



# GOVERNANCE

REPORT/2017

# LEADERSHIP





## BOARD OF DIRECTORS

NLMK's Board of Directors was elected on 2 June 2017. There are five independent directors on the Board.

### MAIN FUNCTIONS OF THE BOARD OF DIRECTORS:

- To develop and implement the corporate strategy
- To approve priority business areas for the Company
- To assess risks
- To approve budgets and business plans
- To set target indicators

- To assess the performance of the Company and its bodies
- To control large-scale capital expenses, asset acquisition, and sale transactions, etc.

### RELATED CORPORATE DOCUMENTS:

- [Charter](#)
- [Corporate Governance Code](#)
- [Regulations on the Board of Directors](#)
- [Regulations on remuneration and compensation to members of the Board of Directors](#)

### MEMBERS OF THE BOARD OF DIRECTORS\*

| FULL NAME                  | POSITION                           | YEARS ON THE BOARD | INDEPENDENT                         | PARTICIPATION IN THE STRATEGIC PLANNING COMMITTEE | PARTICIPATION IN THE AUDIT COMMITTEE | PARTICIPATION IN THE HUMAN RESOURCES, REMUNERATION AND SOCIAL POLICIES COMMITTEE |
|----------------------------|------------------------------------|--------------------|-------------------------------------|---|--------------------------------------|--|
| <b>VLADIMIR LISIN</b>      | Chairman of the Board of Directors | 21                 |                                     | Chairman**  |                                      | <input checked="" type="checkbox"/>  |
| <b>OLEG BAGRIN</b>         | Member of the Board of Directors   | 13                 |                                     | <input checked="" type="checkbox"/>               |                                      |  |
| <b>THOMAS VERASZTO</b>     | Member of the Board of Directors   | 2                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>               |                                      |  |
| <b>HELMUT WIESER</b>       | Member of the Board of Directors   | 7                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>               |                                      | <input checked="" type="checkbox"/>  |
| <b>NIKOLAI GAGARIN</b>     | Member of the Board of Directors   | 16                 |                                     |   | <input checked="" type="checkbox"/>  |  |
| <b>KAREN SARKISOV</b>      | Member of the Board of Directors   | 8                  |                                     | <input checked="" type="checkbox"/>               | <input checked="" type="checkbox"/>  |  |
| <b>STANISLAV SHEKSHNIA</b> | Member of the Board of Directors   | 3                  | <input checked="" type="checkbox"/> |   | <input checked="" type="checkbox"/>  | Chairman   |
| <b>BENEDICT SCIORTINO</b>  | Member of the Board of Directors   | 6                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>               | Chairman                             |  |
| <b>FRANZ STRUZL</b>        | Member of the Board of Directors   | 7                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>               | <input checked="" type="checkbox"/>  |  |

\* As of 31 December 2017

\*\* For further information, please refer to "Events after the reporting date"

**BOARD OF DIRECTORS BIOGRAPHIES****VLADIMIR LISIN**

Year of birth: 1956

Board member since 1996, Chairman of the Board since 1998

Chairman of the Strategic Planning Committee and member of the Human Resources, Remuneration and Social Policies Committee\*

Graduate of Ordzhonikidze Siberian Metallurgic Institute, majored in Ferrous and Non-Ferrous Foundries.

In 1990, Mr. Lisin graduated from the Higher School of Commerce with the All-Russian Foreign Trade Academy. In 1992, he graduated from the Academy of National Economy majoring in Economics and Management. Ph.D., Tech.; Ph.D., Ec.; Professor, Winner, USSR Council of Ministers prize for Science and Technology. Honorary Metallurgist of the RF. Knight of the Order of Honour. Knight of the Order of Alexander Nevsky.

Vladimir Lisin started his career in 1975 as an electrical fitter. He worked at Tulachermet, rising through the ranks from assistant steelmaker to deputy shop manager. From 1986, he worked in Kazakhstan, first as Deputy Chief Engineer, and later as Deputy CEO of the Karaganda Steel Plant. Member of Boards of Directors of several leading Russian steel companies since 1993.

**OLEG BAGRIN**

Year of birth: 1974

President (Chairman of the Management Board) of NLMK since 2012, Board member since 2004\*

Member of the Strategic Planning Committee

Mr. Bagrin holds a graduate degree in Operations Research and a postgraduate degree in Economics from the State University of Management, Moscow, and a degree in Business Administration from the University of Cambridge, UK.

Board member of a number of NLMK subsidiary and affiliate companies; Chairman of the Board of Directors of management company Libra Capital, investment company Libra Capital, Moscow.

**BENEDICT SCIORTINO**

Year of birth: 1950

Board member since 2012 (independent director)

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

Mr. Sciortino graduated from Queens College, New York, with a BA degree and received JD and LLM degrees from New England School of Law [Boston, MA] and New York University Law School, New York.

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

\* For further information, please refer to "Events after the reporting date"



### **THOMAS VERASZTO**

Year of birth: 1962

---

Board member since 2016  
(independent director)

Member of the Strategic Planning  
Committee

---

Thomas Veraszto received a Dr. jur. in Law and Mag. phil. in Slavic languages in 1984 and 1985, respectively, both from the University of Graz, Austria. In 1988, he also received a Diploma from the Bologna Center of the School of Advanced International Studies, Johns Hopkins University, USA.

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 of BCG in this area.

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



### **NIKOLAI GAGARIN**

Year of birth: 1950

---

Board member since 2001

Member of the Audit Committee

---

Graduate of Lomonosov Moscow State University, majored in Law.

In 2003 – being Managing Partner – he was appointed Chairman of the Board at Reznik, Gagarin, Abushakhmin and Partners Law Offices. Chairman of the Board, Managing Partner at Reznik, Gagarin and Partners Law Offices, Moscow, since 2009.



### **KAREN SARKISOV**

Year of birth: 1963

---

Board member since 2010

Member of the Strategic Planning  
Committee and the Audit Committee

---

Graduate of Tashkent State University, majored in Oriental Studies.

He serves as an Aide to the Chairman of the Board of Directors on External Economic Relations. He is also a member of the Board of Managing Directors at NLMK International B.V.

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





### FRANZ STRUZL

Year of birth: 1942

Board member since 2011  
(independent director)

Member of the Strategic Planning  
Committee and the Audit Committee

Franz Struzl graduated from the  
University of Economics, Vienna, in  
1964.

In 1967, Franz Struzl joined Alpine  
Steel group, later renamed  
Voestalpine AG, based in Linz,  
Austria, serving the Company for  
over four decades. During his career  
at Voestalpine, Franz Struzl held  
various positions in a number of  
fields including strategic planning,  
commercial and technical areas.

In 1981, he was appointed Chief  
Financial Officer before becoming  
Chief Executive Officer of Voestalpine  
Long Products Group and a member  
of the Executive Board in 1991.

From 1995 until 2001, he served as  
Vice Chief Executive Officer of the  
Group. In 2001, Franz Struzl was  
appointed as Voestalpine Group Chief  
Executive Officer and Chairman. He  
held the position until 2004, when he  
moved to become Chief Executive  
Officer of Voestalpine, Brazil – Villares  
Metals, remaining there until 2010.  
From 2011 to 2016, he was General  
Director of RHI AG.



### STANISLAV SHEKSHNIA

Year of birth: 1964

Board member since 2015  
(independent director)

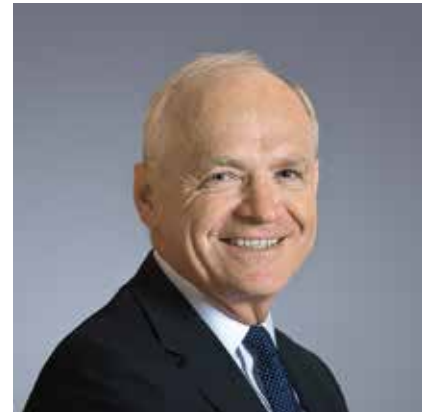
Chairman of the Human Resources,  
Remuneration and Social Policies  
Committee and member of the Audit  
Committee

Stanislav Shekshnia has a Master's  
Degree in Economics, a Ph.D. from  
Moscow State University, and an  
MBA from Northeastern University in  
Boston.

Dr. Shekshnia has held senior  
executive positions at Russian and  
international corporations, including  
HR Director of Otis Elevator, COO at  
VimpelCom, and CEO of Alfa-Telecom.  
He has served as Chairman of SUEK  
and Vimpelcom-R. Mr. Shekshnia  
co-founded Zest Leadership  
International Consultancy.

Currently Mr. Shekshnia is a Senior  
Partner of Howell Zest, Talent Equity  
Consulting Company.

Dr. Shekshnia is an Affiliate Professor  
of Entrepreneurship at INSEAD. He  
has over 15 years of graduate level  
teaching experience in Russia, France  
and the United States.\*



### HELMUT WIESER

Year of birth: 1953

Board member since 2011  
(independent director)

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

Helmut Wieser received a Master's  
degree in Mechanical Engineering and  
Economics in 1981 from the University of  
Graz, Austria.

Helmut Wieser was an Executive Vice  
President of Alcoa and Group President  
responsible for Alcoa's global mill  
products and rigid packaging businesses  
until November 2011. Mr. Wieser was a  
member of the Alcoa Executive Council,  
the senior leadership group that provides  
strategic direction for the company.

Before joining Alcoa, Helmut Wieser  
worked for Austria Metal Group  
(AMAG) for 10 years, holding a series  
of management positions in its rolled  
products unit, culminating in 1997 as  
an executive member of the board and  
COO. Earlier, he held several senior  
management positions with Voest Alpine  
in Austria and Venezuela, including  
President of Voest Alpine Venezuela.

In March 2014, he became a member of  
Management Board of Austria Metall AG.  
In April 2014, he became the company's  
Chairman of the Management Board  
(President & CEO). Since 2014, he is  
a member of the board (Independent  
director) of Rain Carbon Inc.\*

\* For a more detailed bio please visit  
[www.nlmk.com](http://www.nlmk.com)

\* For a more detailed bio please visit  
[www.nlmk.com](http://www.nlmk.com)

# MANAGEMENT BOARD

The NLMK Group Management Board as of 31 December 2017 consisted of eight members. The Management Board holds regular meetings. Members of the Management Board are in charge of the Group's day-to-day operations. They also establish liaison protocol with legal entities, shares or stakes of which are directly or indirectly managed by NLMK.



## CORPORATE DOCUMENTS REGULATING THE ACTIVITIES OF NLMK'S MANAGEMENT BOARD:

- [Charter](#)
- [Corporate Governance Code](#)
- [Regulations on the Management Board](#)

## COMPOSITION OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2017

The NLMK Group Management Board as of 31 December 2017 consisted of eight members.

| FULL NAME                   | POSITION   |
|-----------------------------|--|
| <b>OLEG BAGRIN</b>          | Member of the Board of Directors President (Chairman of the Management Board)* |
| <b>TATYANA AVERCHENKOVA</b> | Vice President, Operational Efficiency   |
| <b>ILYA GUSCHIN</b>         | Vice President, Sales  |
| <b>BAREND DE VOS</b>        | Vice President, International Operations                                       |
| <b>SERGEY LIKHAREV</b>      | Vice President, Logistics  |
| <b>GRIGORY FEDORISHIN</b>   | Senior Vice President, Deputy Chairman of the Management Board**               |
| <b>SERGEY FILATOV</b>       | Managing Director  |
| <b>STANISLAV TSYRLIN</b>    | Vice President, HR & Management System***                                      |

\* For further information, please refer to "Events after the reporting date"

## COMPOSITION OF THE MANAGEMENT BOARD UNTIL 03 MARCH 2017

| FULL NAME                 | POSITION  |
|---------------------------|---|
| <b>OLEG BAGRIN</b>        | Member of the Board of Directors President (Chairman of the Management Board)         |
| <b>BRIJESH KUMAR GARG</b> | Vice President, Procurement   |
| <b>ILYA GUSCHIN</b>       | Vice President, Sales   |
| <b>BAREND DE VOS</b>      | Vice President, International Operations  |
| <b>SERGEY LIKHAREV</b>    | Vice President, Logistics   |
| <b>GRIGORY FEDORISHIN</b> | Vice President, Finance   |
| <b>SERGEY FILATOV</b>     | Managing Director   |
| <b>STANISLAV TSYRLIN</b>  | Vice President, HR & Management System***   |
| <b>YURI LARIN</b>         | Advisor to the President (Chairman of the Management Board) on Development Programmes |

\*\* Appointed Senior Vice President, Deputy Chairman of the Management Board on 13 March 2017

\*\*\* Vice President, HR & Management System until 29 December 2017

**MEMBERS OF THE MANAGEMENT BOARD BIOGRAPHIES****OLEG BAGRIN**

Year of birth: 1974

Member of NLMK Group's Board of Directors since 2004, President (Chairman of the Management Board) of NLMK since 2012\*

Member of the Strategic Planning Committee\*

Mr. Bagrin holds a graduate degree in Operations Research and a postgraduate degree in Economics from the State University of Management, Moscow, and a degree in Business Administration from the University of Cambridge, UK.

Board member of a number of NLMK subsidiary and affiliate companies. Chairman of the Board of Directors of management company Libra Capital, investment company Libra Capital, Moscow.

**TATYANA AVERCHENKOVA**

Year of birth: 1979

Vice President, Operational Efficiency

Member of the Management Board since 2017

Ms. Averchenkova graduated from Lipetsk State Technical University, majoring in Economics & Management.

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

**ILYA GUSCHIN**

Year of birth: 1976

Vice President, Sales

Member of the Management Board since 2014

Graduate of the Faculty of Economics, Lomonosov Moscow State University. Holds a Ph.D. in Economics.

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

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

\* For further information, please refer to "Events after the reporting date"





### **BAREND DE VOS**

Year of birth: 1967

Vice President, International Operations

Member of the Management Board since 2016

Holds a B.Eng. (Hons) Electrical and M.Eng (industrial) from the University of Pretoria.

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

Mr. De Vos joined Duferco La Louvière in Belgium in 2004 and served as a management board member of the NLMK/Duferco JV between 2007 and 2011.

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



### **SERGEY LIKHAREV**

Year of birth: 1964

Vice President, Logistics

Member of the Management Board since 2014

Sergey Likharev holds a Ph.D. in Physics and Mathematics and a Masters of Business Administration from Cornell University, USA. From 1990 to 1993, he worked as a researcher at Lomonosov Moscow State University.

Sergey Likharev joined NLMK in October 2013. From 2012 to 2013, he was 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 became CEO of the Basel Aero airport group, a position he held 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.



### **GRIGORY FEDORISHIN**

Year of birth: 1979

Senior Vice President, Deputy Chairman of the Management Board\*

Member of the Management Board since 2012

Grigory Fedorishin graduated from the State Finance Academy, Moscow. He holds a master's degree in Business Administration from INSEAD business school, France & Singapore. Member of Certified Financial Analysts (CFA) association.

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

From 2011 to 2013, he served as NLMK Director of Strategy and Business Development.

From 2009 to 2011, he served as an investment manager at Libra Capital, a Moscow-based investment management company.

From 2001 to 2009, he worked for PricewaterhouseCoopers consulting company, where he held positions up to director for business restructuring practice.

\* For further information, please refer to "Events after the reporting date"



### **SERGEY FILATOV**

Year of birth: 1959

---

**Managing Director**

**Member of the Management Board  
since 2013**

---

Mr. Filatov graduated from Moscow Institute of Steel and Alloys. He holds a Ph.D., Tech., and is an Honorary Metallurgist of Russia.

Mr. Filatov has been with NLMK since October 2012, serving as Deputy Senior Vice President - General Director for Production and Technology. On 25 January 2013, Sergey Filatov was appointed to the position of NLMK's Managing Director.

From 2009 to 2012, he served as Chief Engineer at NTMK. From 2007 to 2009, he was Project Manager at NTMK Project Management Department.



### **STANISLAV TSYRLIN**

Year of birth: 1968

---

**Vice President, HR & Management  
System (until 29 December 2017)**

**Member of the Management Board  
since 2005**

---

Mr. Tsyrlin graduated from Moscow Institute of Physics and Technology and from Stanford University.

From 2004 to 2006, he served as Director for Strategy and Management Systems at NLMK, having previously worked for Rumelco (from 2003 to 2004). Prior to that, he worked for Boston Consulting Group from 1996 to 2003, serving initially as a consultant, then as a project manager before being appointed Deputy Director.

Vice President, HR & Management System, until 29 December 2017.

---

# CORPORATE GOVERNANCE

## GENERAL INFORMATION ABOUT NLMK'S CORPORATE GOVERNANCE

As a public company, NLMK is constantly optimizing its corporate governance practices. In its activities, NLMK adheres to best international practices and the highest standards of corporate governance.

NLMK corporate governance system is based on the principles of sustainable development, as well as long-term growth of return on equity investments. The Company maintains a policy of maximum openness, transparency and easy access to information. These principles and mechanisms in place allow our shareholders and investors to have all the necessary information provided in a timely manner so that they can make day-to-day and strategic decisions regarding the Company's securities.

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

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

## CORPORATE GOVERNANCE SYSTEM

The corporate governance system, the established practices and approaches that determine strategic and operational

decision-making processes, the efficiency of the Board of Directors, the remuneration, risk management and internal audit systems, policies regulating disclosures on operational activities, and plans for the future development of the Company are important factors, which are taken into account by shareholders, investors, and other stakeholders when making business decisions. In this regard, transparency and high-quality of information on key areas of corporate governance are critical factors for enhancing the credibility of the Company.

---

### THE CORPORATE GOVERNANCE SYSTEM ADDRESSES THREE PRIMARY TASKS THE COMPANY FACES:

---

- Ensuring maximum efficiency
- Attracting investment
- Meeting its legal and social obligations.

NLMK's corporate governance system is built on best global practices and is fully compliant with the requirements of the prevailing Russian legislation, principles provided by the Organization for Economic Co-operation and Development, and provisions of the Corporate Governance Code approved by the Central Bank of Russia, and fully meets the existing legislation of the countries where the Company operates.

---

### KEY PRINCIPLES OF OUR CORPORATE GOVERNANCE:

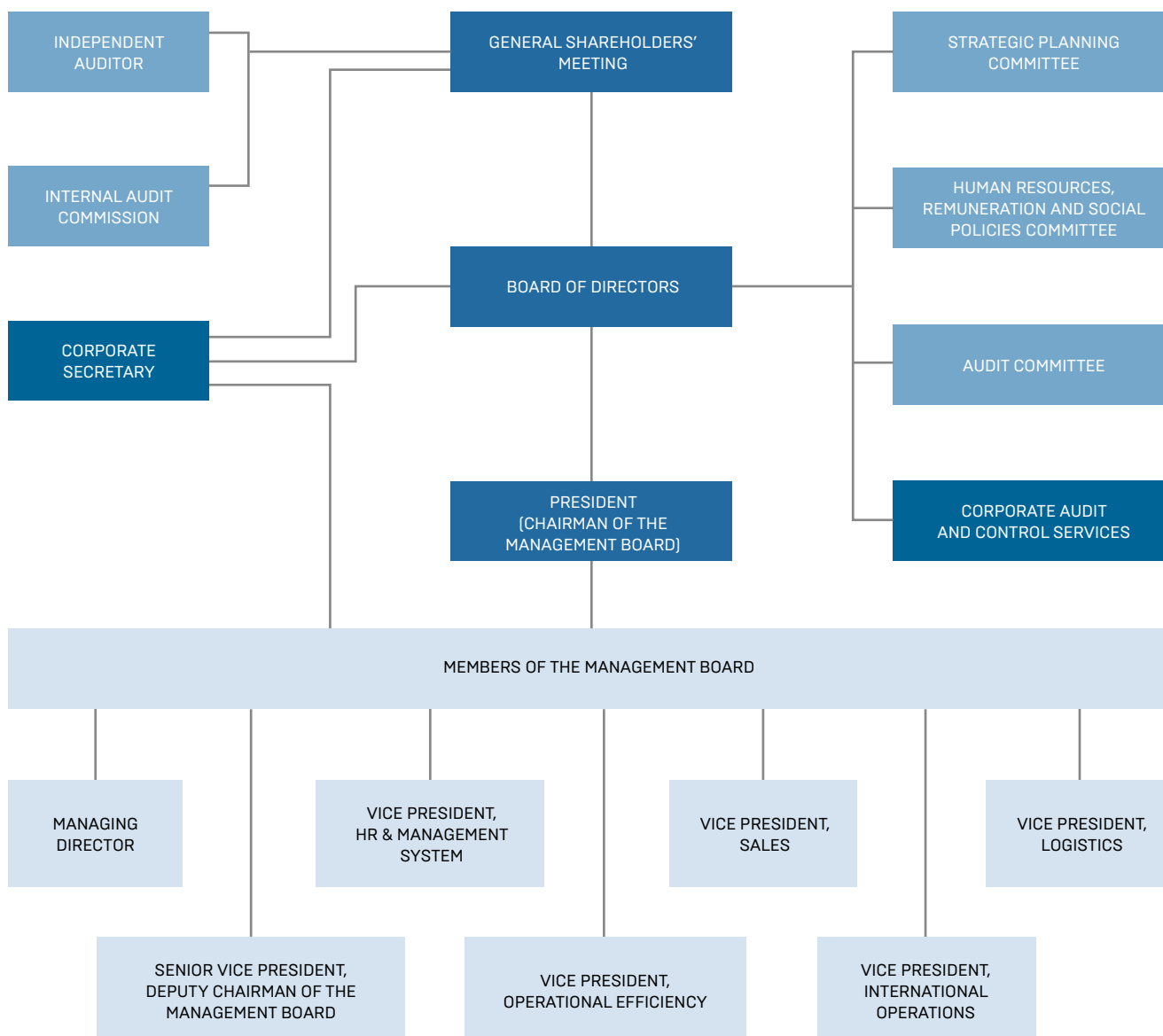
---

- Ensure equal and fair treatment of all shareholders when they use 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 Company's activities and its governing bodies

- Ensure equal treatment of all shareholders, including foreigners and minority shareholders
- Ensure reliable and effective registration of title to shares and guarantee the opportunity to alienate them freely and without encumbrances
- Ensure compliance with the existing laws, principles of the Corporate Governance Code and international corporate governance standards
- Strictly observe the rights of third parties, including their creditors and employees, as required by the law, the Charter, and other regulatory documents
- Pursue 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
- Maintain a policy of 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

## NLMK'S CORPORATE GOVERNANCE STRUCTURE\*



→ For further information, please refer to "Events after the reporting date"

\* As of 31 December 2017

- Promote a policy of complying with business ethics in conducting its operations.

### NLMK'S CORPORATE GOVERNANCE STRUCTURE

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

- General Shareholders' Meeting, which is the supreme governing body of the Company that makes decisions on the key business issues
- The Board of Directors, which is responsible for the strategic management of NLMK, controls executive bodies, determines the principles of and approaches to organization of the Company's risk management system and

internal control, develops NLMK's executive compensation policy, controls corporate governance practices, and plays the key role in the Company's significant corporate events

- Board of Directors Committees, established to perform the preliminary review for key matters of NLMK Group's business, which provide assistance to the Board

of Directors in devising and reaching decisions within their areas of expertise, as well as providing preliminary and more detailed examination of matters to be brought before the Board of Directors for consideration

- The executive bodies of the Company including the President (Chairman of the Management Board) and the Management Board that 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 ensures interaction with shareholders, coordinates the Company's activities aimed at protection of shareholders' rights and interests and supports the Board of Directors and the Management Board
- An independent auditor, the Internal Audit Commission, the Audit Committee, and Audit Department that oversee financial and economic activities.

## IMPROVING CORPORATE GOVERNANCE PRACTICES IN 2017

During 2017, the Company continued to actively enhance its corporate governance practices. For the purposes of ensuring the most favourable conditions for participating in the General Shareholders' Meeting, the Board of Directors can resolve to offer its shareholders the option of voting online on the Company's website.

By resolution of the Company's Board of Directors, the Annual General Shareholders' Meeting on the results of 2016 was video broadcast online. Live video broadcasts are another step towards better transparency of the Company.

Aiming to improve the quality of corporate governance, and taking the to the prevailing legislation into consideration, NLMK approved its corporate documents. In particular, the General Shareholders' Meeting held in December 2017 adopted revised versions of NLMK Charter, Regulations on the General Shareholders' Meeting, and Regulations on the Board of Directors, in full compliance with the prevailing Russian legislation.

In November 2017, NLMK Group received the 'Active Corporate Policy on Information Disclosure' award established by news agencies. This award is testimony to the Company's efficient approach to information transparency. Its success recognized once again, NLMK will continue improving the quality of information disclosure and refining its balanced approach to information transparency.

Based on an annual assessment of corporate governance practices performed by several research institutes, NLMK Group was ranked among the leaders in terms of the quality of its corporate governance. This index assesses the corporate governance maturity level, which determines the degree of conformity to the principles of the national Corporate Governance Code.

Based on the results of the annual study conducted by a research centre with the support of the Moscow Stock Exchange, the Company was ranked among TOP 10 companies with the best corporate governance disclosure practices.

## GENERAL SHAREHOLDERS' MEETING

### Rights and responsibilities of shareholders

NLMK's shareholders enjoy a collection of rights that they can exercise themselves or through their proxies by

participating in General Shareholders' Meetings with the right to vote on all issues within its remit.

The Company provides objective and exhaustive information to shareholders in a regular and timely manner on items included into the agenda of a General Shareholders' Meetings and on the Company's operations, sufficient to make informed decisions regarding their shares. The convocation, preparation and holding of the General Shareholders' Meeting are governed by the Regulations on the General Shareholders' Meeting.

The Company offers its shareholders an efficient procedure for submitting proposals on the agenda items for the General Shareholders' Meeting and for nominating candidates to its governing bodies. The Company has established an extended period for the submission of proposals on the agenda items and for the nomination of candidates compared to the one set by the Russian legislation.

Participation of the maximum possible number of shareholders in the decision-making process at the General Shareholders' Meeting serves the interests of the Company.

## NLMK's corporate governance in action

The General Shareholders' Meeting, NLMK's supreme governing body, is held upon the resolution of the Board of Directors at its own discretion, upon the request of the Internal Audit Commission, the Auditor, or shareholder(s) holding no less than 10 per cent of the Company's voting shares at the date of the request to convene the General Shareholders' Meeting.

The information (materials) provided to persons entitled to participate in the General Shareholders' Meeting is published on NLMK's website ([www.nlmk.com](http://www.nlmk.com)) according to the procedure and within the timeframe



established by the Company's Charter and the laws of the Russian Federation.

In addition to the information that the notice of the General Shareholders' Meeting is required to contain by law, it also specifies:

- The exact location of the General Shareholders' Meeting, including information on the venue where the meeting is going to be held
- Information on documents required for admission to the premises where the General Shareholders' Meeting is to be held
- Information on how to access the General Shareholders' Meeting remotely, if a respective decision is made by the Company's Board of Directors.

Besides obligatory materials required by law, the Company shall provide its shareholders with additional information and materials pertaining to the agenda items of the General Shareholders' Meeting in line with the recommendations of the Corporate Governance Code. The Company shall also post a map of how to get to the GSM, an approximate form of a power of attorney that may be issued by a shareholder to their representative for participation in the GSM, and information on certifying such a power of attorney.

The Company also publishes all the information specified in this item in English to ensure equal treatment of all shareholders, including foreigners.

The Company invites the following persons to the General Shareholders' Meeting: members of the Board of Directors and Internal Audit Commission, members of the Management Board and President (Chairman of the Management Board), the Company's auditors,

the person responsible for the Company's accounting, nominees to the Company's governing bodies to be voted on at the General Shareholders' Meeting, and other persons.

Persons entitled to participate in the General Shareholders' Meeting have the right to put forward questions to members of the governing bodies, the person responsible for the Company's accounting, the Company's auditors, and nominees to the Company's governing bodies.

Participants of the General Shareholders' Meeting are entitled to freely contact and consult each other on issues on the meeting's agenda without violating the meeting procedure (regulations).

By resolution of the Board of Directors, the General Shareholders' Meeting can be video broadcast live on the Company's official website.

As a rule, the Chairman of the Board of Directors presides at the General Shareholders' Meeting (or one of the members of the Board of Directors on his behalf).

Voting at the General Shareholders' Meeting is carried out by voting ballots. Each shareholder is sent the voting ballots within the timeframe established by the Russian legislation and the Charter.

For the purposes of ensuring the most favourable conditions for participating in the General Shareholders' Meeting, the Board of Directors can resolve to offer its shareholders the option of voting online on the Company's website.

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

The voting results and resolutions passed by the General Shareholders'

Meeting are disclosed in accordance with the requirements of the Russian legislation.

## Activity in 2017

Three General Shareholders' Meetings were held in 2017.

### GENERAL SHAREHOLDERS' MEETING BY STATUS (FORMAT)

|   |   |
|---|---|
| Annual meeting (in person)              | 1 |
| Extraordinary meeting (absentee voting) | 2 |

NLMK's 2016 Annual General Shareholders' Meeting was held on 2 June 2017. Shareholders and shareholder representatives holding a total of 90.76% of NLMK's shareholder capital were present, meeting the quorum requirements. During the meeting, the following issues were reviewed and decisions taken:

*Resolution 1:* Approve NLMK's 2016 Annual Report.

*Resolution 2:* Approve NLMK's 2016 annual financial statements, including profit and loss statement.

*Resolution 3:* Approve NLMK's FY2016 profit distribution:

- Pay (declare) 2016 dividends in the amount of 9.22 rubles per common share, including out of previous profits. Taking into account interim dividends paid in the amount of 5.84 rubles per common share, the amount of dividends payable is 3.38 rubles per common share. Set the date upon which the persons entitled to dividends are determined as 14 June 2017.

*Resolution 4:* Pay (declare) Q1 2017 dividends in the amount of 2.35 rubles per common share. Set the date upon which the persons entitled to dividends are determined as 14 June 2017.

*Resolution 5:* Elect NLMK's Board of Directors as follows:

- Oleg Bagrin
- Thomas Veraszto
- Helmut Wieser
- Nikolai Gagarin
- Vladimir Lisin
- Karen Sarkisov
- Stanislav Shekshnia
- Benedict Sciortino
- Franz Struzl.

*Resolution 6:* Elect Oleg Bagrin as NLMK's President (Chairman of the Management Board).

*Resolution 7:* Elect NLMK's Internal Audit Commission as follows:

- Yulia Kunikhina
- Mikhail Makeev
- Natalia Savina
- Elena Skladchikova
- Sergey Ushkov.

*Resolution 8:* Approve the resolution on the payment of remuneration to the members of NLMK's Board of Directors.

*Resolution 9.1:* Approve PricewaterhouseCoopers Audit /OGRN 1027700148431/ as the Auditor of NLMK's 2017 RAS Accounting (Financial) Statements.

*Resolution 9.2:* Engage PricewaterhouseCoopers Audit /OGRN 1027700148431/ to carry out an audit of NLMK's 2017 IFRS Consolidated Financial Statements.

NLMK's Extraordinary General Shareholders' Meetings were held by absentee ballot:

| DATE       | PERCENTAGE OF SHAREHOLDERS PARTICIPATING IN THE MEETING |
|------------|---|
| 29.09.2017 | 90.92%  |
| 22.12.2017 | 90.82%  |

At NLMK's Extraordinary General Shareholders' Meeting held on 29 September 2017, shareholders passed the resolution to pay (declare) H1 2017 dividends in the amount of 3.20 rubles per common share.

At NLMK's Extraordinary General Shareholders' Meeting held on 22 December 2017, shareholders passed the following resolutions:

- Pay (declare) 9M 2017 dividends in the amount of 5.13 rubles per common share
- Approve the revised version of the Company's Charter
- Approve the revised version of the Company's Regulations on the General Shareholders' Meeting
- Approve the revised version of NLMK's Regulations on the Board of Directors.

## BOARD OF DIRECTORS

### NLMK's corporate governance in action

A key element of the Company's corporate governance responsible for the strategic management of the Company, the Board of Directors determines the principles of and approaches to the risk management and internal control system, controls the activity of executive bodies,

and has other key functions in the Company.

NLMK's Board of Directors reports to the Company's shareholders.

NLMK's Regulations on the Board of Directors govern the procedures of the Board of Directors and, in particular, include the procedure for arranging and holding meetings of the Board of Directors, which allows the members of the Board of Directors to prepare for the meetings properly.

According to the current corporate documents, the Board of Directors, acting within its powers:

- Ensures execution of resolutions passed by the General Shareholders' Meeting
- Assesses political, financial, and other risks impacting the Company's operations as well as operations of its subsidiaries, associates, and other legal entities in which NLMK is a founder, participant, or member
- Determines approaches to investment and participation in other organizations
- Assesses the performance of the Company and its bodies
- Determines the terms of dividend payment
- Develops remuneration incentive methods and systems for Company's employees
- Ensures the disclosure of information about the Company
- Supervises activities of the Company's executive bodies
- Ensures the Company's compliance with the applicable legislation

- Defines materiality criteria for the subsidiaries, associates and other legal entities in which NLMK is a founder, participant or member, for decision-making concerning the issues that fall within the powers of the Management Board
- Ensures compliance with corporate governance principles.

Meetings of the Board of Directors are held on a regular basis at least 6 times a year in accordance with the approved schedule.

The format of NLMK's Board of Director's meetings is determined based on the importance of the issues on the agenda. The most important issues are resolved at meetings of NLMK's Board of Directors held in

person (convening and holding the Annual General Shareholders' Meeting, including recommendations on the distribution of profits and payment of dividends, preliminary approval of the Company's annual reports, financial statements and budget, etc.).

As a rule, the most critical matters on the agenda of the Board of Directors are first reviewed by the Board committees, facilitating their all-round consideration and developing recommendations for the Board of Directors on the decisions to be made.

Information on the activities of NLMK's Board of Directors, including information on its member-list, its committees, meetings held, and resolutions passed is published on the Company's official website.

## Chairman of the Board of Directors

The Chairman of the Board of Directors ensures the efficient functioning of the Board of Directors.

The Chairman of the Board of Directors arranges for the Board's schedule to be developed, supervises the execution of resolutions passed by the Board, forms the agenda and makes sure that the most efficient decisions on the agenda items are made.

The Chairman of the Board of Directors ensures that the Committees of the Board of Directors function efficiently, including through the nomination of members of the Board of Directors to the Board Committees based on their professional and personal qualities, and taking into account the proposals



received from the Board members on setting up the Committees.

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

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

### Independent Board members

The main principle behind the composition of the Board of Directors in terms of its independence and professional competence is the principle of balance. Independent directors on the Company's Board contribute to the formation of an objective, balanced approach by the Board of Directors to items discussed, improve management efficiency, and have a positive impact on the Company's image.

Thanks to their extensive experience in governance, independent directors serve to assist in solving such issues as devising the Company's development strategy, assessing the conformity of the activities of executive bodies with the Company's chosen strategy and ensuring there are effective systems of internal control and risk management, providing an objective assessment of the quality of work undertaken by the executive bodies, and establishing an efficient motivation system, ensuring that the interests of Company's shareholders are observed.

The Corporate Secretary on behalf of the Company regularly conducts a preliminary analysis and assessment of the Board members' compliance with the Independence Criteria.

Independent directors, who make up the majority of the Company's Board, fully meet the independence criteria stipulated by the Corporate

### SHARES OWNED BY MEMBERS OF NLMK BOARD OF DIRECTORS\*

| FULL NAME           | POSITION                           | SHARE OF THE AUTHORIZED CAPITAL STOCK OF NLMK |
|---------------------|------------------------------------|---|
| VLADIMIR LISIN      | Chairman of the Board of Directors | Not an NLMK shareholder                       |
| OLEG BAGRIN         | Member of the Board of Directors   | Not an NLMK shareholder                       |
| THOMAS VERASZTO     | Member of the Board of Directors   | Not an NLMK shareholder                       |
| HELMUT WIESER       | Member of the Board of Directors   | Not an NLMK shareholder                       |
| NIKOLAI GAGARIN     | Member of the Board of Directors   | Not an NLMK shareholder                       |
| KAREN SARKISOV      | Member of the Board of Directors   | Not an NLMK shareholder                       |
| STANISLAV SHEKSHNIA | Member of the Board of Directors   | Not an NLMK shareholder                       |
| BENEDICT SCIORTINO  | Member of the Board of Directors   | Not an NLMK shareholder                       |
| FRANZ STRUZL        | Member of the Board of Directors   | Not an NLMK shareholder                       |

\* [More information on the structure of the share capital is available in the "Information for Shareholders" section](#)

Governance Code recommended by the Bank of Russia.

### Evaluation of the Board of Directors

In line with the recommendations of the Corporate Governance Code and the best international practices, the Company has been conducting an annual performance evaluation of the Board of Directors since 2016.

The formal evaluation procedure does not only cover the Board of Directors as a whole, but also assesses the work of the Board committees and each member of the Board, including its Chairman.

The main purpose of the Board's performance evaluation is to determine the efficiency of its performance as a collective governing body and enhance the Board's role in achieving the Company's goal of successful development.

The key goals of the annual evaluation of the Board's performance include:

- Clarification of the goals and priorities of the Board of Directors
- Balance of independence and qualification in the Board of Directors
- Optimization of each member's contribution to the Board's activities
- Improvement of the work of the Board and communication with the management
- Identification of areas for training and development of Board members.

Board performance evaluation ensures:

- An opportunity to make timely adjustments to the plans and the working methods of the Board of Directors and of its members, which creates the conditions necessary for supporting the efficient functioning of the Board

- Greater shareholder confidence in the Board of Directors
- An increase in the Company's investment appeal, as the evaluation demonstrates the Company's committed approach to corporate governance
- The possibility of using the results of the evaluation as grounds when electing a new Board of Directors at the Annual Shareholders' Meeting.

The methodology used to evaluate the Board of Directors includes an online survey of the members of the Board of Directors, as approved by NLMK's Human Resources, Remuneration and Social Policies Committee.

In line with the formal procedure, an evaluation (self-assessment) of the Board's performance was held in January 2017.

The results of the Board members' self-assessment were discussed at an in-person meeting of the Board of Directors in March 2017. The Board of Directors decided to hold the next regular evaluation in February 2018 and another evaluation involving an independent organization (consultant) in February 2019.

### Induction for newly elected members of NLMK's Board of Directors

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

The main goal of the Programme is to ensure that the newly elected

members of the Board of Directors are promptly and efficiently introduced to NLMK Group's key operational and financial indicators, its systems of risk management, internal control and corporate governance.

Meetings with the President (Chairman of the Management Board), members of the Board of Directors, members of the Management Board, and top managers of the Company are organized as part of the Programme. Newcomers also have an opportunity to get acquainted with the Company's core facilities, technology and products.

### Composition of the Board of Directors

The composition of the Company's Board of Directors is balanced in terms of qualification, experience, knowledge, and business acumen. The members of the Board of

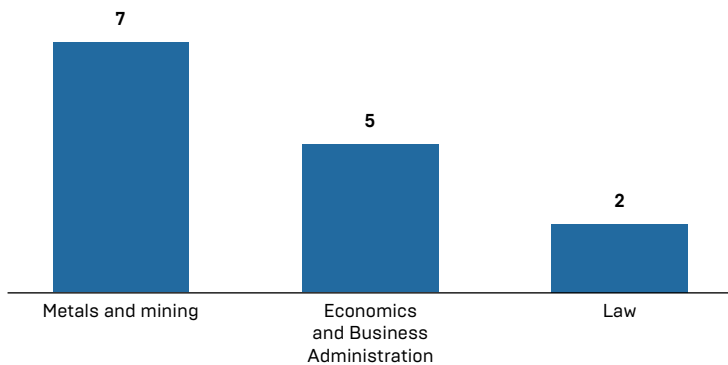
## COMPOSITION OF THE BOARD OF DIRECTORS OF NLMK AS OF 31 DECEMBER 2017

| FULL NAME                  | POSITION                           | YEARS ON THE BOARD | INDEPENDENT                         | PARTICIPATION IN THE STRATEGIC PLANNING COMMITTEE | PARTICIPATION IN THE AUDIT COMMITTEE | PARTICIPATION IN THE HUMAN RESOURCES, REMUNERATION AND SOCIAL POLICIES COMMITTEE |
|----------------------------|------------------------------------|--------------------|-------------------------------------|---|--------------------------------------|--|
| <b>VLADIMIR LISIN</b>      | Chairman of the Board of Directors | 21                 |                                     | Chairman*   |                                      | <input checked="" type="checkbox"/>  |
| <b>OLEG BAGRIN</b>         | Member of the Board of Directors   | 13                 |                                     | <input checked="" type="checkbox"/>               |                                      |  |
| <b>THOMAS VERASZTO</b>     | Member of the Board of Directors   | 2                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>               |                                      |  |
| <b>HELMUT WIESER</b>       | Member of the Board of Directors   | 7                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>               |                                      | <input checked="" type="checkbox"/>  |
| <b>NIKOLAI GAGARIN</b>     | Member of the Board of Directors   | 16                 |                                     |   | <input checked="" type="checkbox"/>  |  |
| <b>KAREN SARKISOV</b>      | Member of the Board of Directors   | 8                  |                                     | <input checked="" type="checkbox"/>               | <input checked="" type="checkbox"/>  |  |
| <b>STANISLAV SHEKSHNIA</b> | Member of the Board of Directors   | 3                  | <input checked="" type="checkbox"/> |   | <input checked="" type="checkbox"/>  | Chairman   |
| <b>BENEDICT SCIORTINO</b>  | Member of the Board of Directors   | 6                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>               | Chairman                             |  |
| <b>FRANZ STRUZL</b>        | Member of the Board of Directors   | 7                  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/>               | <input checked="" type="checkbox"/>  |  |

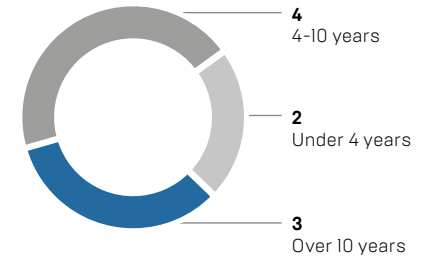
\* For further information, please refer to "Events after the reporting date"



**DIRECTORS' EXPERTISE AND PROFESSIONAL BACKGROUND**

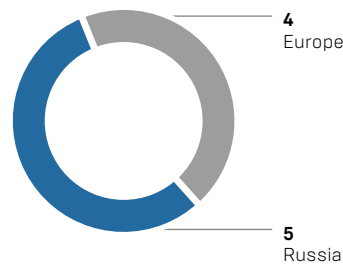


**DIRECTORS' LENGTH OF TENURE\***

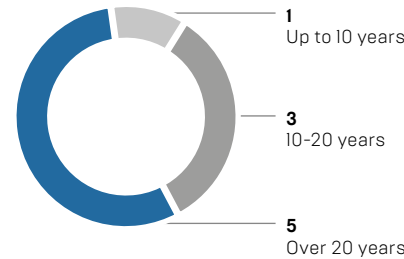


\* As of 31 December 2017

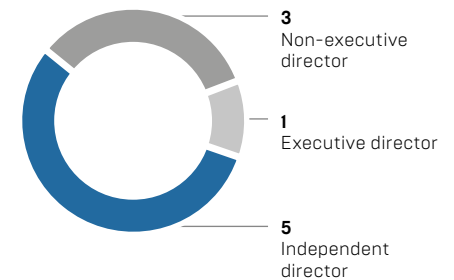
**DIRECTORS' LOCATION**



**DIRECTORS' EXPERTISE IN THE STEEL SECTOR**



**COMPOSITION OF THE BOARD OF DIRECTORS BY DIRECTOR STATUS**



Directors have impeccable business reputation, knowledge, skills and experience in steelmaking, mining, science, economics, business management, and law.

As of 31 December 2017, the Board of Directors, elected at the Annual General Shareholders' Meeting on 2 June 2017, consisted of nine members, including five independent directors. There were no changes to the composition of the Board of Directors in 2017.

**Information on transactions performed by members of the Board of Directors with NLMK shares.** In 2017, members of the Board of Directors did not participate in any transactions with NLMK shares.

**Information on the conflict of interests of members of the Board of Directors.** There was no conflict of interests between NLMK Board of Directors members in 2017.

**Activity of the Board of Directors in 2017**

In 2017, there were six meetings of the Board of Directors of NLMK, three of which were held by absentee ballot.

The following are the main issues that were examined by the Group's Board of Directors in 2017:

- Reviewing proposals on the agenda of the General Shareholders'

Meeting and proposals on nomination of candidates to NLMK's governing bodies

- Convocation of the Annual General Shareholders' Meeting
- Approving the Company's annual financial statements, including the 2016 profit and loss statement, as well as the NLMK's IFRS 2016 annual consolidated financial statements
- Providing recommendations to NLMK's Annual General Shareholders' Meeting regarding the distribution of profits
- Evaluating the performance of NLMK's Board of Directors

- Reports on the performance of the Committees of NLMK's Board of Directors
- Approving the 2016 NLMK report on interested-party transactions
- Approving the composition of the NLMK Management Board
- Providing recommendations to NLMK's Annual General Shareholders' Meeting regarding payment/declaration of Q1 2017 dividends
- Approving the Company's 2016 draft annual report
- Providing recommendations to the Annual General Shareholders' Meeting regarding the payment of remuneration to members of NLMK's Board of Directors
- Providing recommendations to the Annual General Shareholders' Meeting regarding the approval of NLMK's Auditor
- Approving the agenda, draft documents and measures necessary for preparing for and holding the Annual General Shareholders' Meeting
- NLMK's interest in other companies
- Election of the Chairman of NLMK's Board of Directors
- Forming Committees of NLMK's Board of Directors
- Approving the meeting schedule for NLMK's Board of Directors
- Providing recommendations to the Extraordinary General Shareholders' Meeting regarding the payment

(declaration) of 6M and 9M 2017 dividends

- Convocation of the EGM
- Approval of remuneration to be paid for the services of NLMK's Auditor
- Including the item on internal documents approval into the EGM agenda
- Approving the consolidated budget of the Group for 2018.

## COMMITTEES OF THE BOARD OF DIRECTORS

Committees of the Board of Directors are the advisory bodies of the Board of Directors. Their function is to ensure preliminary examination and study of the most essential matters in the area of expertise of the Board of Directors. The composition of the Committees facilitates a comprehensive examination of the issues at hand, taking into account various opinions.

Members of the Committees have professional qualifications, knowledge and experience in the Committee's area as well as other specific expertise, ability and time required to serve and fulfil their functions as Committee members.

The status, goals, objectives and functions of the committees as well as their composition, establishment and operation are set out in regulations on committees approved by the Company's Board of Directors.

In order to balance approaches to problem solving in relation to risk management and the protection of shareholders' interests, independent directors were appointed as chairs of two out of three committees of the Board of Directors in 2017.

## Strategic Planning Committee

### COMMITTEE'S ACTIVITIES AND POWERS

The Strategic Planning Committee, headed by the Chairman of the Board of Directors, provides support to the Board of Directors in reviewing matters connected to increasing the efficiency of the Company's activity in the long-term, promoting asset growth, profitability and a stronger investment case.

The Strategic Planning Committee is fully accountable to the Board of Directors of NLMK and is an advisory body.

### COMMITTEE COMPOSITION AS OF 31 DECEMBER 2017

The Committee includes:

- Vladimir Lisin (Chairman of the Committee)\*
- Oleg Bagrin
- Benedict Sciortino (independent director)
- Thomas Veraszto (independent director)
- Helmut Wieser (independent director)
- Franz Struzl (independent director)
- Karen Sarkisov
- Karl Doering.

\* [For further information, please refer to "Events after the reporting date"](#)

Secretary of the Committee:  
Grigory Fedorishin, previously

## PARTICIPATION OF THE COMMITTEE MEMBERS IN COMMITTEE MEETINGS IN 2017

| FULL NAME          | POSITION                   | PARTICIPATION<br>IN COMMITTEE<br>MEETINGS IN 2017 |
|--------------------|----------------------------|---|
| VLADIMIR LISIN     | Chairman of the Committee* | 4   |
| OLEG BAGRIN        | Member of the Committee    | 4   |
| BENEDICT SCIORTINO | Member of the Committee    | 3 [1**]   |
| THOMAS VERASZTO    | Member of the Committee    | 4   |
| HELMUT WIESER      | Member of the Committee    | 2   |
| FRANZ STRUZL       | Member of the Committee    | 3   |
| KAREN SARKISOV     | Member of the Committee    | 4   |
| KARL DOERING       | Member of the Committee    | 4   |

\* For further information, please refer to "Events after the reporting date"

\*\* Participated via teleconference

Vice President, Finance (CFO), and later Senior Vice President, Deputy Chairman of the Management Board, was Secretary of the Committee until 06 March 2018. Starting from 06 March 2018, Konstantin Arshakuni, NLMK Director for Strategic Development, was appointed Secretary of the Committee.

The composition of the Committee did not change in 2017.

## COMMITTEE'S ACTIVITY IN 2017

In 2017, the Strategic Planning Committee held four meetings.

The Committee reviewed and passed resolutions on the following key issues:

- Main areas for key investment projects

- Status update on NLMK Group's investment programme.

The Committee reviewed key projects for the development of hot-end operations at the Lipetsk site and an extensive set of questions related to Stoilensky. The Committee also looked into concepts for flat steel production development at the Lipetsk site and at the European facilities, as well as development strategies for long products, electrical steels, and plate production in Europe.

In 2018, the Committee plans to work actively on development programmes for NLMK USA and Group functional areas, including energy, sales, and logistics, as well as on its consolidated Strategy 2022.

## Audit Committee

### COMMITTEE'S ACTIVITIES AND POWERS

The Audit Committee, chaired by an independent director, develops and submits recommendations to the Board of Directors on efficient supervision of the Company's

## PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN BOD AND BOD COMMITTEE MEETINGS

| MEMBER OF THE BOARD OF DIRECTORS IN THE REPORTING YEAR | INDEPENDENT DIRECTOR                | PARTICIPATION IN BOD (6) MEETINGS | AUDIT COMMITTEE (4) MEETINGS | HUMAN RESOURCES, REMUNERATION AND SOCIAL POLICIES COMMITTEE (5) MEETINGS | STRATEGIC PLANNING COMMITTEE (4) MEETINGS |
|--|-------------------------------------|-----------------------------------|------------------------------|--|---|
| OLEG BAGRIN  |                                     | 6                                 |                              |  | 4   |
| THOMAS VERASZTO  | <input checked="" type="checkbox"/> | 6                                 |                              |  | 4   |
| HELMUT WIESER  | <input checked="" type="checkbox"/> | 6                                 |                              | 5  | 2   |
| NIKOLAI GAGARIN  |                                     | 6                                 | 4                            |  |   |
| VLADIMIR LISIN   |                                     | 6                                 |                              | 5  | 4   |
| KAREN SARKISOV   |                                     | 6                                 | 4                            |  | 4   |
| STANISLAV SHEKSHNIA                                    | <input checked="" type="checkbox"/> | 6                                 | 4                            | 5  |   |
| BENEDICT SCIORTINO                                     | <input checked="" type="checkbox"/> | 6                                 | 4                            |  | 3 [1*]                                    |
| FRANZ STRUZL   | <input checked="" type="checkbox"/> | 6                                 | 4                            |  | 3   |

\* Participated via teleconference

financial and business activities, including annual independent audits of financial statements, the quality of services provided by the auditor, and compliance with the requirements for auditor independence.

The Audit Committee is fully accountable to the Board of Directors of NLMK and is an advisory body.

In order to submit reliable and independent recommendations to the Board of Directors, the Committee exercises the following functions in risk management, internal control and corporate governance, in line with its assigned duties:

- Control over the reliability and efficient functioning of the risk management, internal control and corporate governance systems, including the efficiency evaluation of risk management and internal control procedures established in the Company, corporate governance practices, and development of proposals on their improvement
- Analysis and assessment of risk management and internal control policy performance
- Control of procedures governing the Company's compliance with legislative requirements, as well as the code of ethics, the Company's rules and procedures, and stock exchange requirements
- Analysis and assessment of execution of the conflict-of-interest management policy.

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

---

#### THE COMPOSITION OF THE COMMITTEE AS OF 31 DECEMBER 2017:

---

The Committee includes:

- Benedict Sciortino (Chairman of the Committee, independent director)
- Karen Sarkisov
- Nikolai Gagarin
- Stanislav Shekshnia (independent director)
- Franz Struzl (independent director).

Secretary of the Committee: Andrey Dozhdikov, Head of Consolidated Financial Statements Department, was the Secretary of the Committee until 20 April 2017. Starting from 20 April 2018, Mikhail Makeev, Audit Director, was appointed Secretary of the Committee.

The composition of the Committee did not change in 2017.

---

#### COMMITTEE'S ACTIVITY IN 2017

---

In 2017, there were four meetings of the Audit Committee.

#### PARTICIPATION OF COMMITTEE MEMBERS IN COMMITTEE MEETINGS IN 2017

| FULL NAME           | POSITION                  | NUMBER OF COMMITTEE MEETINGS ATTENDED IN 2017 |
|---------------------|---------------------------|---|
| BENEDICT SCIORTINO  | Chairman of the Committee | 4   |
| KAREN SARKISOV      | Member of the Committee   | 4   |
| NIKOLAI GAGARIN     | Member of the Committee   | 4   |
| STANISLAV SHEKSHNIA | Member of the Committee   | 4   |
| FRANZ STRUZL        | Member of the Committee   | 4   |

The Committee passed resolutions on the following key issues:

- Review of the results of the audit of NLMK's 2016 IFRS Consolidated Financial Statements
- Review of the results of the audit of NLMK's 2016 RAS (Russian Accounting Standards) Accounting (Financial) Statements
- Review of draft interim abridged IFRS Consolidated Financial Statements for Q1, H1, and 9M 2017
- Review of the Auditor's Opinion Evaluation, issued by PricewaterhouseCoopers Audit, on NLMK 2016 RAS accounting (financial) statements
- Review and approval of the candidate for the position of the Secretary of the Audit Committee of NLMK's Board of Directors
- Review of the report on anti-corruption activities
- Review of the report on the performance of NLMK's Internal Audit Department in FY2016, Q1 and Q2 2017
- Approval of the Audit Committee meeting plan for 2017.

---

## FINANCIAL REPORTING

---

NLMK's Audit Committee reviews the Group's IFRS consolidated financial statements and NLMK's annual stand-alone statutory RAS financials on a quarterly basis. The Committee pays special attention to significant financial reporting judgements, comments to the statements and accounting policies. Along with the quarterly IFRS financials, the Committee reviews and discusses NLMK Group's financial standing, results, and cash flows with the senior management and external auditors of the Company, and seeks explanations on the key changes in the Group's operating and financial performance, whenever necessary.

---

## RISK MANAGEMENT AND INTERNAL CONTROL

---

NLMK's Audit Committee exercises control over the reliability and efficient functioning of the risk management, internal control and corporate governance systems, including the efficiency evaluation of the risk management and internal control procedures established in the Company, its corporate governance practices, and development of proposals on their improvement. In fulfilling its oversight responsibilities, the Committee reviews reports and the Group's updated risk map developed by the Vice President for Risk Management Department, internal audit and the external auditor reports, and holds regular meetings with the Audit Director and the external auditor's team.

In 2016, the Committee charged the Audit Director with the task of carrying out an external quality

assessment of NLMK Group's internal audit service. In the appraiser's (Deloitte) opinion, the Company's internal audit activities in 2016–2017 generally conformed with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

---

## INTERNAL AUDIT

---

NLMK's Audit Committee is responsible for monitoring and evaluating the efficiency of the internal audit function. This is done via discussions with the Audit Director and approval of the annual internal audit plan. Progress reports, key findings, and issued recommendations are submitted to the Committee throughout the year to ensure that the actions taken by the executive management are efficient.

To ensure independence, the Audit Director reports directly to the Board of Directors. The Audit Director has the right to raise any matter he deems important, and the obligation to report to the Committee, including on the results of audits above a certain threshold of materiality, and/or in line with obligatory disclosure requirements, and meets with the external auditors as required.

The Internal Audit Department performs annual self-assessments of its compliance with the International Standards for the Professional Practice of Internal Auditors and the Code of Ethics, as well as an independent external quality assessment every five years. The results of these assessments are submitted for consideration to the Audit Committee.

---

## EXTERNAL AUDIT

---

PricewaterhouseCoopers Audit (PwC) has been the auditor of the Group since 2003.

NLMK Group companies engage PwC from time to time to provide non-audit services. NLMK management is sure that these services do not impair the auditor's independence and are not related to financial reporting. In 2017, the share of non-audit services in the total amount of services provided by PwC was at an acceptable level, not exceeding 10%. PwC regularly rotates the key staff in its audit team (at least once every 7 years) to ensure compliance with independence requirements.

PwC reports to the Committee quarterly, and the Committee members review and discuss key matters of audit with external auditors. In particular, the Committee paid specific attention to the following significant items:

- Impairment considerations for fixed assets, goodwill, intangible assets, and investments
- New requirements for the disclosure of the expected effect from the application of new IFRS standards
- Reducing financial close/reporting cycle times
- Transition from the current SAP ERP system to SAP S/4HANA.

As a result of these reviews, the Committee concluded that the external audit process was efficient.



## Human Resources, Remuneration and Social Policies Committee

### COMMITTEE'S ACTIVITIES AND POWERS

The Human Resources, Remuneration and Social Policies Committee, headed by an independent director, assists the Board of Directors with reviewing issues related to the development of efficient and transparent practices of remuneration paid to the Board of Directors, executive bodies, and other managers of the Company, human resource planning, and enhancing the Board's areas of expertise and performance.

The majority of members of the Human Resources, Remuneration and Social Policies Committee are independent directors. The Committee includes an independent director, competent in matters of motivational management and personnel administration.

### THE COMPOSITION OF THE COMMITTEE AS OF 31 DECEMBER 2017

The Committee includes:

- Stanislav Shekshnia (Chairman of the Committee, independent director)
- Vladimir Lisin
- Helmut Wieser (independent director).

Secretary of the Committee: Irina Bevz, Director for Personnel Training and Development, was the Secretary of the Committee until 3 March 2017. Starting from 3 March 2017, Valery Loskutov, Corporate Secretary of NLMK, was appointed to the position.

The composition of the Committee did not change in 2017.

### COMMITTEE'S ACTIVITY IN 2017

In 2017, the Human Resources, Remuneration and Social Policies Committee held five meetings including three in-person meetings, and two meetings in the form of absentee voting.

The Committee passed resolutions on the following issues:

- Results of Stage 1 of the Long-Term Incentive Programme for NLMK Group's Management
- Review and approval of the results of performance evaluation of NLMK's Board members in 2016
- Review and approval of the results of the Human Resources, Remuneration and Social Policies Committee performance in 2016
- Approval of the appointment of the Secretary of the Human Resources, Remuneration and Social Policies Committee of NLMK's Board of Directors
- Compliance with independent director status of candidates to NLMK's Board of Directors, to be voted on at the Annual General Shareholders' Meeting on the results of 2016

- Professional qualification of candidates to NLMK's Board of Directors to be voted on at the Annual General Shareholders' Meeting on the results of 2016

- Recommendations to NLMK's Board of Directors on the amount of remuneration to NLMK Board members

- Succession system

- Composition of the Board of Directors and update on the search for independent directors

- Achievement of NLMK Group's key performance indicators, target quantitative and project KPIs and payment of bonuses to top managers for 2016

- Execution and update of NLMK Group's HR strategy.

In 2017, the Human Resources, Remuneration and Social Policies Committee continued to exercise its functions to ensure the interests of the Company, following the recommendations of the Corporate Governance Code and best global practices.

A regular performance evaluation of the Board of Directors was organized, including an online survey of the members of the Board of Directors, in a format approved by the Committee, followed by an interview of each Board member by the Chairman

### PARTICIPATION OF COMMITTEE MEMBERS IN COMMITTEE MEETINGS IN 2017

| FULL NAME           | POSITION                  | NUMBER OF COMMITTEE MEETINGS ATTENDED IN 2017 |
|---------------------|---------------------------|---|
| STANISLAV SHEKSHNIA | Chairman of the Committee | 5   |
| VLADIMIR LISIN      | Member of the Committee   | 5   |
| HELMUT WIESER       | Member of the Committee   | 5   |

of the Committee. The next stage in the development of the Board performance evaluation will be an evaluation with the participation of an external organization (consultant) in February 2019.

In addition, the Committee reviewed the results of Stage 1 of the Long-Term Motivation Programme of NLMK Group management, and approved the achievement of NLMK top management's quantitative and project KPIs for 2016.

The Committee also approved new approaches to NLMK Group's succession system and reviewed the implementation status of NLMK Group's HR strategy and its new priorities.

## CORPORATE SECRETARY

The Company's Corporate Secretary represents a link to the system of corporate governance ensuring efficient day-to-day interaction with shareholders, coordination of the Company's activities aimed at the protection of shareholders' rights and interests, and supporting the efficient operation of the Board of Directors.

NLMK's Corporate Secretary acts as a guarantor that the Company's executives and governing bodies comply with the procedural requirements ensuring that the legitimate rights and interests of shareholders are observed.

In addition to supporting the activities of the Board of Directors, NLMK's Corporate Secretary also supports the Management Board. The combination of these functions provides for an enhancement in the effectiveness of interaction between the Company's management and its Board of Directors.

NLMK Corporate Secretary's support for the Company's corporate

procedures both as required by law and as laid out in the Corporate Governance Code recommended by the Bank of Russia, provides for the establishment of a dynamic and balanced system of corporate governance, ensuring effective interaction between the Company's shareholders, Board of Directors, and Management.

Functionally reporting to the Board of Directors and administratively reporting to NLMK's President (Chairman of the Management Board), the Corporate Secretary is appointed and dismissed by the President (Chairman of the Management Board) following a resolution of the Board of Directors.

The Corporate Secretary oversees the Corporate Secretary Office.

Valery Loskutov has been the Company's Corporate Secretary since 2005.

## MANAGEMENT BOARD

### NLMK's corporate governance in action

The Management Board is in charge of managing the day-to-day operations of the Company, implementing the approved strategy and specific resolutions of the Board of Directors.

The main objective of the Management Board is to ensure that the Company is operating efficiently. In order to reach its objective, the Management Board is guided by the following principles:

- Efficient and objective decision-making that favours the interests of the Company and its shareholders
- Fair, timely, and efficient execution of the decisions of the General

Shareholders' Meeting and the Board of Directors

- Cooperation with trade unions of the Company's employees with the purpose of taking into account the employees' interests
- Cooperation with government agencies and local authorities on the most important issues.

The key issues that the Management Board is responsible for addressing are as follows:

- Devising and conceptualizing the developmental steps, long-term plans and core areas of activity for the Company and its subsidiaries and affiliates; and submitting them to the Board of Directors for approval
- Developing modes of interaction between the Company and legal entities in which NLMK holds shares or interest (directly or indirectly) or of which NLMK is a founder, participant, or member
- Approving proposals concerning the agenda of the General Shareholders' Meetings/ participants as well as the list of candidates to the governing bodies, which supervise the legal entities in which NLMK holds shares or interest (directly or indirectly) or of which NLMK is a founder, participant, or member
- Approving the Company's representatives for participation in the General Shareholders' Meetings/ participants of legal entities in which NLMK holds shares or interest (directly or indirectly) or of which NLMK is a founder, participant, or member as well as approving guidelines for voting on agenda items for those representatives
- Giving recommendations and opinions on issues concerning

the approval of budgets, key development trends, governance structure, and other critical issues, which are considered by the governing bodies of legal entities in which NLMK holds shares or interest (directly or indirectly) or of which NLMK is a founder, participant, or member

- Advising the Board of Directors on major and/or related party transactions submitted for review by the Board of Directors in accordance with its powers
- Approving transactions involving the Company's assets in cases where the value of the deal or property in question exceeds 10% of the Company's asset book value as of the last reporting date (with the exception of transactions in the ordinary course of business)

- Deciding on Company participation or termination of participation in other organizations in cases where the value of the acquired (disposed) property is less than 2% of the Company's asset book value as of the last reporting date (with the exception of organizations resolutions on which the Charter refers to the competence of the General Shareholders' Meeting or the Board of Directors)
- Setting up and dissolving Company's branches and representative offices, as well as approving, revising and amending regulations on branches and representative offices.

The make-up and structure of the Management Board is approved by the Board of Directors with consideration of the opinion of the President (Chairman of the Management Board).

The composition of the Management Board is approved by the Board of Directors based on recommendations from the President (Chairman of the Management Board).

### President (Chairman of the Management Board)

The President (Chairman of the Management Board) manages the day-to-day activities of the Company, arranges for the execution of the resolutions passed by the General Shareholders' Meeting and the Board of Directors, organizes the work of the Management Board, and ensures the timely adoption of resolutions by the Management Board.

The rights and obligations of the President (Chairman of the Management Board) are determined by the prevailing legislation of the Russian Federation, as well as

### COMPOSITION OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2017

NLMK Group Management Board as of 31 December 2017 consisted of eight members.

| FULL NAME                   | POSITION  |
|-----------------------------|---|
| <b>OLEG BAGRIN</b>          | Member of the Board of Directors<br>President (Chairman of the Management Board)* |
| <b>TATYANA AVERCHENKOVA</b> | Vice President, Operational Efficiency  |
| <b>ILYA GUSCHIN</b>         | Vice President, Sales   |
| <b>BAREND DE VOS</b>        | Vice President, International Operations  |
| <b>SERGEY LIKHAREV</b>      | Vice President, Logistics   |
| <b>GRIGORY FEDORISHIN</b>   | Senior Vice President, Deputy Chairman of the Management Board **                 |
| <b>SERGEY FILATOV</b>       | Managing Director   |
| <b>STANISLAV TSYRLIN</b>    | Vice President, HR & Management System ***  |

\* For further information, please refer to "Events after the reporting date"

\*\* Appointed Senior Vice President, Deputy Chairman of the Management Board on 13 March 2017

\*\*\* Vice President, HR & Management System until 29 December 2017

### COMPOSITION OF THE MANAGEMENT BOARD UNTIL 03 MARCH 2017

| FULL NAME                 | POSITION  |
|---------------------------|---|
| <b>OLEG BAGRIN</b>        | Member of the Board of Directors<br>President (Chairman of the Management Board)*     |
| <b>BRIJESH KUMAR GARG</b> | Vice President, Procurement   |
| <b>ILYA GUSCHIN</b>       | Vice President, Sales   |
| <b>BAREND DE VOS</b>      | Vice President, International Operations  |
| <b>SERGEY LIKHAREV</b>    | Vice President, Logistics   |
| <b>GRIGORY FEDORISHIN</b> | Vice President, Finance   |
| <b>SERGEY FILATOV</b>     | Managing Director   |
| <b>STANISLAV TSYRLIN</b>  | Vice President, HR & Management System ***  |
| <b>YURI LARIN</b>         | Advisor to the President (Chairman of the Management Board) on Development Programmes |

## PARTICIPATION OF MEMBERS OF THE MANAGEMENT BOARD IN MANAGEMENT BOARD MEETINGS IN 2017

| MEMBER OF THE MANAGEMENT BOARD | PARTICIPATION IN MEETINGS |
|--------------------------------|---------------------------|
| OLEG BAGRIN                    | 40                        |
| TATYANA AVERCHENKOVA           | 34 <sup>1</sup>           |
| BRIJESH KUMAR GARG             | 3 <sup>2</sup>            |
| ILYA GUSCHIN                   | 40                        |
| BAREND DE VOS                  | 40                        |
| YURI LARIN                     | 6 <sup>3</sup>            |
| SERGEY LIKHAREV                | 40                        |
| GRIGORY FEDORISHIN             | 40                        |
| SERGEY FILATOV                 | 40                        |
| STANISLAV TSYRLIN              | 40                        |

<sup>1</sup> Tatyana Averchenkova was appointed member of the Management Board at the meeting of the Board of Directors held on 3 March 2017.

<sup>2</sup> Brijesh Kumar Garg was a member of the Management Board until 3 March 2017.

<sup>3</sup> Yuri Larin was a member of the Management Board until 3 March 2017.

the President's contract with the Company.

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

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

Oleg Bagrin has been the President (Chairman of the Management Board) since 2012 and is also a member of the Board of Directors. He was last reelected on 2 June 2017\*.

\* For further information, please refer to "Events after the reporting date"

## SHARES OWNED BY MEMBERS OF THE MANAGEMENT BOARD

| FULL NAME             | POSITION  | SHARE OF THE AUTHORIZED CAPITAL STOCK OF NLMK, % |
|-----------------------|---|--|
| OLEG BAGRIN           | Member of the Board of Directors President (Chairman of the Management Board)*        | Not an NLMK shareholder                          |
| TATYANA AVERCHENKOVA  | Vice President, Operational Efficiency  | Not an NLMK shareholder                          |
| BRIJESH KUMAR GARG ** | Vice President, Procurement   | Not an NLMK shareholder                          |
| ILYA GUSCHIN          | Vice President, Sales   | Not an NLMK shareholder                          |
| BAREND DE VOS         | Vice President, International Operations  | Not an NLMK shareholder                          |
| SERGEY LIKHAREV       | Vice President, Logistics   | Not an NLMK shareholder                          |
| GRIGORY FEDORISHIN    | Senior Vice President, Deputy Chairman of the Management Board*                       | Not an NLMK shareholder                          |
| SERGEY FILATOV        | Managing Director   | Not an NLMK shareholder                          |
| STANISLAV TSYRLIN     | Vice President, HR & Management System***   | Not an NLMK shareholder                          |
| YURI LARIN**          | Advisor to the President (Chairman of the Management Board) on Development Programmes | 0,00083  |

\* For further information, please refer to "Events after the reporting date"

\*\* Members of the Board of Directors until 3 March 2017

\*\*\* Vice President, HR & Management System until 29 December 2017

## Activity of the Management Board in 2017

In 2017, there were 40 meetings of the Management Board, including 17 meetings that were held by ballot. The following issues were considered at these meetings:

- Progress against NLMK Group's target performance indicators in occupational health & safety
- NLMK Group's consolidated budget execution
- Working capital report
- Progress against NLMK Group's key performance indicators and execution of its companies' optimization programmes
- Participation/withdrawing participation of the Group in other companies

- Approval of draft resolutions on matters within the competence of the General Shareholders' Meetings of companies in which the Group is the sole participant/shareholder
- Development programmes for NLMK's divisions (functional areas), operations, including within the scope of Strategy 2022
- Divisional operational efficiency programmes
- Recommendations to the Company's Board of Directors (with regard to approval of related party transactions, dividend payments and NLMK's draft annual report for 2016)
- Recommendations to the governing bodies of subsidiaries and affiliates
- Approval of transactions

- Efficiency of sales portfolio management
- Risk management system
- Approval of the Management Board's meeting schedule for 2018.

## Information on any conflicts of interest of members of the Management Board

There was no conflict of interests between NLMK Management Board members in 2017.

## Events after the reporting date

NLMK Group's Board of Directors resolved to elect Mr. Oleg Bagrin as Chairman of the Strategic Planning Committee at the meeting held on 13 February 2018.

At the Extraordinary General Meeting held on 12 March 2018, NLMK Group shareholders voted to elect Mr. Grigory Fedorishin, previously Senior Vice President of the Company, as the Group's President and Chief Executive

Officer (Chairman of the Management Board).

At the meeting held on 5 March 2018, NLMK Group's Board of Directors recommended the Company's shareholders to approve the payment of 2017 dividends of RUB 14.04 per share (taking into account the interim dividends in the amount of RUB 10.68 per common share, the outstanding amount to be paid in dividends is RUB 3.36 per common share).

## REPORT ON REMUNERATION TO GOVERNING BODIES

### Remuneration and compensation of members of the Board of Directors

The levels of remuneration are sufficient to attract, motivate and retain competent and qualified executives. Remuneration is paid to members of NLMK's Board of Directors in accordance with the approved Regulations on Remuneration.

The Regulations of Remuneration contain transparent criteria

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

## REMUNERATIONS

The remuneration system for members of the Board of Directors serves to align their financial interests with the long-term financial interests of shareholders.

The levels of remuneration and compensation paid to members of NLMK's Board of Directors are determined on the basis of Regulations on Remuneration of Members of the Board of Directors, approved by the General Shareholders' Meeting on 5 June 2015. The Regulations are published on the Company's official website ([www.nlmk.com](http://www.nlmk.com)).

Remuneration is paid to members of the Board of Directors for reasonable and faithful exercise of their rights and their duties in the interests of NLMK. Remuneration to members of the Board of Directors consists of base remuneration and a bonus.

The amount of base remuneration is determined on the basis of a resolution by the General Shareholders' Meeting. The Annual General Shareholders' Meeting based on the results of 2016, held on 2 June 2017, passed the resolution to pay remuneration to members of NLMK Board of Directors in the amount of \$2.192 million.

A member of the Board of Directors may receive a bonus that shall not exceed two base remunerations. The amount of the bonus is determined on the basis of the member's contribution to the work of the Board of Directors and its

## REMUNERATION PAID TO BOARD MEMBERS IN 2016–2017, '000 RUBLES

|                                   | 2017    | 2016**  |
|-----------------------------------|---------|---------|
| Payments to Board members, incl.: | 126,113 | 125,701 |
| Remuneration*                     | 123,956 | 123,930 |
| Salary                            | 0       | 0       |
| Bonuses                           | 0       | 0       |
| Commission                        | 0       | 0       |
| Benefits                          | 0       | 0       |
| Refunded expenses                 | 2,157   | 1,771   |
| Other types of remuneration       | 0       | 0       |

\* Remunerations to members of the Board of Directors for 2017 are determined on the basis of a preliminary calculation in accordance with the Regulations on Remuneration to Members of NLMK's Board of Directors

\*\* Any variance from the data published in the 2016 annual report is related to the adjustments made based on actual payments in 2017



**INDIVIDUAL AMOUNT OF REMUNERATION AND COMPENSATION OF EXPENSES OF BOARD MEMBERS PAID IN 2017**

| BOARD MEMBER        | TOTAL REMUNERATION, '000 RUBLES |
|---------------------|---------------------------------|
| VLADIMIR LISIN      | 19,449                          |
| OLEG BAGRIN         | 11,308                          |
| THOMAS VERASZTO     | 11,308                          |
| HELMUT WIESER       | 13,569                          |
| NIKOLAI GAGARIN     | 11,308                          |
| KAREN SARKISOV      | 13,569                          |
| STANISLAV SHEKSHNIA | 14,925                          |
| BENEDICT SCIORTINO  | 14,925                          |
| FRANZ STRUZL        | 13,569                          |

Committees and recommendations given by the Human Resources, Remuneration and Social Policies Committee.

NLMK's General Shareholders' Meeting passes the resolution on remuneration payments.

Regulations on Remuneration of Members of the Board of Directors of NLMK set the rules for reimbursing Board members' work-related expenses. The following expenses are considered reimbursable:

- Transportation costs of the members of the Board of Directors incurred while travelling to meetings
- Accommodation costs incurred while attending meetings
- Representation expenses
- Costs associated with obtaining the professional advice of experts on issues under consideration

at the meetings of the Board of Directors.

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

Since the Company does not have any stock option programmes, the right to sell NLMK shares is not linked to performance.

The resolution of the payment of remuneration to members of the Board of Directors based on the results of 2017 will be passed at the Annual General Shareholders' Meeting on 8 June 2018.

**Remuneration and compensation of members of the Management Board**

The efficiency of members of the Management Board, who are in charge of the day-to-day management of the Company's activities, ensuring profitability, competitiveness, financial and economic stability of the business, is of critical importance for the Company. In this regard, the Company has introduced a Management Board motivation system, which is aimed at ensuring their material interest in achieving strategic goals and increasing the economic efficiency of management.

In accordance with the Regulations on the Management Board, members of the Board shall receive remuneration and compensation for expenses that relate to the execution of their duties as members of the Board throughout their period of service. The rights, obligations, and

responsibilities of the parties, and the social guarantees for members of the Management Board are determined by NLMK's internal documents and the contracts concluded between the Company and the members of the Management Board.

The material interest of the members of the Management Board in achieving the Company's strategic goals is provided for through short-term and long-term motivation systems.

Short-term motivation is based on the existing system of key performance indicators (KPIs). The amount paid to the members of the Board in bonuses depends on their KPIs. The KPIs used to determine rewards for top management are related to NLMK's financial and operating performance and are intrinsically linked to the creation of shareholder value.

The Company has introduced a long-term motivation systems for members of the executive bodies and other top managers of the Company.

The following principles outline the mechanism for determining the amount of compensation that is awarded to NLMK top management:

- Honest and efficient performance of their duties by members of the Management Board
- Rational use of the rights that are granted to them
- Bonuses awarded to members of the Management Board are dependent on their progress against their key performance indicators (KPIs) and on the Company's overall results during the reporting period
- Active involvement by members of the Management Board in the work of the Group's executive bodies.



#### REMUNERATION PAID TO MANAGEMENT BOARD MEMBERS IN 2016-2017, '000 RUBLES.

|  | 2017      | 2016**    |
|--|-----------|-----------|
| Payments to Management Board members, incl.: | 1,278,053 | 1,579,467 |
| Salary                                       | 256,517   | 166,429   |
| Bonuses*                                     | 997,132   | 1,406,203 |
| Commission                                   | -         | -         |
| Benefits                                     | -         | -         |
| Refunded expenses                            | 1,381     | 6,724     |
| Other types of remuneration                  | 23,023    | 111       |

\* Bonuses to members of the Management Board for 2017 include payment liabilities based on a preliminary reporting year-end calculation, and an estimated liability for achieving the Company's strategic goals in 2017-2018 in line with the long-term motivation programme. Bonuses for 2016 include remuneration for the long-term motivation programme for achieving the Company's strategic goals in 2014-2016, paid in 2017

\*\* Any variance from the data published in the 2016 annual report is related to the adjustments made based on actual payments in 2017 and the inclusion of remuneration of the long-term motivation programme for achieving the Company's strategic goals in 2014-2016, paid in 2017

---

# OPERATIONAL CONTROL AND RISK MANAGEMENT

## SUPERVISION OVER THE FINANCIAL AND BUSINESS ACTIVITIES

### Independent Auditor

PricewaterhouseCoopers Audit (PwC) has been the auditor of the Group since 2003. Last year, the Group carried out a tender procedure with all Big 4 firms, where the current auditor became the winner. The Committee was satisfied with the quality of provided services and recommended to re-appoint PwC as the Group's auditor for 2017–2018.

PwC rotates key engagement personal on a regular basis (at least once in 7 years) to ensure its compliance with independence requirements. In line with this policy, in 2017, rotation of the auditing partner took place, and Alexei Ivanov headed the auditing of consolidated financial statements and signed the auditor's opinion for 2017, replacing Richard Pollard, who signed the auditor's opinion for 2016.

NLMK Group engages PwC and other PricewaterhouseCoopers companies (hereinafter jointly referred to as PwC) to provide consulting (non-audit) services. The management of NLMK has conducted the necessary procedures, and is sure that these services do not affect the independence of the auditor and are not related to financial reporting. The share of consulting (non-audit) services provided by PwC for NLMK Group companies in 2017 did not exceed 10% of the total amount of services performed.

NLMK's Board of Directors has determined the value of remuneration for the provision of audit services (audit) of the interim and annual IFRS consolidated financial statements of NLMK for 2017, as well as for the audit of the 2017 RAS statements in the amount of 66,095,814 rubles (VAT excluded).

### Audit Committee

The Audit Committee, chaired by an independent director, contributes to effective performance of functions related to supervision of the Company's financial and business activities by the Board of Directors.

The Audit Committee is fully accountable to the Board of Directors of NLMK and is an advisory body.

The areas of expertise and responsibilities of the Committee extend to priority areas in accounting (financial) reporting and consolidated financial reporting, risk management, internal control and corporate governance, internal and external audit, as well as countering wrongdoings.

---

### KEY ACTIVITIES IN 2017

---

#### Accounting (financial) statements and consolidated financial statements

NLMK's Audit Committee reviews the Group's IFRS consolidated

financial statements, and NLMK's annual stand-alone RAS financials on a quarterly basis. The Committee pays special attention to significant financial reporting judgements, comments to the statements, and accounting policies. Along with the quarterly IFRS financials, the Committee reviews and discusses NLMK Group's financial standing, its performance and cash flows with the senior management and external auditors, and seeks explanations on the key changes in the Group's operating and financial performance, whenever necessary.

#### Risk management and internal control

NLMK's Audit Committee exercises control over the reliability and efficient functioning of the risk management, internal control and corporate governance systems, including the efficiency evaluation of risk management and internal control procedures established in the Company, its practices of corporate governance, and development of proposals on their improvement. In fulfilling its oversight responsibilities, the Committee reviews reports and the Group's updated risk map, developed by the Vice President for Risk Management Department, internal audit and the external auditor reports, and holds regular meetings with the Audit Director and the external auditor's team.

In 2016, the Committee charged the Audit Director with the task of carrying out an external quality

assessment of NLMK Group's internal audit service. In the appraiser's (Deloitte) opinion, the Company's internal audit activities in 2016–2017 generally conformed with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

### Internal audit

NLMK's Audit Committee is responsible for monitoring and evaluating the efficiency of the internal audit function. This is done via discussions with the Audit Director and approval of the annual internal audit plan. Progress reports, key findings and issued recommendations are submitted to the Committee throughout the year to ensure that the actions taken by the executive management are efficient.

To ensure independence, the Audit Director reports directly to the Board of Directors. The Audit Director has the right to raise any matter he deems important and the obligation to report to the Committee on the findings of the audits above a certain threshold of materiality, and/or in line with obligatory disclosure requirements, and meets with the external auditors as required.

The Internal Audit Department performs annual self-assessments of its compliance with the International Standards for the Professional Practice of Internal Auditors and the Code of Ethics, as well as independent external quality assessment every five years. The results of these assessments are submitted for consideration to the Audit Committee.

### External audit

PricewaterhouseCoopers Audit (PwC) has been the auditor of the Group since 2003.

NLMK Group companies engage PwC from time to time to provide non-audit services. NLMK management is sure that these services do not impair the auditor's independence and are not related to financial reporting. In 2017, the share of non-audit services in the total amount of services provided by PwC was at an acceptable level, not exceeding 10%. PwC regularly rotates the key staff in its audit team (at least once every 7 years) to ensure compliance with independence requirements.

In order to ensure the effectiveness of the external audit process, PwC presented an annual audit plan with PwC top-down, risk-based audit approach and critical success factors for review by members of the Audit Committee. PwC reports to the Committee on a quarterly basis, and the Committee members review and discuss key matters of audit with external auditors. In particular, the Committee paid specific attention to the following significant items:

- Impairment considerations for fixed assets and goodwill, intangible assets and investments
- Determining the book value of investments in NLMK Belgium Holdings
- New requirements for the disclosure of the expected effect from the application of new IFRS standards
- Reducing financial close/reporting cycle times
- Transition from the current SAP ERP system to SAP S/4HANA.

As a result of these reviews, the Committee concluded that the external audit process was efficient.

## Internal Audit Commission

### CORPORATE GOVERNANCE IN ACTION

The Internal Audit Commission is a full-time internal control authority exercising continuous supervision over the financial and business activities of the Company. The Internal Audit Commission operates under the Charter and the Internal Audit Commission Regulations. It audits the financial and business activities of NLMK Group in order to obtain adequate assurance that the Company reports and accounts contain no material misstatements.

The General Shareholders' Meeting elects the Internal Audit Commission for a term until the next Annual General Shareholders' Meeting.

The Internal Audit Commission was elected on 2 June 2017 at the Annual General Shareholders' Meeting. As of 31 December 2017, the Internal Audit Commission had the following composition:

- Yulia Kunikhina
- Mikhail Makeev
- Elena Skladchikova
- Sergey Ushkov
- Natalia Savina.

### ACTIVITIES OF THE INTERNAL AUDIT COMMISSION IN 2017

The Internal Audit Commission in the said composition held one meeting to discuss its operation in 2017, elect its chair, and approve an audit plan and programme.

On the basis of the audit of the Company's financial and economic activities in 2016, the Internal Audit

## REMUNERATION PAID TO INTERNAL AUDIT COMMISSION MEMBERS IN 2016-2017

|   | 2017<br>'000 rubles | 2016*<br>'000 rubles |
|---|---------------------|----------------------|
| Payments to Commission members, incl.                         | 17,932              | 30,979               |
| Salary  | 12,281              | 7,918                |
| Bonuses   | 5,613               | 23,061               |
| Remuneration for participation in the Commission's activities | -                   | -                    |
| Refunded expenses   | -                   | -                    |
| Other types of remuneration                                   | 38                  | -                    |

\* 2016 data in actual amounts

Commission as it was composed until 2 June 2017, submitted a Statement on the reliability of data contained in the reports and other financial documents for the Company's Annual Report.

### REMUNERATION

Remuneration to members of the Internal Audit Commission is paid in accordance with the Regulations on NLMK Group's Internal Audit Commission. According to the Regulations, the main criterion for determining the remuneration is participation in audits of the Company's financial and business operations. The remuneration paid to members of the Internal Audit Commission shall be equal to the amount of base remuneration, which is determined by the Regulations.

### Internal Audit Department

#### CORPORATE GOVERNANCE IN ACTION

Internal auditing is performed in order to provide members of the Board of Directors (Audit Committee), the President (Chairman of the Management Board) with independent and objective guarantees and consultation aimed at improving

NLMK Group's performance, through a systematic and consistent approach to assessing and increasing the efficiency of risk management, control and corporate governance processes. Internal auditing activity in NLMK Group is performed by the Internal Audit Department.

The key functions of the Internal Audit Department are as follows:

- Assess efficiency of the internal control system
- Assess efficiency of the risk management system
- Assess efficiency of corporate governance
- Consulting.

#### ACTIVITY OF THE INTERNAL AUDIT DEPARTMENT IN 2017

The goal of 2017 internal auditing activities was to maintain or increase the value of the Company through a set of objective internal audits based on a risk-oriented approach, providing recommendations and exchanging knowledge.

In 2017, Internal Audit experts performed the following activities:

- Audit activities to assess the management of critical risks and business processes risks
- Internal control assessment activities, including quality assurance of control procedures aimed at minimizing the risks of business processes
- Consulting services provided to business units of the Company's Lipetsk site and other NLMK Group's companies on specific issues relating to financial and business activities; auditors participated in meetings held by commissions and work groups and shared their opinions on the relevant subject matter.

In 2017, an independent external performance evaluation of the Company's Internal Audit Service was performed. Following this evaluation, an opinion was issued that the activities of the Internal Audit Department generally comply with the International Standards for the Professional Practice of Internal Auditors and the Code of Ethics.

### RISK MANAGEMENT

NLMK's risk management and internal control systems are aimed at ensuring the implementation of the Company's strategy. They are integrated into business- and decision-making processes.

#### Risk management system

NLMK's risk management system presupposes the division of responsibility into several levels of protection.

The procedure for risk management is a continuous, cyclical process that ensures the effectiveness of



management and responsiveness identified threats.

## Development of the Corporate Risk Management System in 2017

In 2017, the emphasis in the development of the risk management system was made on the transition to quantitative risk assessments. NLMK Group is constantly searching for and researching the most advanced methods of risk analysis and assessment. In particular, scenario analysis and stress testing models were developed for assessing currency and price risks, as well as risk assessment models for investment projects. More than 70% of critical and significant risks are quantified (in line with best practices), which enables the Company to determine risk management activities more accurately and efficiently.

NLMK Group also focused on the development of risk management processes, both in terms of preventing undesirable events and team efforts in case various factors occur. Ensuring business continuity and safe working conditions is a priority in the development of risk technologies. In 2017, medium-term Maintenance Programme and the Environmental Programme were developed.

The Group is actively working on ways to automate risk management using advanced information systems:

- An IT project to automate the Group's maintenance programme development was completed. The aim of the project was to reduce the time required for collecting investment initiatives as part of Maintenance and Capex programmes
- An IT project for credit management was launched. NLMK plans to

implement limit control and stop shipment functions in line with the Credit Policy.

## Key risks

**Production risks** include business continuity risks and equipment productivity reduction risks, and low quality product risks. Key mitigation measures: maintenance and repair programmes, a system for controlling incoming raw materials and supplies, operational efficiency programme. The impact of business continuity risk declined in 2017, due to the implementation of measures aimed at improving the efficiency and sustainability of the production process.

**Commercial risks** include price risks on raw material markets, credit risk, risks of inefficient inventory management. Key mitigation measures: continuous monitoring of price spreads, development of a purchasing strategy by category of material, credit security, accounts receivable insurance, limits on certain types of credit, and concentration risk management.

**Financial risks** are mainly represented by currency risks. NLMK monitors an open currency position and maintains a set of tools to balance it on an ongoing basis.

**Operational risks** are managed through a variety of tools, such as implementation of the latest environmental technologies as part of a comprehensive environmental investment programme, the Company's committed efforts to enhance operational and labour safety, and promotion of the Company's Anti-Corruption Policy and Code of Ethics principles. As a result of the implementation of NLMK Group's Environmental Programme, the impact of the key operational risk was reduced in 2017.

**Investment risks** are mitigated through the application of project management principles, assessment of risks related to each project, root cause analysis for key risks and the development of preventive measures.

## Internal control

The risk management functional area, together with dedicated managers and experts implemented a number of initiatives in 2017 aimed at further improving the reliability of the internal control system, including:

- Implementation of the Governance Risk & Compliance SAP module, which controls the segregation of the most critical duties in the main ERP system of the Group, as well as regular automated monitoring of significant deviations in business processes
- Assessment of the internal control system was performed for critical business processes at NLMK Lipetsk, including Procurement, Maintenance, Investment, and Sales. The Risk Management Committee approved plans to improve internal control processes and monitors their implementation.

## Anti-corruption compliance

NLMK Group is guided by high ethical standards and principles of business transparency.

Assessment of corruption risks was carried out for business processes at NLMK's Russian subsidiaries, as well as its European sales office. Business processes were selected for analysis based on their criticality in terms of the corruption risk for the business unit, coverage in previous periods and historical data on deviations in the processes.





In line with the principles stipulated by the Code of Ethics and the Anti-Corruption Policy, the focus of the 2017 corruption risks analysis was on the following areas:

- Strengthening control over intermediaries (dealers, distributors, and traders) when supplying materials and equipment, including analysis of the counterparties' value added in the supply chain, selection

transparency, and supplier relations

- Transparency and efficiency of the rejected product sales to Russian customers
- Extensive training of employees on how to identify and resolve conflicts of interest. Scheduled training on anti-corruption measures and preventing conflicts of interests

was organized on the platform of NLMK's Corporate University for several thousand managers and specialists

- Formalization of the process of exchange of business gifts and tokens of business hospitality.

Corruption risk assessment is typically reviewed by the Risk Management Committee as part of the Group's corporate risk reporting.

# INFORMATION FOR SHAREHOLDERS

## ORDINARY SHARES

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

### Indices that include NLMK shares

- RTS Index (NLMK's share as at 20.03.18 – 1.44%)
- MOEX Russia Index (former MICEX Index) (NLMK's share as at 20.03.18 – 1.44%)
- MICEX Metals & Mining Industrial Index (NLMK's share as at 20.03.18 – 13.56%)
- FTSE Russia IOB index
- MSCI Russia and MSCI Emerging Markets indices.

### Global Depository Shares (GDS)

The ratio of Global Depository Shares to ordinary shares is 1:10. The volume of Global Depository Shares issued by NLMK and traded on the London Stock Exchange amounted to 7.43% of share capital as of 31 December 2017. The Company's depository bank is Deutsche Bank Trust Company Americas.

## NLMK TICKERS

|                            |   |
|----------------------------|---|
| LSE (London) Ticker Code   | NLMK  |
| MICEX (Moscow) Ticker Code | NLMK  |
| Bloomberg Ticker Code      | NLMK LI for GDS traded on the LSE<br>NLMK RX for shares traded on the MICEX platform of the Moscow Exchange       |
| Reuters Ticker Code        | NLMKq.L for GDS traded on the LSE<br>NLMK.MM for shares traded on the MICEX platform of the Moscow Stock Exchange |

## Market capitalization

In 2017, average market capitalization of the Company on the London Stock Exchange was US\$12.5 billion (+57% year-on-year). At the end of 2017, NLMK share price was US\$2.55, or US\$25.52 per GDS, consistent with capitalization of US\$15.29 billion (+37% year-on-year).

## SHARE PRICE

### NLMK GLOBAL DEPOSITARY SHARES ON THE LONDON STOCK EXCHANGE

| PRICE OF GDS (US\$) | 2017  | 2016  | %   |
|---------------------|-------|-------|-----|
| Maximum             | 25.68 | 19.20 | 34  |
| Minimum             | 17.60 | 6.92  | 154 |
| Mean                | 20.80 | 13.29 | 57  |
| End of year         | 25.52 | 18.60 | 37  |

### ORDINARY NLMK SHARES ON THE MOSCOW STOCK EXCHANGE

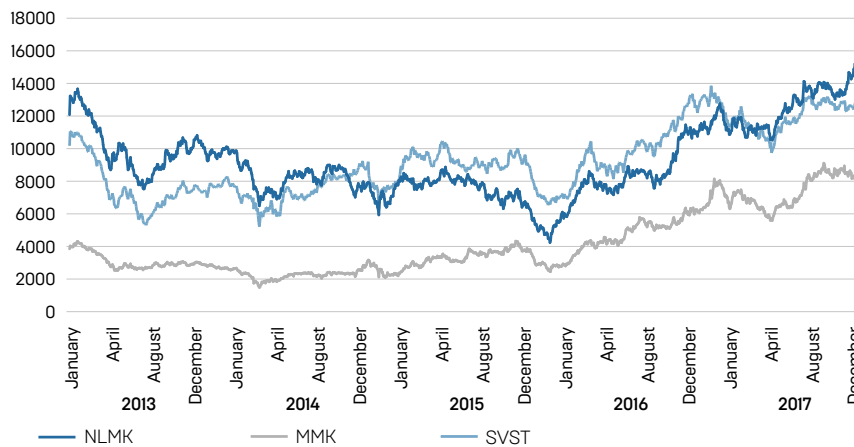
| SHARE PRICE (RUB) | 2017   | 2016   | %  |
|-------------------|--------|--------|----|
| Maximum           | 148.25 | 123.06 | 20 |
| Minimum           | 100.70 | 57.20  | 76 |
| Mean              | 122.09 | 88.18  | 38 |
| End of year       | 147.22 | 114.98 | 28 |

## Taxation

### LEGAL ENTITIES

Tax treatment of organizations' revenues received as dividends on shares is governed by Chapter 25 'Tax on Organizations' Profit' of the Russian Tax Code. Dividends paid to organizations that are Russian

## NLMK MARKET CAPITALIZATION ON THE LONDON STOCK EXCHANGE (LSE) (US\$ M)



taxpayers are subject to a 0% or 13% income tax (Items 3.1 and 3.2, Article 284 of the Russian Tax Code); foreign organizations are subject to a 15% income tax (Item 3.3, Article 284 of the Russian Tax Code).

### INDIVIDUALS

The personal income tax rate is 13% for Russian residents (Item 1, Article 224 of the Russian Tax Code) and 15% for non-residents (Item 3.2, Article 224 of the Russian Tax Code).

Note: information on taxation is provided for reference only. Potential and existing investors should consult with their own advisors regarding the tax consequences of investing in the Company's shares, including Global Depository Shares (GDS).

## DIVIDENDS

### Dividend Policy

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

- If Net Debt/EBITDA is 1.0 or less: 50% of net income and 50% of free

cash flow calculated based on US GAAP/IFRS consolidated financial statements

- If Net Debt/EBITDA exceeds 1.0x: 30% of net profit and 30% of free cash flow calculated on US GAAP/IFRS consolidated financial statements.

Dividends are paid annually. If conditions for financial stability are maintained, NLMK will strive to pay interim dividends on a quarterly basis.

The amount to be paid as a dividend for a specific period is approved by

Company shareholders in line with the Board's recommendations.

## Dividends on GDS

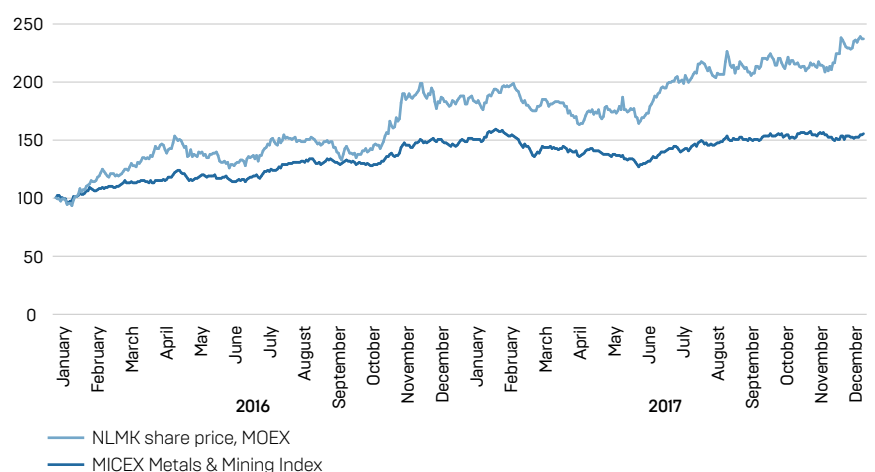
Any dividends paid on shares certified by GDS will be declared and paid to the Depository in rubles or foreign currency, converted into US dollars by the Depository (in the case of dividend payment in a currency other than US dollars), and distributed to the holders of GDS, net of fees and Depository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

The Board of Directors recommends that NLMK's Annual General Shareholders' Meeting pay 2017 dividends for ordinary shares in the amount of RUB 14.04 in cash one ordinary share (taking into account the interim dividends in the amount of RUB 10.68 per ordinary share, the outstanding amount to be paid in dividends is RUB 3.36 per ordinary share), which is equivalent to 100% of NLMK Group's 2017 net profit.

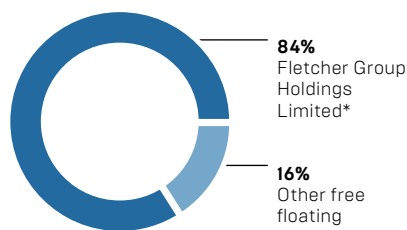
## Corporate documents

The Group's corporate documents, including the Company Charter, are available at [www.nlmk.com](http://www.nlmk.com).

## NLMK SHARE PRICE ON THE MOSCOW STOCK EXCHANGE (INDEX, 01.01.2016=100)



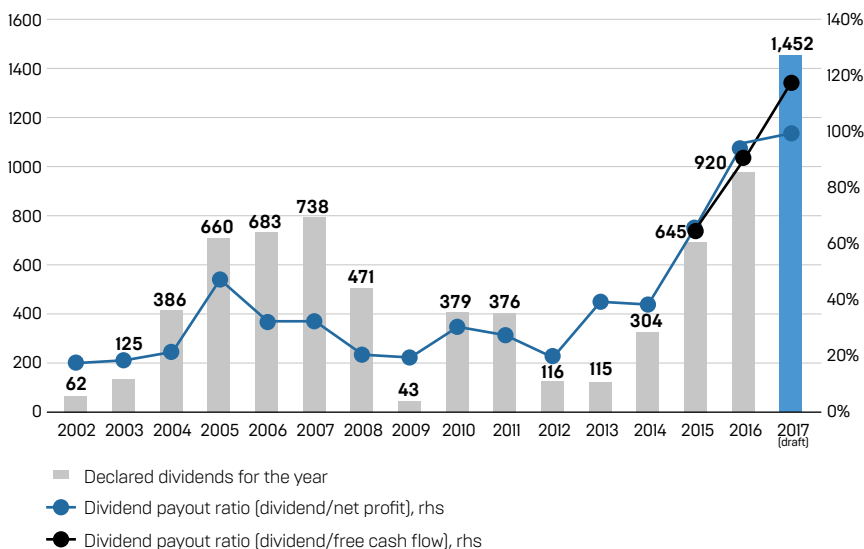
**STRUCTURE OF SHARE CAPITAL AS OF 31 DECEMBER 2017**



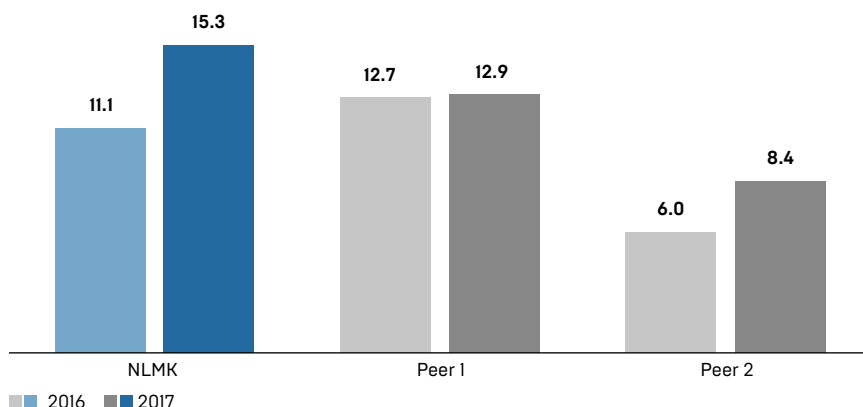
\* The Company's beneficiary is Vladimir Lisin, according to the definition of 'beneficiary' in the Russian legislation

\*\* Including global depository shares traded on the London Stock Exchange (Deutsche Bank Trust Company Americas is NLMK's depository bank) and shares traded on the Moscow Exchange

**DIVIDEND HISTORY, \$ M**



**REGIONAL MARKET CAP LEADERSHIP\*, \$ BN**



\* Capitalization at year-end

**Financial reporting and disclosure**

The Group posts announcements of financial results on the London Stock Exchange website via the regulatory news service (RNS) and then publishes them on the Group 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 website, [www.nlmk.com](http://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 on request in the office of the Register of Shareholders and NLMK PR Consultants' office in London.

## FINANCIAL CALENDAR FOR 2018

| DATE                  | EVENT   |
|-----------------------|---|
| 17 JANUARY            | Q4 and 12M 2017 Trading Update  |
| 20 FEBRUARY           | 12M 2017 IFRS Consolidated Financial Results. Strategy 2017 results. Conference call      |
| 20 FEBRUARY           | RAS (Russian Accounting Standards) 2017 Financial Results for the Group's Major Companies |
| 5 MARCH               | Meeting of the Board of Directors. Q4 2017 Dividend Recommendation by the Board           |
| 13 APRIL              | Q1 2018 Trading Update  |
| 24 APRIL              | Q1 2018 IFRS Financial Results. Conference call   |
| 27 APRIL              | Meeting of the Board of Directors. Q1 2018 Dividend Recommendation by the Board           |
| 8 JUNE                | Annual General Shareholders' Meeting (Q4 2017 and Q1 2018 Dividend Declaration)           |
| 13 JULY               | Q2 2018 Trading Update  |
| 30 JULY –<br>3 AUGUST | Q2 2018 IFRS Financial Results. Conference call   |
| 30 JULY –<br>3 AUGUST | Meeting of the Board of Directors. Q2 2018 Dividend Recommendation by the Board           |
| 24-28<br>SEPTEMBER    | Extraordinary General Shareholders' Meeting (Q2 2018 Dividend Declaration)                |
| 24-28<br>SEPTEMBER    | Capital Markets Day - Strategy 2022 presentation  |
| 15 OCTOBER            | Q3 2018 Trading Update  |
| 22-26 OCTOBER         | Meeting of the Board of Directors Q3 2018 Dividends Recommendation by the Board           |
| 22-26 OCTOBER         | Q3 2018 Interim IFRS Financial Results. Conference call                                   |
| 17-21 DECEMBER        | Extraordinary General Shareholders' Meeting (Q3 2018 Dividend Declaration)                |

## CONTACTS FOR SHAREHOLDERS

### Registrar

The register of holders of NLMK securities is maintained by the Regional Independent Registrar Agency (RIR Agency).

Registered address: 10 B, 9 Maya St., Lipetsk, 398017, Russia

Telephone: +7 (4742) 44-30-95

E-mail: [info@a-rnr.ru](mailto:info@a-rnr.ru)

### Depository bank

Deutsche Bank Trust Company Americas

#### *Office in New York*

60 Wall St., New York, NY, 10005

USA

#### *Office in London*

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

E-mail: [adr@db.com](mailto:adr@db.com)

### Valery Loskutov

Corporate Secretary

Telephone: +7 (4742) 44 49 89

E-mail: [loskutov\\_va@nlmk.com](mailto:loskutov_va@nlmk.com)

### Investor Relations

Telephone: +7 (495) 504 05 04

E-mail: [ir@nlmk.com](mailto:ir@nlmk.com)



## 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](http://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