,572
Valuation reserves	36,874,113	2,438,681	64,863	15,062,671
Transactions with securities	--	50,866	--	60,063
Other expenses over the Group of Companies	--	8,556	--	77,490
Costs related to derivative financial instruments	--	--	--	1,421,786
Others	1,115,792	2,906,245	1,457,113	1,451,647
Total	60,044,403	27,800,449	20,397,324	55,923,841

3. 11 CURRENT INCOME TAX FORMATION

Calculation of profit tax according to the requirements of RAS 18/02

(RUB thou.)

Description	for 2021	for 2020
Profit (loss) before tax	319,460,630	67,106,712
Contingent expenses (income) for income tax (according to accounting data)	63,892,126	13,421,343
Deferred profit tax	(2,546,460)	50,658
Permanent tax expenses (income)	(22,170,384)	(7,110,384)
Current profit tax ¹	39,175,282	6,361,617
Taxable income (according to the tax accounting data)	195,876,409	31,808,083
Permanent difference leading to the taxable income increase according to the tax accounting data	4,979,051	15,136,579
Permanent difference leading to taxable income decrease according to the tax accounting data	(115,830,972)	(50,688,500)
Taxable temporary differences	(18,633,295)	(6,046,898)
Deductible temporary differences	5,900,995	6,300,190

¹Income tax rate - 20%



Calculation of the taxation base with reference to the income 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.

Deductible temporary differences are associated with 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 2021, 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	
	2021	2020	2021	2020	2021	2020
Sales revenue, RUB thou.	788,850,189	435,284,110	4,077,710	1,794,996	792,927,899	437,079,106
Share of proceeds from sales in total proceeds, %	99.49	99.59	0.51	0.41	100	100
Total production cost, RUB thou.	576,795,655	376,699,922	2,891,685	943,550	579,687,340	377,643,472
Sales profit (loss), RUB thou	212,054,534	58,584,188	1,186,025	851,446	213,240,559	59,435,634
Share of profit in total profit, %	99.44	98.57	0.56	1.43	100	100

(RUB thou.)

Product type	Sales revenue		Change
	for 2021	for 2020	
Pig iron	24,113,916	33,557,966	-9,444,050
Slabs	334,361,760	156,221,709	178,140,051
Hot-rolled products	183,070,870	98,685,882	84,384,988
Cold-rolled products	99,366,093	57,217,698	42,148,395
Coated rolled steel	105,361,906	62,921,168	42,440,738
Electrical steel	30,514,223	20,050,793	10,463,430
Other by-products and energy resources	12,061,421	6,628,894	5,432,527
Total	788,850,189	435,284,110	353,566,079

In the reporting year the proceeds from sales to foreign customers accounted for 54.37 % (52.43 % in 2020) of the total proceeds from sales in the segment.

In 2021 the share of the largest customer NLMK Trading SA (at least 10% of sales) amounted to 52% (in 2020 – 50%) of the Company's total sales revenue (see Explanation 3.14.2)



3. 13 SECURITY OF LIABILITIES

(RUB thou.)

Description	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Received: bank guarantees for advance payment return and payment guarantees	11,160,519	3,743,552	5,037,995
Granted sureties - total	76,416,898	124,946,058	76,720,020
Subsidiary companies	2,446,083	4,975,813	6,614,105
Other related parties	73,970,815	119,970,245	70,105,915
including:			
NLMK Trading SA	41,198,119	85,750,040	36,783,570

As of 31.12.2021, 31.12.2020, 31.12.2019 the Company has liabilities under the surety agreements (RUB 74,171,354 thou., RUB 123,230,163 thou. and RUB 71,782,281 thou. 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 % 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 as of 31.12.2021:

Name	Stake in authorized capital as of 31.12.2021, %	Name	Stake in authorized capital as of 31.12.2021, %
VIZ Steel	100	NLMK Overseas Holdings	100
NLMK Communications	100	NLMK Trade House	100
LLC Vtorchermet NLMK	100	Construction and Assembly Trust NLMK	100
Stagdok	100	Stoilensky	100
Dolomite	100	NLMK Long Products	100
NLMK Information Technologies	100	Novolipetsk Steel Service Center	100
NLMK Metalware	100	Altai Koks	100
Neptune	100	NLMK Engineering	100
NLMK Kaluga	100	NLMK Ural	92.59
Mining & Concentration Complex Zhernovsky-1	100	Uralvtorchermet (<i>before 9.11.2021</i>)	100

All the companies specified are registered in the Russian Federation.

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.

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 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

First Freight Company	PO TatVtorchermet
Universalny Expeditor	Vtorchermet
Tuapse Sea Trade Port	ChuvashVtormet
Taganrog Sea Trade Port	Vtorchermet NLMK Center
Saint-Petersburg Sea Port	Vtorchermet NLMK North
UNIVERSAL FORWARDING COMPANY (UFC) LTD	Vtorchermet NLMK Siberia
NLMK Trading SA ¹	Vtorchermet NLMK Western Siberia
NLMK DanSteel A/S ¹	Vtorchermet NLMK Ural
NLMK Pennsylvania LLC ¹	Vtorchermet NLMK Black Belt Region
Steel Funding DAC	Vtorchermet NLMK South
VIZ-Broker	Vtorchermet NLMK East
NLMK - Ural Service	Vtorchermet NLMK Perm
Railcar Repair Company "Gryazi"	Vtorchermet NLMK West
InServicePlus	Vtorchermet NLMK Republic
Gazobeton 48 ¹ (before 30.12.2021)	Vtorchermet NLMK Povolzhie
NLMK Verona SpA	Vtorchermet NLMK Bashkortostan
NLMK Belgium Holdings S.A.	Vtorchermet NLMK Volga
NLMK Indiana LLC ¹	NLMK Plate Sales S.A.
NLMK India Service Center Pvt Ltd ¹	NLMK La Louvière S.A.
Social Security Charity Fund "Miloserdiye"	NLMK Sales Europe S.A.
Verkh-Isetsky Steel Plant	NLMK Clabecq S.A.
Blinovskoye	Novolipetsk Medical Centre Association
Lisya Nora	SC Lipetsk Metallurg
Ural Health-Center Nizhnie Sergi	Pride Media
Association of ferrous metallurgy enterprises "Russian Steel"	NLMK International B.V. ¹
Advocate Bureau "Reznik, Gagarin & Partners", Moscow	LLC "CSC"
Steel Invest & Finance (Luxembourg) S.A. ¹	NLMK India Coating Private Limited ¹
LLC Rumelco	NLMK Strasbourg
Metallurg Hotel (before 23.12.2021)	

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

Description	for 2021					for 2020				
	Total	Products, commodities	Inventory, FA	Services	Lease	Total	Products, commodities	Inventory, FA	Services	Lease
Subsidiaries	32,885,725	31,773,487	382,566	714,024	15,648	16,538,692	15,003,084	838,395	676,690	20,523
Other affiliated parties	414,568,209	414,102,235	16,329	368,584	81,061	219,776,110	219,044,922	7,380	679,029	44,779
of which:										
NLMK Trading SA	412,801,665	412,754,487	--	47,178	--	218,336,576	218,261,562	--	75,014	--
Total	447,453,934	445,875,722	398,895	1,082,608	96,709	236,314,802	234,048,006	845,775	1,355,719	65,302

(RUB thou.)

Purchases from other related parties

Description	for 2021				for 2020			
	Total	Inventory, FA	Services	Lease	Total	Inventory, FA	Services	Lease
Subsidiaries	370,667,049	365,411,670	5,241,450	13,929	183,130,653	177,169,518	5,950,131	11,004
Other affiliated parties	30,939,418	808,353	29,835,011	296,054	26,236,772	813,509	25,094,358	328,905
Total	401,606,467	366,220,023	35,076,461	309,983	209,367,425	177,983,027	31,044,489	339,909

(RUB thou.)

Accounts receivable

The table shows receivables from the related parties, except for those under the interest-free loans granted.

Description	As of 31.12.2021			As of 31.12.2020			As of 31.12.2019		
	Debt	Bad debt provision	Balance valuation	Debt	Bad debt provision	Balance valuation	Debt	Bad debt provision	Balance valuation
Subsidiaries	13,650,420	(185,001)	13,465,419	13,515,282	(64,664)	13,450,618	35,451,349	(42,309)	35,409,040
Other affiliated parties	3,367,303	(462,434)	2,904,869	2,710,235	(277,036)	2,433,199	1,647,721	(86,317)	1,561,404
Total	17,017,723	(647,435)	16,370,288	16,225,517	(341,700)	15,883,817	37,099,070	(128,626)	36,970,444

(RUB thou.)



Payables

(RUB thou.)			
Description	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Subsidiaries	23,696,211	15,487,962	11,014,521
Other affiliated parties	83,241,177	40,686,332	27,385 256
of which:			
NLMK Trading SA ¹	82,813,823	40,268,472	27,145,681
Debt of the companies which ceased to be related parties as of the reporting date	--	799	4,591
Total	106,937,388	56,175,093	38,404,368

¹Advance payments received

Dividends received from subsidiaries

(RUB thou.)		
Description	for 2021	for 2020
Dividends from subsidiaries - total	70,594,176	71,079,663
of which:		
Stoilensky	31,500,000	60,033,260
Altai Koks	32,300,409	4,477,590
NLMK - Kaluga	6,000,000	2,000,000

Total amount of accrued dividends from subsidiaries is shown in cl. 3.3 of the Explanation.

Loans granted to related parties

Outstanding loans granted to the related parties, details of loan granting and repayment:

(RUB thou.)			
Borrower's name	As of 31.12.2021	As of 31.12.2020	As of 31.12.2019
Subsidiaries	60,903,365	40,630,828	51,679,879
including:			
interest-free loans	60,784,379	40,570,256	51,668,961
Other affiliated parties	36,624	106,222	74,555
incl.:			
interest-free loans	--	57,959	34,424
Total	60,939,989	40,737,050	51,754,434

In the reporting year the Company granted short-term and long-term loans, repayment of which is envisioned not later than by 2026.

(RUB thou.)

Borrower's name	for 2021		for 2020	
	Granted	Repaid	Granted	Repaid
Subsidiaries	298,982,859	278,710,322	102,521,960	113,571,011
including:				
interest-free loans	287,648,263	267,434,140	102,219,121	113,317,826
Loans to other related parties	608,909	678,507	1,231,788	1,200,120
including:				
interest-free loans	608,909	666,868	1,215,615	1,192,080
Total	299,591,768	279,388,829	103,753,748	114,771,131

Loans granted by related parties

The Company received loans from subsidiaries and other related parties.

Outstanding loans are disclosed in cl.3.8. of the Notes.

(RUB thou.)

Lender name	for 2021		for 2020	
	Received	Repaid	Received	Repaid
Subsidiaries	423,088,755	427,686,803	221,946,070	220,221,998
including:				
interest-free loans	370,054,949	374,855,933	185,605,102	180,259,780
Other affiliated parties	9,819,735	14,620,735	28,990,263	17,411,999
including:				
interest-free loans	851,976	1,067,568	658,084	557,844
NLMK Trading SA	2,353,058	13,553,167	28,332,179	16,745,885
Total	432,908,490	442,307,538	250,936,333	237,633,997

Information on sureties for subsidiaries and other related parties is provided in cl.3.13 of the Notes.

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 for 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. Information on major management personnel's salary and other remuneration types is given excluding insurance premium. Data for 2020 is adjusted with consideration of the actual payments in 2021.

(RUB thou.)		
Description	for 2021	for 2020
Bonuses and salaries (without estimated liabilities for upcoming expenses for vacations)	579,188 ¹	526,649
Remunerations	185,427 ²	146,281
Other payments ³	1,823,334 ³	1,770
Total	2,587,949	674,700

¹ Bonuses to the members of the Management Board in 2021 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 are determined on the basis of a preliminary calculation according to the Regulation.

³ Other payments include estimated liability for long-term motivation programme for achieving the Company's strategic targets in 2019-2021, payments under which are expected in 2022.

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 31.12.2021 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.

In 2021, the Russian Federal Antimonopoly Service brought an action against NLMK for violation of the antimonopoly legislation related to setting and maintaining a monopoly price in the hot-rolled product market. The Company disagrees with the initiation of the proceedings and it defends its stand in the course of the legal investigations. No provisions on possible agreements and resolutions resulting from antimonopoly investigations were accrued in the accounting (financial) statements.



3. 16 EVENTS AFTER THE REPORTING DATE

On 2 February 2022, the Company's Board of Directors recommended that dividends should be paid for the fourth quarter of 2021 in the amount of XX Russian rubles per share totalling RUB XX thou.

Head of NLMK

by virtue of Power of Attorney No.505-20/109 dd. 01.02.2021

E. Morozova

2 February 2022