



ENVIRONMENT

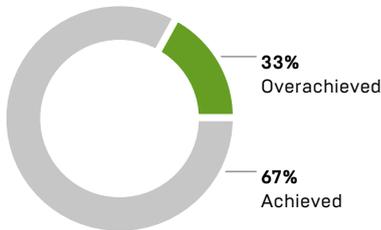
REPORT/2017

2017 ENVIRONMENTAL HIGHLIGHTS

NLMK Group improved the environmental performance of its operations in 2017

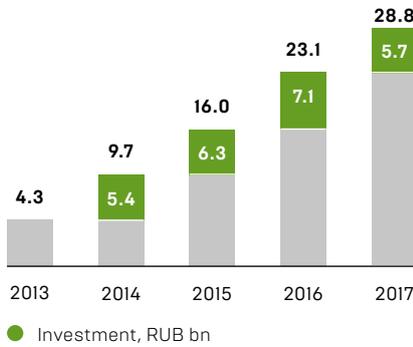
TARGET INDICATORS SUCCESSFULLY ACHIEVED

NLMK GROUP'S 2017 ENVIRONMENTAL TARGETS ACHIEVED



MAJOR ENVIRONMENTAL INVESTMENTS

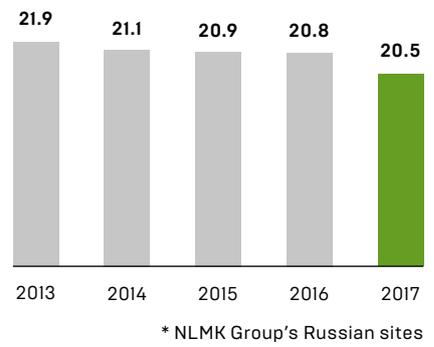
SUPPORT OF MAJOR INVESTMENTS TO ENSURE ENVIRONMENTAL SAFETY OF OPERATIONS



REDUCED AIR EMISSIONS

REDUCTION OF SPECIFIC EMISSIONS*

kg / per tonne of steel



100%
OF NLMK GROUP'S TARGETS ACHIEVED

The Company continues to invest in environmental projects. The Company's environmental investment increased by **34%** since 2013

Group's air emission rate reduced to a record low of **20.5 kg per tonne of steel**

→ For more details, please refer to page 9

KEY FACTS AND FIGURES

Successful implementation of environmental initiatives

The Group achieved all the 2017 targets, including a reduction of specific emission rates.

Efficient use of natural resources

Ongoing reduction of water consumption and high recycling rates lower cash cost and environmental impact.

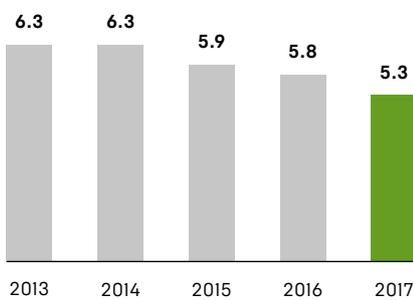
Significant improvement in energy efficiency

Specific energy consumption has been sequentially declining since 2014.

EFFICIENT USE OF WATER RESOURCES

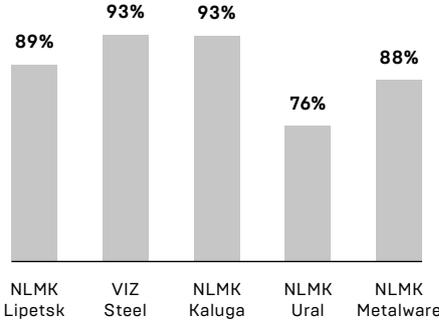
CONSISTENT REDUCTION OF SPECIFIC WATER CONSUMPTION

m³/t



EFFICIENT WASTE MANAGEMENT

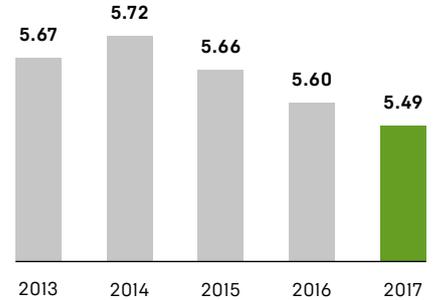
HIGH WASTE RECYCLING RATE



ENERGY EFFICIENCY

REDUCTION OF SPECIFIC ENERGY INTENSITY (THE LIPETSK SITE)

GCal/t



97%

the share of recycled water in NLMK Group's total water consumption

86.9%

waste recycling rate across NLMK Group in 2017 (excluding low-hazard mining waste)

84.1%

the share of in-house energy generation using secondary fuel gases in 2017



NLMK GROUP'S ENVIRONMENTAL ACTIVITIES

KEY FACTS AND FIGURES

Environmental protection is a priority for NLMK Group

Total investment in the Group's environmental activities since 2013 amounted to RUB 29 billion.

NLMK Group has an active Environmental Policy

The Group's key targets are environmental safety and process efficiency, in line with the best global practices.

An environmentally responsible approach enables business success

Adherence to high environmental standards allows for efficient production of high-quality products with minimal environmental footprint in regions of operation.

Reduction of environmental footprint and sustainable use of natural resources are NLMK's key environmental priorities.



“Leadership in sustainable development was one of the four key goals of Strategy 2017 that we’ve executed since 2014. Investment in environmental projects and initiatives over the past five years totalled approximately RUB 29 billion. As a result, we were able to cut our specific emissions by 6%, to decrease our specific water consumption by 16%, and to decrease waste production by 15%, whilst increasing steel output by 11%. Our goal is to minimize our environmental footprint. And we will continue to implement the best available technologies.”

GALINA KHRISTOROVA,
NLMK Group Director
for the Environment

NLMK uses annual analytical reports from Roshydromet and Rospotrebnadzor, among others, for an independent and comprehensive assessment of NLMK Group's environmental impact in the regions where it operates. According to these reports, in 2014, Lipetsk, home to the Group's largest production site accounting for over 80% of its crude steel output (13 million tonnes, or 23% of Russia's total steel output), was recognized as the cleanest steelmaking city in Russia with a record low Integrated Air Pollution Index (IAPI).

The 'Year of the Environment' was an opportunity for us to share our experience with a wider audience. NLMK signed a four-way agreement with the Ministry of Natural Resources and the Environment of the Russian Federation, the Federal Service for Supervision of Natural Resources, and the Administration of the Lipetsk region. Several projects were executed as part of the agreement with a total investment of over RUB 5 billion.

IN 2017, NLMK COMMISSIONED NEW DEDUSTING UNITS THAT ARE IN LINE WITH THE BEST AVAILABLE TECHNOLOGIES AT 6 SECTIONS AT THE LIPETSK SITE

SITE	FACILITY	PROJECT
Lipetsk site	Sinter operations	Revamping of dedusting units (DU) of the lime feeding duct and car dumpers Nos. 1 and 2 with the construction of a dedusting system for lime receiving hoppers
Lipetsk site	Refractory Shop	Construction of a central gas cleaning system downstream of shaft furnaces Nos. 1–3
Lipetsk site	Refractory Shop	Revamping of dedusting unit No. 20
Lipetsk site	Refractory Shop	Revamping of dedusting units Nos. 1, 2, 3, 7, 8 of the bulk materials discharging and feeding duct, at station No. 3 with replacement for bag filters
Lipetsk site	Refractory Shop	Upgrade of dust collectors for rotary kiln No. 3 with the replacement of electric filters
Lipetsk site	BF Shop No. 1	Construction of a modular dedusting system at BF-4

Broad and comprehensive coverage of the project helped to communicate the importance of environmental protection to 200,000 residents of the city.

Brief description of NLMK operations and coverage

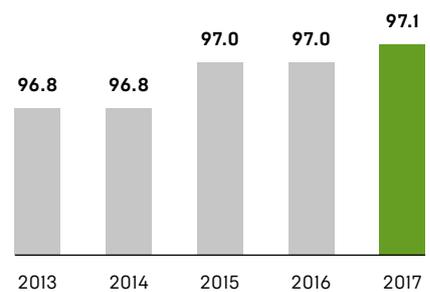
NLMK Group is a vertically integrated company, which includes:

- Mining facilities
- Production of raw materials for further processing (sinter and pellets, lime, coke, and chemical operations)
- Steelmaking facilities that manufacture commodity and conversion pig iron, crude steel, and slabs that are sold as commodity or processed downstream
- Rolling facilities
- Auxiliary facilities that collect and process scrap, and manufacture steel products and metalware.

The Environmental Report includes information on NLMK Group's Russian companies:

NLMK Lipetsk, Stoilensky, Altai-Koks, NLMK Kaluga, STAGDOK, Dolomit, VIZ-Steel, VIZ, NLMK Ural, NLMK

RECYCLED WATER IN NLMK GROUP'S TOTAL WATER CONSUMPTION, %



IN 2017, THE GROUP GREW ITS STEEL OUTPUT by **2.2%** yoy

WHILE FRESH WATER CONSUMPTION REDUCED by **5.6 million m³** (-6% yoy)

THE AMOUNT OF DISCHARGES INTO WATER BODIES REDUCED BY **0.239 million tonnes** (-1% yoy)

AND WASTE GENERATION REDUCED by **2.8 million tonnes** (-5% yoy)

AS A RESULT, SPECIFIC ENVIRONMENTAL IMPACT OF STEEL PRODUCTION DECREASED

These process solutions can be applied at any plant, and are not limited to the steel sector, so these projects were widely discussed at various public events.

NLMK Group achieved an all-time low level of specific air emissions of 20.5 kg per tonne of steel, while maintaining a high level of recycling and a high share a circulated water.

In 2017, the 'Year of the Environment', NLMK launched its 'Steel Tree' initiative aimed at engaging the local communities in the regions where it operates into addressing important environmental issues. 12 Lipetsk natives received grants and were able to execute 12 environmental, educational, and social projects in Lipetsk and the Lipetsk region with the support of NLMK's 'Miloserdiye' charity fund. 4,000 volunteers participated in these initiatives cleaning up over 20 ha, collecting over 300 m³ of waste, and planting around 400 trees and bushes. Innovative and energy-efficient technologies were used for these projects.



Photo: Inhabitants of NLMK's Swan Lake Park, an eco-project located on Lipetsk site grounds

Metalware, and Vtorchermet NLMK companies.

The report is prepared in line with the Global Reporting Initiative (GRI) sustainability reporting standards, related to environmental topics (GRI 303, GRI 304, GRI 305, GRI 306, GRI 307, GRI 308).

Systematic approach to sustainability and NLMK Group's Environmental Policy

NLMK Group aims to make products that meet the requirements of its consumers whilst constantly improving its processes, ensuring safe working conditions, reducing its environmental impact, rationally using resources, and adhering to generally recognized social responsibility practices.

NLMK Group believes that a safe environment and rational use of natural resources are key to sustainable economic and social development in the long term. The Company assumes the responsibility of maintaining a favourable environment for the communities in the regions where it operates by improving the efficiency of resource use and utilizing environmentally friendly and safe production technologies.

These ideas are laid out in NLMK Group's Environmental Policy goals:

- Ensure environmental efficiency of production processes
- Compliance with the best global practices concerning effects on the environment and resource management

- Be a leader in specific environmental impact indicators.

NLMK Group's Environmental Policy was used as the basis for Strategy 2013–2017, as well as the 2018–2022 Environmental Programme.

NLMK GROUP'S ENVIRONMENTAL POLICY IS A KEY ELEMENT OF THE COMPANY'S STRATEGIC CYCLES. ENVIRONMENTAL POLICY GOALS WILL BE USED AS THE BASIS FOR STRATEGY 2022.

Achievement of environmental objectives is ensured by the Environmental Management System that complies with the international ISO 14001 standard, which has been annually confirmed by independent auditors since 2002.

NLMK GROUP'S ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS) ARE CERTIFIED FOR COMPLIANCE WITH THE INTERNATIONAL STANDARD ISO 14001:2015 IN THE FOLLOWING AREAS

ITEM NO.	COMPANY	YEAR OF CERTIFICATION	COVERAGE
1	NLMK Lipetsk	2002	Production of sinter, coke and coking by-products, pig iron, slabs, HR and CR carbon and LA steel flats, incl. galvanized and polymer coated steel flats, electrical NGO and GO steel coils and sheets, as well as auxiliary operations supporting the production of the specified products
2	Stoilensky	2007	Production and shipment of iron sinter ore, iron ore sinter concentrate, iron ore pellets, crushed ferrous magnetite quartzites, chalk, rubble, sand
3	VIZ-Steel	2012	Production of cold-rolled GO and NGO electrical steel
4	NLMK Kaluga	2016	Production of continuously cast billets, long products and sections
5	Altai-Koks	2016	Production of coke and chemical products of coking
6	Stagdok	2011	Production and shipment of calcareous limestone, technological limestone, crushed flux limestone for construction works, rubble for public roads
7	Dolomit	2011	Production and shipment of crude metallurgical dolomite and dolomite powder
8	NLMK Metalware	2015	Development, production, and shipment of metalware for industrial applications and fixing hardware for general machine-building applications
9	NLMK Ural	2015	Development and production of continuously cast billets, long products and sections

NLMK's environmental strategic objectives for 2013–2017

The 5-year strategic cycle ended in 2017, and all environmental goals have been successfully achieved.

Environmental targets for the next 5 years will be determined in line with the Environmental Policy during the development of NLMK Group's Strategy 2022.

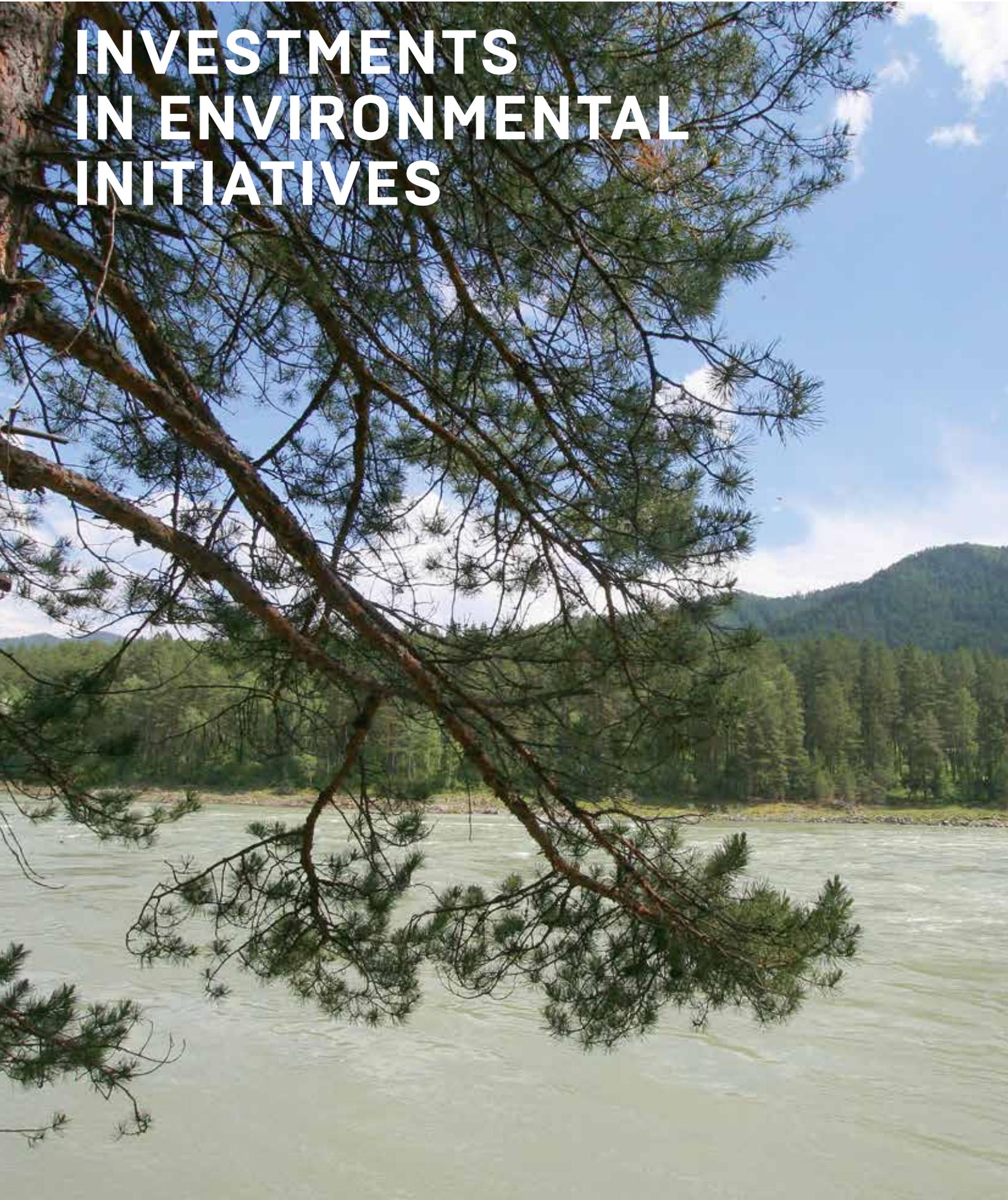
NLMK'S ENVIRONMENTAL STRATEGIC OBJECTIVES FOR 2013–2017

INDICATOR	2013	2014	2015	2016	2017	BAT*
Steel output, m t	14.6	15.2	15.4	15.9	16.2	
Air emissions, '000 t	319.7	321.6	322.0	330.9	332.0	
Specific air emissions, kg/t of steel	21.9	21.1	20.9	20.8	20.5	18.9
Specific water consumption, m ³ /t	6.3	6.3	5.9	5.8	5.3	7.0
Recycled water in total water consumption, %	96.8%	96.8%	97.0%	97.0%	97.1%	100%
Specific waste production, t/t of steel	4.1	4.1	4.1	3.8	3.5	-
Waste disposal (w/o stripping waste and beneficiation tailings), %	95.9%	93.7%	95.9%	93.6%	86.9%	-

2017 ENVIRONMENTAL KPIs

CORPORATE RESPONSIBILITY: KEY ASPECTS	2017 TARGETS	2017 PERFORMANCE	2017 TARGETS ACHIEVED	2018 TARGETS
Management of potential risks to reduce or minimize environmental impact	NLMK Group's Environmental Programme for 2018–2022	The Group's Environmental Programme was adopted by the Investment Committee on 17 November 2017	Target achieved	Implementation of NLMK Group's Environmental Programme 2018–2022 projects
Minimization of environmental impact of NLMK Group's operations	Reduction of specific emissions by 0.1 kg/t steel vs. 2016	Reduction by 0.3 kg/t	Target achieved	Reduction of specific emissions by 0.1 kg/t steel vs. 2017
	Reduction of specific water consumption by 0.05 m ³ /t steel vs. 2016	Reduction by 0.5 m ³ /t	Target achieved	At or below BAT* level
	Increase NLMK Group's overall recycling rate by 15% (total)	Increased by 15% (total) vs. 2016	Target achieved	Maintain the recycling rate at the 2017 level
Compliance with the best practices in technical upgrade and operation	Change-over of the filter material with residual dust content up to 10 mg/m ³ for bag filters according to the approved schedule	The filter material with residual dust content up to 10 mg/m ³ was replaced in bag filters according to the approved schedule	Target achieved	Continue the change-over of the filter material with residual dust content up to 10 mg/m ³ for bag filters according to the approved schedule
	Transfer of marketable waste into by-products (steel slag, coke breeze)	Target achieved	Reduced waste by 0.3 kg/t per unit of product	—

INVESTMENTS IN ENVIRONMENTAL INITIATIVES





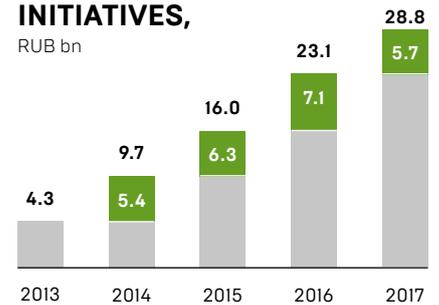
Minimization of negative environmental footprint is achieved through NLMK Group's comprehensive capex programme, as well as through planned environmental and technological initiatives outside the scope of the investment process.

Investment in environmental projects and initiatives over the Strategy 2017 cycle totalled RUB 28,814 million. NLMK Group spent around RUB 5.7 billion on environmental projects and initiatives in 2017. The majority of investments in 2017 went towards projects and initiatives to improve air quality. For instance, NLMK Lipetsk upgraded its dedusting systems in line with the BAT, at six sections at the refractory, sintering and blast furnace shops. NLMK

Group's other facilities executed projects aimed at the reclamation of former landfill sites, construction of sewage treatment plants and reduction of noise pollution, among others.

NLMK GROUP'S INVESTMENTS IN ENVIRONMENTAL INITIATIVES,

RUB bn



TYPES OF COSTS	2013	2014	2015	2016	2017
Environmental spending, net of revenues from sales of by-products (waste), RUB m, including:	4,279	5,434	6,318	7,058	5,726
Investment projects aimed at reducing and preventing negative environmental footprint, RUB m	1,238	1,843	2,973	3,157	1,767
Operating costs, capital repairs and maintenance costs of environmental assets and payment for environmental services, RUB m	3,201	3,352	3,344	4,089	4,295
Payments for negative environmental footprint under the Russian legislation, RUB m	135	193	194	109	109

ENVIRONMENTAL PROTECTION





GRI 303: Water

Disclosure 303-1 Water withdrawal by source

a. NLMK Group uses surface water (rivers, ponds), ground water (wells, water dump sites, drainage waters of mines), and rainwater for industrial water supply. Stoilensky, Stagdok, Dolomit, NLMK Metalware, and Vtorchermet NLMK use ground water. NLMK Group's companies do not use wastewater from other organizations or water from municipal water supply systems for production. The volume of water withdrawal by source is given in Table 303-1-1:

TABLE 303-1-1. VOLUMES OF WATER WITHDRAWAL FOR NLMK GROUP OPERATIONS, '000 M³

SOURCE	2013	2014	2015	2016	2017
Surface water	34,666	36,211	33,238	31,814	30,802
Ground water	57,995	59,851	57,317	59,759	55,233
Rainwater	0	210	106	71	32
Total	92,660	96,272	90,661	91,645	86,066
Specific water consumption, m ³ /t of steel	6.3	6.3	5.9	5.8	5.3

Photo: NLMK's Swan Lake has been thriving for almost four decades.

NLMK Group companies withdraw water for potable water supply. The withdrawal volumes are given in Table 303-1-2.

NLMK Group collects water in accordance with the permits (water use agreements, licenses, permits) and fulfils all the requirements set forth in these documents.

b. This section uses data provided in 2-TP state statistical observation form (water management) (Rosstat's order No. 230 of 19 October 2009). 98% of the consumption data are obtained from measuring tools that were properly calibrated. The measurement error does not exceed 1%. 2% of the consumption data have been calculated.

Disclosure 303-2 Water sources significantly affected by withdrawal of water

a. NLMK Group's water withdrawal does not affect significantly any water

TABLE 303-1-2. WATER WITHDRAWAL FOR POTABLE WATER SUPPLY OF NLMK GROUP'S COMPANIES, '000 M³

	2013	2014	2015	2016	2017
Potable water withdrawal	12,648	12,528	12,716	11,963	10,726

sources, which is confirmed by the data in Table 303-2-1.

The companies' water withdrawal accounts for less than 5% of the average annual volume of the water bodies. The water bodies from which NLMK Group companies withdraw water are not particularly sensitive due to their relative size, function, or status as a rare, threatened, or endangered system. The Group's companies do not withdraw water from any wetland listed in the Ramsar Convention* or any other nationally or internationally proclaimed conservation area. Consequently, NLMK Group's water

withdrawal does not affect water sources significantly. To exclude potential fish kills, all water-inlets have protection structures (protective nets).

b. Information from the water use agreements was used as data on the average annual flow of rivers and the annual watercourse of reservoirs. The annual volume of the watercourse of a reservoir is defined as the sum of the volume of the reservoir at the highest retaining level and 50% of the annual run-off volume**. Data on the companies' water withdrawal are determined using state-registered

TABLE 303-2-1. WATER SOURCES SIGNIFICANTLY AFFECTED BY NLMK GROUP'S WITHDRAWAL OF WATER

COMPANY	WATER SOURCE			ANNUAL AVERAGE WATER WITHDRAWAL OVER FIVE YEARS, '000 M ³	IMPACT OF THE COMPANY'S WATER WITHDRAWAL ON THE WATER SOURCE, %
	NAME	AVERAGE ANNUAL WATER CONSUMPTION, M ³ /S	ANNUAL VOLUME OF THE WATERCOURSE, '000 M ³		
NLMK Lipetsk	The Voronezh River	51.8	1,633,655	21,974	1.3
Altai-Koks	The Chumysh River	111	3,500,496	6,254	0.2
NLMK Kaluga	The Protva River	11.9	375,378	1,382	0.4
NLMK Ural	Revdinsky Reservoir		177,900	1,108	0.6
Revda					
Nizhniye Sergi	Nizhneserginsky Reservoir		140,600	1,706	1.2
VIZ Steel	Verkh-Isetsy Reservoir		83,500	921	1.1

* Ramsar Convention on Wetlands of International Importance. For more information, please follow the link

** Average annual run-off volume

metering devices that were properly calibrated.

Disclosure 303-3 Water recycled and reused

a. For the purpose of preserving water resources, NLMK Group uses water-recycling systems. NLMK Group’s companies (NLMK Lipetsk, Altai-Koks, VIZ-Steel, NLMK Kaluga, Stoilensky) have water recycling schemes both locally, in individual sections, and closed loop water systems for the entire plants resulting in zero-discharge into surface water bodies.

In exceptional cases (the formation of residual water), discharge into surface water bodies is possible after purification at treatment facilities.

b. The share of recycled water in NLMK Group’s total water consumption for industrial needs has been at a very high level of 97% over the last three years.

c. This section uses data provided in 2-TP state statistical observation form (water management) (Rosstat’s order No. 230 of 19 October 2009). 98% of the volume data are obtained from measuring tools that were properly calibrated. The measurement error does not exceed 1%. 2% of the volume data have been calculated.

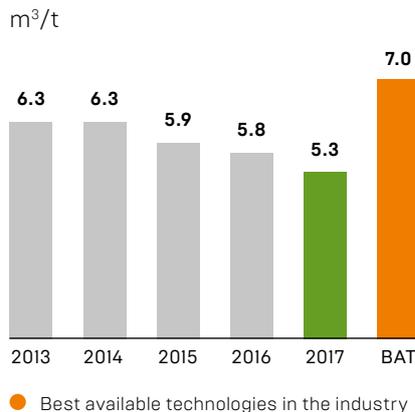
TABLE 303-3-1. TOTAL VOLUME OF WATER RECYCLED AND REUSED BY NLMK GROUP, ‘000 M³

WATER USED	2013	2014	2015	2016	2017
Recycled	2,809,876	2,905,103	2,896,021	2,922,971	2,879,928
Reused	80,700	78,873	74,506	67,674	70,598

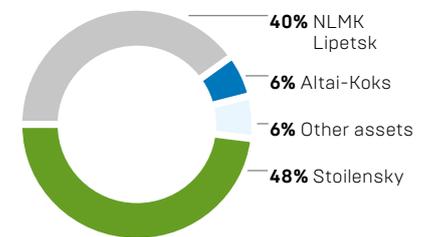
TABLE 303-3-2. THE SHARE OF RECYCLED WATER IN NLMK GROUP’S TOTAL WATER CONSUMPTION, %

	2013	2014	2015	2016	2017
Recycled water	96.8	96.8	97.0	97.0	97.1

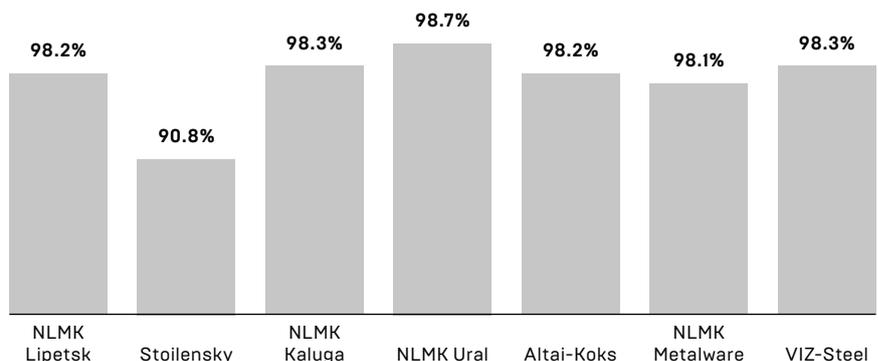
NLMK GROUP’S SPECIFIC WATER CONSUMPTION



NLMK GROUP’S SPECIFIC WATER CONSUMPTION BY SITE



THE SHARE OF CIRCULATED WATER IN NLMK GROUP’S TOTAL WATER CONSUMPTION IN 2017



GRI 304: Biodiversity

Disclosure 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

NLMK Group's operations are located on industrial lands and in residential areas.

The production sites of NLMK Group are located in the regions of intensive economic activity, such as the Central European part of Russia (NLMK Kaluga, NLMK Lipetsk, Stoilensky), in the Ural Region (NLMK Ural, VIZ-Steel, VIZ, NLMK Metalware), and in Siberia (Altai-Koks in Altai Territory).

Economic development of the territories where the Group's steelmaking business is located (the Urals, the Lipetsk region) dates back to the Petrine times, to the beginning of the 18th century.

NLMK Group has no operational sites, owned or leased, which are located in protected areas and areas of high biodiversity value outside protected areas.

Disclosure 304-2 Significant impacts of activities, products, and services on biodiversity

NLMK Group's activity, products, and services do not have a significant impact on biodiversity.

Disclosure 304-3 Habitats protected or restored

Since NLMK Group does not have a significant impact on biodiversity, its companies are not required to protect or restore habitats. However, NLMK Group's companies regularly restore lands disturbed by the mining activities of the Group (Stagdok, Dolomit). They carry out stage-by-stage reclamation (in the course of deposit development) to restore the landscape

and vegetation cover, thus returning these lands into economic turnover. The Company allocated over RUB 461 million to this cause in 2017.

Disclosure 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

NLMK Group's operations do not affect endangered animals and plants.

GRI 305: Emissions

Disclosure 305-6 Emissions of ozone-depleting substances (ODS)

NLMK Group does 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.

Disclosure 305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions

a. While the Group stepped up its steel output by 2.2%, and Stoilensky's pelletizing plant reached its design capacity in 2017, NLMK Group's 2017 total air emissions increased by only 0.3%. Specific emissions decreased to 20.5 kg per tonne of steel. Data on air emissions are given in Table 305-7-1.

b. This section uses data provided in 2-TP state statistical observation form (air) (Rosstat's order No. 387 of 4 August 2016). NLMK Group's air emissions are covered by emission permits for hazardous substances in accordance with the established MPE* standards.

TABLE 305-7-1. EMISSIONS

EMISSIONS	2013	2014	2015	2016	2017
Total, t	319,668	321,553	321,973	330,903	331,993
Specific, kg/t	21.9	21.1	20.9	20.8	20.5
CO, t	250,708	248,547	244,567	249,228	245,651
NO _x , t	16,589	17,496	21,165	23,828	25,329
SO _x , t	26,040	28,115	27,598	28,893	31,723
Solid, t	25,204	25,352	25,385	25,168	25,630
Volatile organic compounds (VOC), t	1,996	2,059	2,345	2,467	2,415
Hazard class 1 substances, t	2	2	2	1	1

* Maximum permissible emissions

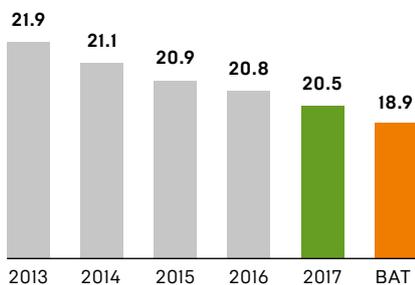
GRI 306: Effluents and waste

Disclosure 306-1 Water discharge by quality and destination

a. With a zero-discharge system, typical for most of the Group’s facilities, the volume of water discharge to water bodies is mainly generated by domestic sewage (73% of the water discharge

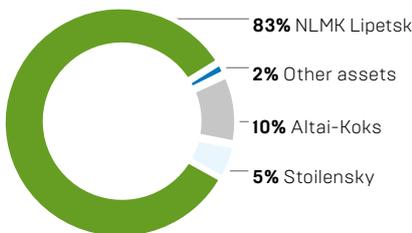
NLMK GROUP’S SPECIFIC AIR EMISSIONS

kg/t of steel

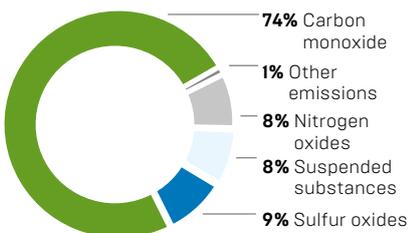


● Best available technologies in the industry

NLMK GROUP’S EMISSIONS BY SITE



NLMK GROUP’S EMISSIONS BY TYPE, %



volume) or industrial effluents and rainwater (27% of the water discharge volume).

NLMK Group’s discharge of these effluents is given in Table 306-1-1.

With the enactment of federal law No. 416-FZ “On water supply and sanitation”, NLMK Lipetsk stopped handing over sewage to the Lipetsk water sanitation authorities (LISA MUE) and took over responsibility for the discharge of industrial and domestic sewage through local sewage treatment facilities, resulting in a change in the overall pollutants discharge balance and its structure within the Group. NLMK Group companies do not transfer industrial wastewater for reuse to other organizations. RUB 200 million were spent in 2017 to ensure compliance of the wastewater quality with the regulatory guidelines.

b. This section uses data provided in 2-TP state statistical observation form (water management) (Rosstat’s order No. 230 of 19 October 2009). All NLMK Group’s discharges are carried out in accordance with the permitting documentation, taking into account regulatory guidelines. The volume of discharges calculated using measuring

instruments that were properly calibrated.

Disclosure 306-2 Waste by type and disposal method

a.b. Data on waste generation and use are given in Table 306-2-1.

Specific multi-tonnage steelmaking waste includes slag, sludge (product of wet waste gas cleaning systems), dust (product of dry waste gas cleaning systems), scale (oily and oil-free), and spent refractory materials. Mining operations lead to the formation of stripping waste and beneficiation tailings.

According to the national environmental hazard classification, these wastes are classified as hazard class IV and/or V (oily scale with more than 15% oil content is hazard class III; the amount of such waste is less than 0.1% of the total volume). According to the international classification these wastes are no hazard (hazard class V) or low hazard (hazard class IV) requiring no special treatment.

Waste of hazard class V (i.e. practically non-hazardous) accounts for 97.1% of the total volume of waste generated by NLMK Group.

TABLE 306-1-1. WATER DISCHARGE

	2013	2014	2015	2016	2017
Water discharge in surface water bodies, ‘000 m³	14,139	11,144	13,189	14,715	15,076
including the discharge of insufficiently purified domestic sewage from treatment facilities (mechanical, biological treatment and disinfection), ‘000 m ³	12,468	10,286	11,655	12,333	11,014
Pollutants discharge, t	2,936	197	16,399	16,112	15,873

Handling of mining waste is complicated by the fact that it cannot be marketed and can only be used on-site to form dams and embankments and for technical reclamation of disturbed lands.

In 2017, some types of waste were reclassified as products resulting in lower waste generation. NLMK Group's parent company accounts for the

biggest share of this reduction. In 2017, specific waste generation was reduced to 3.5 tonnes per tonne of steel.

Without taking into account the mining waste (overburden and host rocks, beneficiation tailings), the Group has a rather high percentage of waste recycling. The waste is recycled either at the Group's companies or at licensed companies.

c. Due to the mineral composition of steelmaking waste, such disposal technologies as composting and incineration (mass burn) are not applicable; and because of its solid state, deep well injection technology is excluded, as well as the possibility of placing in the worked out cavities in case of open-pit mining of iron ores. NLMK Group's companies make steel products that, with the

TABLE 306-2-1. WASTE GENERATION AND USE

	2013	2014	2015	2016	2017
Waste generation, t	59,305,165	62,783,801	63,045,353	59,590,326	56,762,093
Including Hazard class I, t	159	55	140	38	227
% of total generated volume	<0.001	<0.001	<0.001	<0.001	<0.001
including Hazard class II, t	1,462	1,684	885	399	263
% of total generated volume	0.002	0.003	0.001	<0.001	<0.001
including Hazard class III, t	60,040	59,114	57,470	58,358	55,250
% of total generated volume	0.10	0.09	0.01	0.10	0.10
including Hazard class IV, t	4,146,300	4,209,281	3,608,312	3,039,867	1,566,513
% of total generated volume	7.0	7.1	5.7	5.1	2.8
including Hazard class V, t	55,097,425	58,513,384	59,385,515	56,491,665	55,139,839
% of total generated volume	92.9	92.9	94.3	94.8	97.1
of which: overburden, t	37,504,794	40,186,258	40,635,292	37,769,761	35,719,247
of which: beneficiation tailings, t	16,299,407	16,983,899	17,433,812	17,567,324	18,188,756
Specific waste generation, t/t	4.1	4.1	4.1	3.8	3.5
Total weight of disposed (recycled and decontaminated) waste, t	9,438,511	9,645,744	8,852,834	8,664,412	7,300,661
including by the Group's companies, t	9,079,889	9,279,248	8,516,465	8,334,925	6,695,152
including by third parties, t	358,621	366,496	336,367	329,487	605,509
Waste disposal, %	15.9	15.4	14.0	14.5	12.9
Waste disposal without mining waste, %	95.9	93.7	95.9	93.6	86.9

loss of consumer properties, fully assimilate in the environment. Ferrous metal products, which have lost their consumer properties, are valuable feedstock for steelmakers (steelmaking companies purchase scrap in volumes determined by their steel smelting process and production scale). 100% of NLMK Group's products can be recycled. About 25% of the steel is produced from ferrous scrap. NLMK Group's operations are part of the closed-loop economy.

This section uses data provided in 2-TP state statistical observation form (waste) (Rosstat's order No. 529 of 10 August 2017). NLMK Group's waste management is carried out in line with permitting documentation.

Disclosure 306-3 Significant spills

There were no significant spills in 2017. Nonetheless, the procedure for eliminating such incidents and their consequences has been developed as part of an integrated management system.

Disclosure 306-4 Transport of hazardous waste

NLMK Group companies do not import or export hazardous waste or ship it internationally. Transportation of waste outside the Group's premises is carried out by specialized organizations with appropriate licenses. Waste recycling (disposal) volumes are given in Table 306-2-1.

Disclosure 306-5 Water bodies affected by water discharges and/or runoff

NLMK Group's water discharges do not significantly affect water bodies, because they make up much less than 5% of the annual average volume of the water bodies. The information is given in sections 303-2 and 306-1.

GRI 307: Environmental Compliance

For the purpose of environmental compliance assessment, NLMK Group companies use the certification procedure and external audit of compliance with the requirements of the international standard ISO 14001 "Environmental Management Systems. Requirements with guidance for use", as well as internal audits.

Legal requirement compliance is a basic requirement of the ISO 14001:2015 standard (and its previous versions) and an integral procedure of the environmental management system (EMS). Such self-evaluation reduces compliance risks.

The EMS also provides for an independent third party (auditor) evaluation. Every year, NLMK Group's companies confirm the compliance of their Environmental Management Systems with the requirements of ISO 14001 in supervisory and recertification audits. The certification body is BSI (British Standards Institute), UK. The Company's systematic approach to environmental management is evidence of its adherence to environmental principles and responsibility to the community for the state of the environment.

Mining and steelmaking companies are subject to regular scheduled and unscheduled inspections by the supervisory authorities.

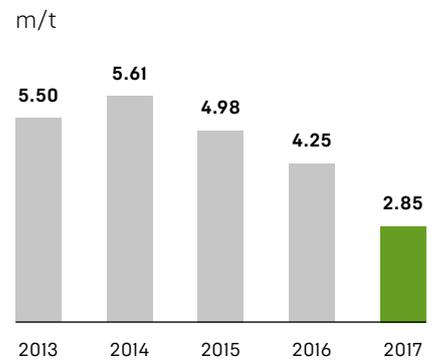
In 2017, 59 audits, mainly by the territorial bodies of Rosprirodnadzor (more than 50% of cases), the Interregional Nature Protection Prosecutor's Office, the territorial bodies of Rospotrebnadzor, and the Prosecutor's Office, were held at the Group's companies. These audits identified 34 deficiencies. Most of the findings were eliminated during the audits. The compliance progress was reported to the controlling bodies in a timely manner. No recommendations

remain unimplemented. No significant penalties and non-financial sanctions were brought against NLMK Group companies.

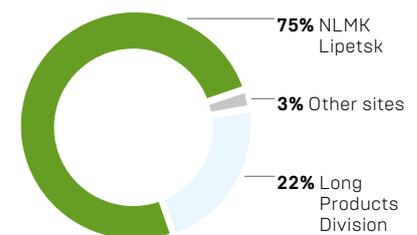
Environmental Risk Management System

Throughout the life cycle of a production facility, NLMK Group assesses environmental risks, from

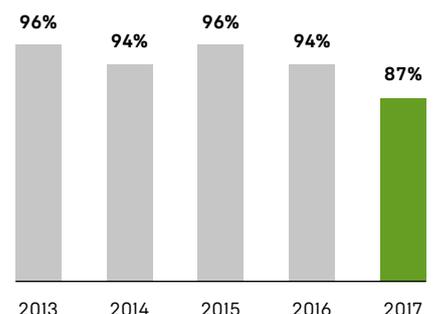
NLMK GROUP'S WASTE PRODUCTION



WASTE PRODUCTION BREAKDOWN



NLMK GROUP'S RECYCLING



the stage of the business concept and design to its operation and liquidation. In order to avoid situations when the companies' activities are restricted for environmental reasons, NLMK Group has introduced Regulations on identification and assessment of environmental risks across its companies, which effectively prevents possible negative consequences for the environment, as well as financial losses associated with the elimination of environmental damage.

GRI 308: Supplier Environmental Assessment

Disclosure 308-1 New suppliers that were screened using environmental criteria

NLMK Group has introduced a qualification procedure for all suppliers, including their compliance with environmental requirements.

Environmental criteria for the evaluation of suppliers are set out in NLMK Group's regulatory documents. A key environmental criterion for evaluating suppliers of NLMK Group is their compliance with the requirements of the Russian environmental legislation. All NLMK Group's suppliers of raw materials, materials and equipment, and service providers (contractors) are evaluated for compliance with the requirements of the Russian environmental legislation during qualifications and audits. Based on the results of qualifications and audits, counterparties that were found to be non-compliant with the established criteria, are not allowed to supply raw materials, materials and equipment, and to perform services for NLMK Group companies. 100% of new service providers were evaluated by environmental criteria in 2016–2017.

For contractors, the evaluation is based on the internal corporate document 'Standard requirements to contractor organizations for environmental protection, approved on 8 April 2016'.

Disclosure 308-2 Significant actual and potential negative environmental impacts in the supply chain and actions taken

NLMK Group conducts supplier audits to assess the compliance of qualified suppliers with the requirements of the Russian environmental legislation.

All products are delivered to NLMK Group's facilities with safety data sheets, which regulate possible hazards when handling products, and the necessary precautions.

Based on the results of the audits of all qualified suppliers, their activities comply with the environmental criteria used by NLMK Group. Their environmental impact is not significant for issuing non-conformity resolutions and for terminating the relationship with them.

TABLE 308-2-1. NUMBER OF RAW MATERIAL, MATERIAL AND EQUIPMENT SUPPLIERS ASSESSED FOR ENVIRONMENTAL IMPACTS DURING AUDITS

	2016	2017
New suppliers	4	9
Audits of suppliers	21	36

TABLE 308-2-2. SHARE OF SUPPLIERS WITH WHOM IMPROVEMENTS HAVE BEEN AGREED BASED ON THE RESULTS OF THE AUDITS

	2016	2017
Share of suppliers with environmental compliance improvement activities based on findings in audits of the total number of audits conducted	30	69

Public appraisal

NLMK Group's environmental achievements were recognized by multiple awards.

In March, NLMK Lipetsk was nominated for 'Development Award 2017', a prestigious national competition aimed at creating a favourable investment climate in Russia. The panel of judges recognized NLMK's noise pollution reduction initiatives as the best environmental and green tech project.

In May, NLMK was awarded the gold medal in the '100 Best Companies in Russia. Ecology and Environmental Management' national competition. Viktor Togobetsky, NLMK Vice President for Occupational Health and Safety and the Environment, was awarded the 'Environmentalist of the Year 2017' honorary badge for achievements in the field of rational environmental management.

In November, a team of experts from NLMK, NLMK Engineering and Ecotech received a gold medal at



the 'Metal-Expo exhibition 2017' for the development and execution of an integrated dust emission control project at the Lipetsk site.

In December, NLMK Lipetsk was awarded a certificate for its active environmental policy during the 'Year of the Environment'. The award was presented by Artem Sidorov, head of Rosprirodnadzor, at the meeting of the Federal Environmental Council, held at the V National Congress on Environmental Protection at Ecotech exhibition and forum.

In 2017, the Lipetsk Rosprirodnadzor and the Regional Department of the Environment and Natural Resources awarded NLMK a diploma for its environmental projects and its active environmental policy during the 'Year of the Environment'.

In 2017, VIZ-Steel was recognized at the '100 Best Companies in Russia. Ecology and Environmental Management' national competition in the category 'For Rational Nature Management and Environmental Protection'. S. Olkov, Executive Director, was awarded the 'Environmentalist of the Year 2017' / 'For achievements in the field of rational environmental management' honorary badge.

VIZ-Steel was awarded a special prize 'The Golden Bough of the Planet' for its balanced environment.

VIZ-Steel's IEC laboratory was recognized at the '100 Best Companies in Russia. Ecology and Environmental Management' national competition in the 'Best Environmental Service' category.

NLMK Kaluga was awarded a letter of appreciation from the Ministry of Natural Resources and the Environment of the Kaluga region on the World Environment Day. It also came first in the 'Eco-organization 2017' competition in the 'Implementation of the most efficient environmental and resource-saving technologies among large companies' category.

At the III International Environmental Forum NLMK Kaluga was awarded a diploma for its significant achievements in the field of environmentally responsible approach to the organization of production and for ensuring environmental safety and preservation of a favourable environment, as well as a letter of appreciation and an 'Environmental Hero' title as a participant in the nationwide 'Recycling' environmental marathon.



Disclosure of environmental information

As a public company, NLMK Group annually discloses operating information, including non-financial reporting data (information on environmental activities).

Environmental reports are available on the Company's website at www.nlmk.com, as well as on corporate social media platforms at <http://vk.com/nlmk.ru>, www.twitter.com/nlmk, and www.facebook.com/nlmk. Each company of the Group has its local website: <https://lipetsk.nlmk.com/ru>, www.sgok.ru, www.altai-koks.ru, www.nlmk-sort.ru, www.viz-steel.ru, www.rudnik.ru.

There is a corporate portal for the Company's employees at <http://home.nlmk.ru>.

In order to increase public awareness, NLMK Lipetsk, the flagship company of the Group, additionally publishes the following information on its website:

- Forms of state environmental statistical reporting (annually)
- Air monitoring data at the border of the sanitary protection area (monthly).

For immediate notification, the current (daily) information on the state of atmospheric air at the boundary of the sanitary area is shared with the Department of the Environment and Natural Resources of the Lipetsk Region for publication on its website at <http://ekolip.ru>.

Information is also available in the corporate periodicals: NLMK

Magazine, Our Plant, Verkh-Isetsky Worker, NLMK Sort, Coke Engineer of Altai, and Big Ore newspapers, and in the annually published Environmental Protection booklet.

Stakeholders are invited to contact the Company using the contacts published on the corporate or local websites with all inquiries related to environmental issues. Employees can also anonymously call the 06 Help Line. All information will be received and registered by NLMK's Environmental Department. Inquiries are considered on the day of the inquiry, and the reply is sent to the address indicated by the stakeholder or posted on the local website in case of an anonymous inquiry. 13 inquiries were filed in 2017. All of them were examined in terms of the causes of the deficiencies and appropriate measures to eliminate them.



NLMK Group believes the following persons to be its stakeholders* in terms of receiving environmental information:

- Shareholders, investors, partners
- Executive agencies:
 - ✓ Territorial bodies of federal supervision (Rosprirodnadzor, Rospotrebnadzor, Rosvodresursy, Rosleskhoz, Rosnedra, Rosrybolovstvo, Roshydromet)
 - ✓ Prosecutor's supervision bodies (Interdistrict Prosecutor's office for Environmental Protection)
 - ✓ Regional environmental management bodies (administration of the constituent territories)
- Public business organizations:
 - ✓ Russian Union of Industrialists and Entrepreneurs
 - ✓ Chambers of commerce and industry (regional)
- Public environmental organizations:
 - ✓ Public Chamber (regional offices)
 - ✓ All-Russian Society for Nature Conservation
 - ✓ Forest patrol
 - ✓ Public environmental associations (clubs)
- Local communities
- Employees.

** For further information, please refer to the Dialogue with stakeholders section*

ENERGY EFFICIENCY

The goal of reducing energy costs is achieved both through optimization measures and by increasing the share of in-house power generation.



KEY FACTS AND FIGURES

Systematic improvement of energy efficiency a key priority area for the Group

The main objective is to ensure a reliable supply of energy resources and reduce costs.

An increase in the share of captive power generation

The share of power generated in-house from the recovery of by-product fuel gases increased to 84% in 2017.

Growth of power generation capacity

Following the installation of a new turbine generator unit No. 5 at the Lipetsk Cogeneration Plant in 2017, the share of in-house power generation will increase to 59%.

**INCREASED CAPTIVE
POWER GENERATION
AND LOWER ENERGY
CONSUMPTION
BOOST EFFICIENCY
AND MINIMIZE
THE COMPANY'S
ENVIRONMENTAL
FOOTPRINT**

Sustainable energy use and systematic efforts to enhance energy efficiency are among the key activities for NLMK Group's businesses.

NLMK Group's main energy procurement goals are to ensure stable supply of energy resources and cost reduction (energy costs account for about 10% of the production cost) through enhancing energy efficiency.

NLMK Group has an energy policy, which defines the Company's mission, objectives, and principles of sustainable energy use.

POLICY GOALS:

- Achieve the optimal level of energy intensity
- Leadership in application of advanced energy efficient technologies, including introduction and continuous improvement of Energy management systems.

The goal of reducing energy costs is achieved both through optimization measures and by increasing the share of in-house power generation.

Development of in-house power generation

The development of captive generating capacities is an important element of securing power supply and energy efficiency of the Company.

CASE STUDY

NEW TURBINE GENERATOR UNIT NO. 5

In 2017, installation of a new turbine generator unit No. 5 with a 60 MW capacity at the Lipetsk Cogeneration Plant continued. The new turbine generator replaces a unit with a similar capacity launched in 1958, which has come to the end of its life cycle. The outgoing turbine generator was equipped with a hydrogen cooling system, whereas the replacement is cooled using cold air, which makes it safer to operate and more reliable. The project was launched in Q2 2016. NLMK Engineering, one of the leading design institutes in the Russian steel sector, is the general designer of the project. The total investment in the project exceeded RUB 1.8 billion.

Sergey Chebotarev, NLMK Vice President for Energy said: "This project enhances the safety and stability of the Cogeneration Plant, and reduces the operating costs for electricity and heat generation. This will enable us to increase the efficiency of our energy-generating facilities, and increase the share of in-house power generation from 53% to a record 59%."

NLMK Lipetsk's captive power generation:

- Ensures business continuity
- Reduces cost: the cost of captive power generation at the Lipetsk site is 29% lower than the cost of purchased electricity
- Reduces environmental footprint.

Power generating capacities: the total installed in-house generation capacity is 522 MW. Electricity is produced at Cogeneration Plant, Recovery Cogeneration Plant, and two top-pressure recovery turbines.

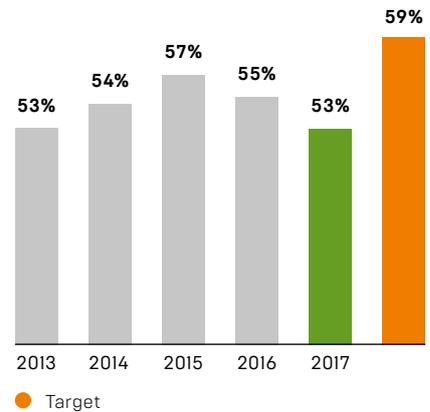
Generation resources: more than 84% of electricity at the Lipetsk site is generated from the recovery of by-product gases from coke and chemical and blast furnace operations.

The main fuels for NLMK's Cogeneration Plant and Recovery Cogeneration Plant are blast-furnace and coke-oven gases; top-pressure recovery turbines are used to generate electrical power through the efficient use of blast furnace gas overpressure. There is a 200 MW power plant at Altai-Koks that operates on coke oven gas and completely covers the company's electricity needs.

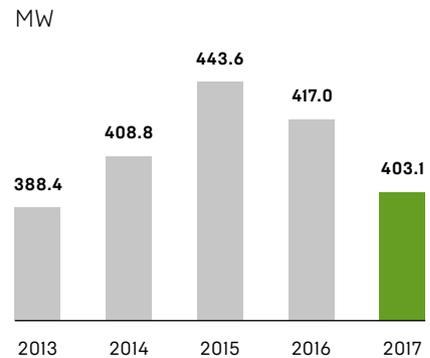
In-house generation development capex projects in 2014-2017:

- 2014: capital improvement of 50 MW capacity turbine generator unit No. 4 at the Cogeneration Plant
- 2015: launch of the Blast Furnace No. 7 top-pressure recovery turbine
- 2016: capital improvement of the Blast Furnace No. 6 top-pressure recovery turbine with 20 MW capacity generators
- 2015–2016: a range of optimization measures was implemented at NLMK's Cogeneration Plant and

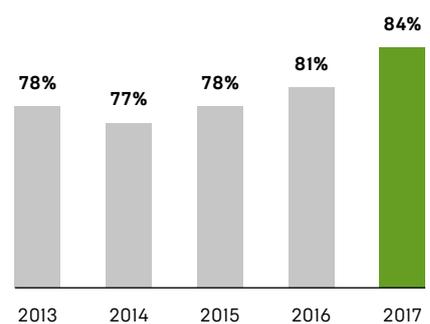
IN-HOUSE POWER GENERATION IN TOTAL ENERGY CONSUMPTION



IN-HOUSE ENERGY GENERATION



IN-HOUSE POWER GENERATION FROM SECONDARY FUEL GASES



Recovery Cogeneration Plant, including those aimed at reducing the repair time of generators, selecting efficient turbine loading regimes, and optimizing the water cycle operation of turbine generator units



CASE STUDY

GREEN ENERGY AND NLMK

NLMK steel production is becoming increasingly effective in terms of green energy. Electric power at NLMK is produced not only by burning blast furnace gas, but also thanks to excess pressure of blast furnace gas using top-pressure recovering turbines (TRTs). Turbines that use blast furnace gas are installed at BF-7 and BF-6.

Moreover, NLMK's products are widely used in green energy. For instance, NLMK DanSteel A/S, part of NLMK Europe Plate, supplies plates with special dimensions made from high-strength steel for the construction of offshore wind turbines.

In 2017, NLMK Group supplied transformer steel to the Siemens Transformers plant based in the city of Voronezh, Central Russia. The steel product will be used to make a transformer for Burnoye Solar-2 solar power park, which is currently under construction in Kazakhstan. Burnoye Solar is a successful case of developing sources of renewable energy. Burnoye Solar-1, stage 1 of the solar park project with a capacity of 50 MW, was constructed in 2015. Construction of Burnoye Solar-2, which will have the same capacity as Burnoye Solar-1, will be completed in 2018. The two solar parks will combine to form one of the largest solar generators in Eastern Europe and the biggest in Central Asia.

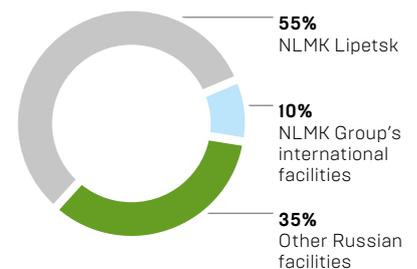
Photo: DanSteel is one of the leading suppliers of steel for green energy facilities in Europe

- 2016–2017: a new 60 MW capacity turbine generator No. 5 at NLMK's Cogeneration Plant; capital overhaul of turbine generators Nos. 1, 2 and 3 and steam generating units Nos. 1, 2, 3 of the Recovery Cogeneration Plant. As a result, the share of captive power generation will increase to 59%.

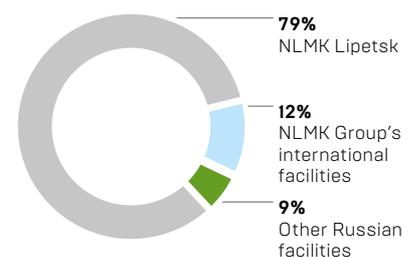
The decrease in the share of captive power generation in 2017 was due to the fact that turbine generator No. 5 at NLMK's Cogeneration Plant was taken down for overhaul, and turbine generators Nos. 1, 2 and 3 and steam generating units Nos. 1, 2, 3 of the Recovery Cogeneration Plant were under repair. This was partially offset by the increase in the efficiency of other installed turbine generator units and a scale up of TRT energy output.

In 2017, 84% of electricity generated at the plant resulted from the recovery of by-product gas.

NLMK GROUP'S POWER CONSUMPTION IN 2017



NLMK GROUP'S NATURAL GAS CONSUMPTION IN 2017





Energy Consumption and Optimization Activities

Electric power

In 2017, total electricity consumption by all NLMK Group production facilities amounted to 12.1 billion kWh (+2.6% yoy), of which 55% was consumed by NLMK Lipetsk. Facilities using electric arc furnaces for steel production (20% of production) accounted for 20.7% of the consumed electricity.

Natural gas

Total natural gas consumption by all NLMK Group's production facilities amounted to 2.7 billion m³ (-7.5% yoy), of which 79% was consumed by NLMK Lipetsk, where natural gas is widely used in blast furnace

operations, in reheating furnaces and heat treatment units and, in part, in electricity generation.

2017 optimization activities

Activities: more than 200 optimization measures aimed at improving energy efficiency across the Group's facilities in Russia and abroad.

Total gains: ca. RUB 800 million (\$13.7 million), which enabled a 286 million m³ reduction in the consumption of purchased natural gas (10.5% of total consumption).

In 2017, the following key areas were covered by optimization activities:

- Efficiency improvement of secondary fuel gases utilization

- Boosting operational efficiency and distribution of air separation products
- Boosting captive energy generation
- Optimization of gas consuming facility operations
- Lighting upgrades
- Automation of energy consumption control, etc.

These optimization measures enabled a reduction in blast furnace gas losses from NLMK's gas supply system by 33.5% vs. 2015, from 4.6% to 2.8% of total blast furnace gas output.

Efforts to reduce oxygen losses in the process of its production, transportation and consumption by



metallurgical and steelmaking units continue. Over the last three years, oxygen losses have been reduced by 40%, from 11.5% in 2014 to 6.95% in 2017, driven by measures aimed at regulating oxygen-making capacity utilization and ensuring efficient interaction between the core and energy departments.

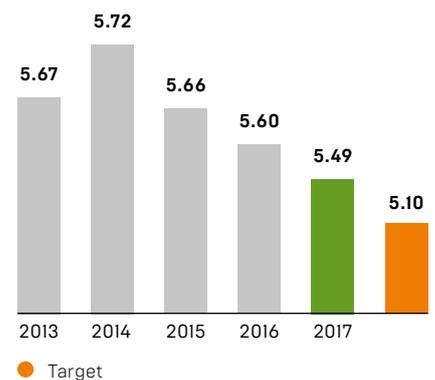
Optimization of generating capacity utilization and an increase in their operating time enabled an increase in the utilization rate of the Cogeneration Plant and Recovery Cogeneration Plant installed capacity to 93% and 89%, respectively.

In 2017, Altai-Koks saved more than RUB 17 million due to the rational use of energy resources in its processes. NLMK Kaluga upgraded its ceiling lighting in its EAF and rolling shops.

In 2016–2017, NLMK Ural implemented a set of measures that reduced energy consumption by 9% in the EAF shop. The company saved more than RUB 18 million due to equipment upgrades resulting in a 1.9 million kWh per year reduction in electricity consumption, while its automated information-measuring accounting system saved an additional 800,000 kWh per year. Equipment upgrade projects enabled a reduction in the specific energy intensity of production at the EAF shop from 0.76 to 0.69 Gcal per tonne, while specific energy intensity of the rolling operations at NLMK Metalware decreased from 0.50 to 0.47 Gcal per tonne.

SPECIFIC ENERGY INTENSITY AT THE LIPETSK SITE

Gcal/t



CASE STUDY

LIGHTING UPGRADES

NLMK Group embarked on a large-scale upgrade of industrial lighting enabled by Philips in 2011. As part of this initiative in 2017, NLMK Kaluga implemented a project to upgrade ceiling lighting in the EAF and rolling shops, which brought tangible results. Capex amounted to ca. RUB 39 million. 2,117 incandescent lamps were replaced by energy saving lamps manufactured by Philips, which enabled a reduction in electricity consumption for lighting from 9.9 million kW/h per year to 2.8 million kW/h per year. This project not only enabled a reduction in electricity consumption for ceiling lighting and the costs of recycling mercury-containing lamps, but also ensured compliance with regulatory guidelines for workplace lighting.

EnMS certification and energy surveys

The cycle of recertification audits of the Energy Management Systems of NLMK Group's main production sites was completed. The ultimate goal of these audits was the transfer of the local EnMS to an "umbrella" system, with NLMK Lipetsk being the holder of the main certificate. NLMK was awarded the ENMS 598731 certificate.

In compliance with the requirements of the federal legislation on energy saving and energy efficiency improvement, energy passports for Altai-Koks, NLMK Ural, and VIZ-Steel were developed, approved, and entered into the register of energy auditors. In 2018, NLMK plans to continue the work on developing energy passports for its Russian facilities and on improving its existing Energy Management Systems.

Growth of energy efficiency

Consistent improvement of energy efficiency is possible through equipment upgrade and optimization efforts.

In 2017, specific energy intensity of the Lipetsk site reduced by 2% to 5.5 Gcal/t, while the best available technology (BAT) level for integrated production is 5.1 Gcal/t.

Other sites also demonstrated a positive trend, for example, energy intensity at NLMK Kaluga reduced by 2% year-on-year to 0.53 Gcal/t, at NLMK Ural by 4.6% to 0.69 Gcal/t.

2018 objectives:

- Increase in the efficiency of fuel gas utilization in power generation
- Optimization of energy transportation networks load and configuration across all companies
- Optimization of industrial gas equipment operation
- Reduction of heat energy losses during its transportation through stop valves sealing
- Use of energy-efficient pump and compressor equipment
- Launch of turbine generator unit No. 5 at NLMK's Cogeneration Plant after major overhaul, etc.

Public appraisal

Significant efforts to ensure sustainable use of energy are highly appreciated. In 2017, NLMK won the ENES-2017 nationwide competition among energy saving and energy efficiency projects, held under the auspices of the Ministry of Energy of the Russian Federation. NLMK submitted its project on electricity generation without fuel combustion in blast furnace operations.

KEY HIGHLIGHTS*

	2013	2014	2015	2016	2017
Steel output, m t	14.6	15.23	15.41	15.88	16.23
Air emissions, '000 t, incl:	319.4	321.5	322.0	330.5	332.0
NO _x	16.6	17.5	21.0	24.0	25.3
SO ₂	26.0	28.2	27.6	28.9	31.7
CO	250.7	248.5	244.6	249.2	245.7
— per unit of product, kg/t	21.9	21.1	20.9	20.8	20.5
Water consumption for production purposes, m m ³	92.7	96.1	90.6	91.6	86.1
- per unit of product, m ³ /t	6.35	6.31	5.88	5.77	5.30
Pollutants discharge, '000 t	2.9	0.2	16.4	16.1	15.9
— per unit of product, kg/t	0.2	0.0	1.1	1.0	1.0
Waste production, m t	5.50	5.61	4.98	4.25	2.85
Waste disposal, %	95.9%	93.7%	95.9%	93.6%	86.9%
Additional:					
— stripping waste, m t	37.5	40.2	40.6	37.8	35.7
— beneficiation tailings, m t	16.3	17.0	17.4	17.6	18.2
Total waste production, m t	59.3	62.8	63	59.6	56.8
Waste disposal including mining waste, %	15.9%	15.4%	14.0%	14.5%	12.9%
Environmental spendings**, \$ m	134.5	143.1	104.1	105.3	98.1
Capital costs, \$ m	38.9	48.5	49.1	50.9	37.6
Operating costs, \$ m	100.6	88.3	55.6	57.1	66.3
Total energy consumption, m kWh	39,383	40,015	39,379	39,244	37,312
Specific energy intensity***, Gcal/t	5.7	5.7	5.7	5.6	5.5
Energy consumption, m kWh	10,024	10,417	10,392	10,667	10,853
Fuel consumption – natural gas, m m ³	2,713	2,730	2,729	2,616	2,381

* NLMK Group's Russian facilities

** Excluding revenue from by-products (waste) sales

*** Energy intensity calculations include coal, coke, heat, gas, electricity and other energy resources



ABOUT NLMK

2017

This brochure gives an overview of the structure, business model, strategy, and performance of the Group over the past decade.

“The scale of NLMK’s business, the quality of our strategy and execution will ensure that we use available growth options to continue creating shareholder returns going forward.”

Oleg Bagrin,

President and CEO of NLMK Group*



OUR TEAM

2017

Detailed information on NLMK Group’s team, talent development, occupational safety policy and financial contribution to the development of local communities, and much more.

“In the common cause of realizing Strategy 2017, it was not just the contribution of individual people that was important, but above all the contribution of the team that our large, international company represents.”

Oleg Bagrin,

President and CEO of NLMK Group*



GOVERNANCE

2017

This brochure aims to showcase NLMK Group’s corporate governance practices, how the process of continuous improvement of corporate governance is arranged, and how we ensured our leadership in investor relations.

“In 2017, the Company continued to actively improve its corporate governance practices as part of the corporate governance reform.”

Stanislav Shekshnia,

Independent Director, Chairman of the Human Resources, Remuneration and Social Policies Committee



ENVIRONMENT

2017

In this brochure we talk about how advanced technologies, efficient processes, and environmentally friendly approaches ensure our leadership as an environmentally-oriented company.

“Our goal is to minimize our environmental footprint. And we will continue to implement the best available technologies.”

Galina Khristoforova,

NLMK Group’s Director for the Environment

FOR ESG INVESTORS

Our company is a socially responsible business. We focus on ensuring NLMK’s performance leadership goes hand in hand with the most advanced corporate governance practices. We have developed a dedicated section on the Company website at www.nlmk.com to enable investors to review environmental and social questions, as well as corporate governance (Environmental, Social, Governance) when they are considering investment.



* Oleg Bagrin held the position of President (Chairman of the Management Board) until 12 March 2018