



# Leadership in sustainability

December 2021

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- **Key highlights**

- Corporate governance
- Health & Safety
- Environment
- Building a new M&M facility
- Tailings dam management
- Social
- ESG Ratings



## NLMK's key principles of sustainable development:

- Creating long-term shareholder value
- Caring about health, wellbeing and development of employees
- Treating environment responsibly
- Delivering value-added products to our customers
- Adhering to high ethical standards in conducting business
- Developing, supporting and respecting the interests of local communities
- Maintaining transparency & high quality information disclosure

**Selected non-financial indicators for 2020 were independently verified**

**SASB and TCFD recommendations were implemented in the 2020 disclosure**

WE SUPPORT



**NLMK IS THE UN GLOBAL COMPACT'S PARTICIPANT**



**ENVIRONMENT**



**HEALTH & SAFETY**

**0.5**

LTIFR target in 2023 vs. 0.84 in 2018 as per WSA

**\$183 m**

Allocated to projects with an environmental impact in 2020

**661k**

Overall hours of OHS training in 2020

**1.84 t/t**

NLMK's CO<sub>2</sub> specific emissions target by 2023 from 1.92 t/t in 2019



**SOCIAL**

**97%**

of water used in production is recycled

**61**

Hours of total training programs per employee in 2020

**4th**

Every 4<sup>th</sup> t of steel is made of scrap

**48%**

Of management and administrative staff are women

**95%**

of generated waste is reused

**6.0%**

Turnover rate in 2020

Source: NLMK data

- Key highlights
- **Corporate governance**
  - Health & Safety
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The Board's activity covers every ESG aspect

The Board is responsible for compliance with Sustainable Development Policy as well as for defining goals and objectives

Independent majority on NLMK's Board Committees

New committee was established in 2021



Source: NLMK data

The Group's governance structure and practices are aligned with G20/OECD Principles of Corporate Governance, Russia's Corporate governance code

Focus is on superior shareholder returns – dividend policy provides visibility and predictability

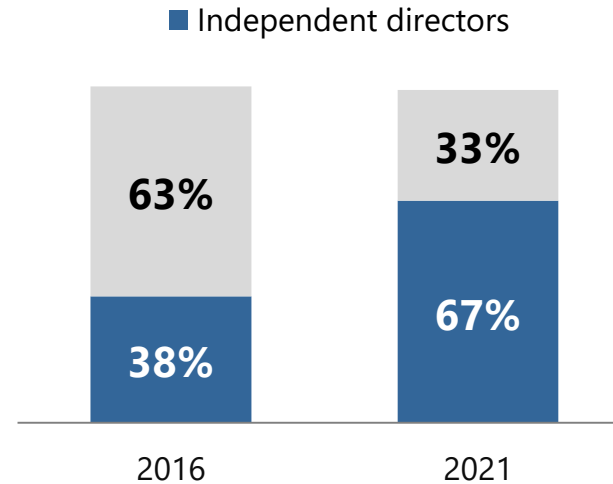
Voting rights: "one share/one vote", equitable treatment for all shareholders

### The company's Board of Directors:

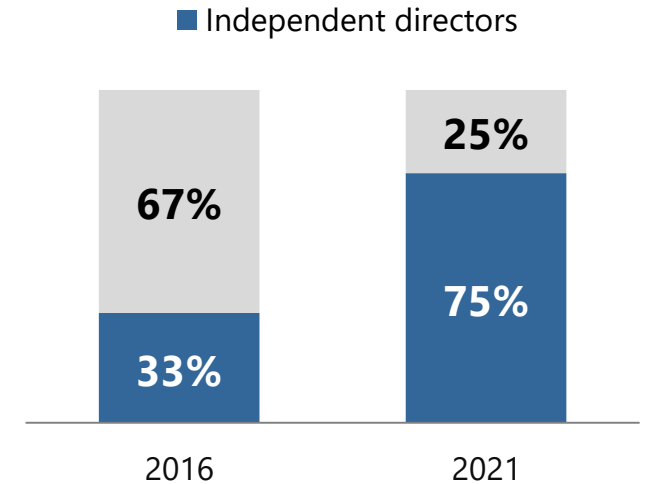
- Reputable board with superior track record
- Directors are not over-boarded with mandates
- Board performance is evaluated annually

Remuneration system based on clear KPIs, including ESG targets

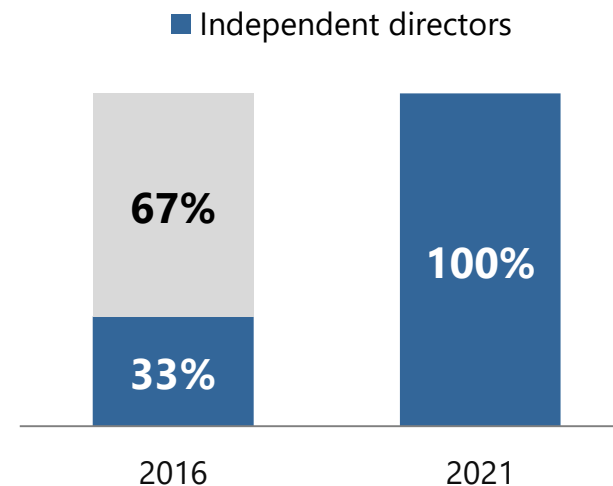
### THE MAJORITY OF THE BOARD IS INDEPENDENT



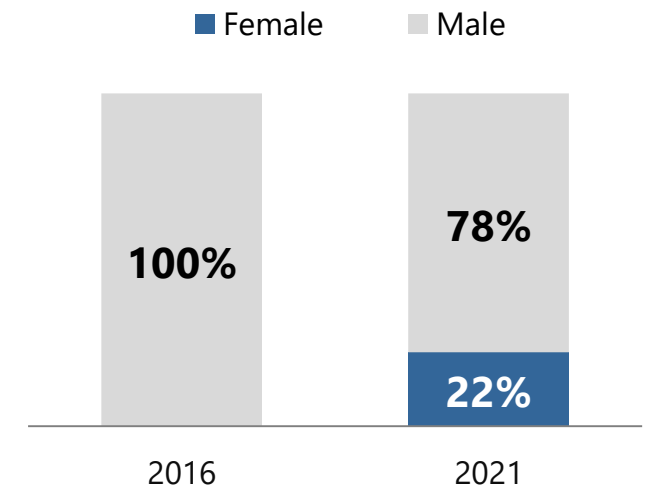
### THE MAJORITY OF THE COMMITTEES ARE CHAIRED BY INDEPENDENT DIRECTORS



### COMMITTEES WITH A MAJORITY OF INDEPENDENT DIRECTORS



### GENDER COMPOSITION OF NLMK'S BOD



- Key highlights
- Corporate governance
- **Health & Safety**
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**NLMK's governing document: Integrated Management System Policy in Quality, Environmental Protection, Energy Efficiency, Occupational Health and Safety**

**OHSAS 18001:2007 certified;  
ISO 45001:2018 certified**

**In 2020, about \$48 m was invested in safety systems and equipment**

**"No blame" policy for incidents reporting**

**The company is signatory of "Vision Zero"**\*

### Safety development programs

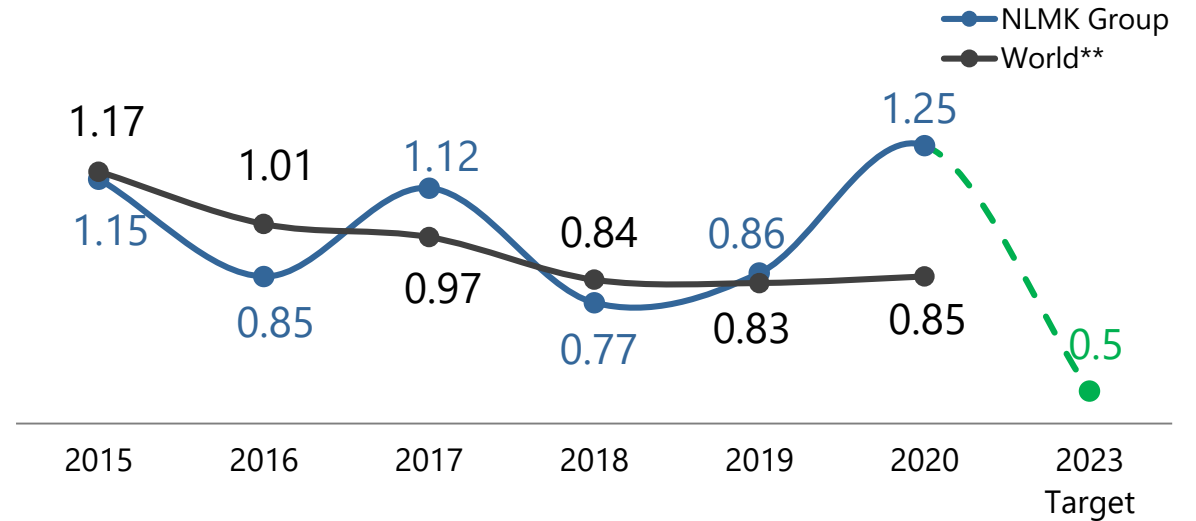
- Safety culture programs and communications
- Contractors management
- Safety risk management

### Targets:

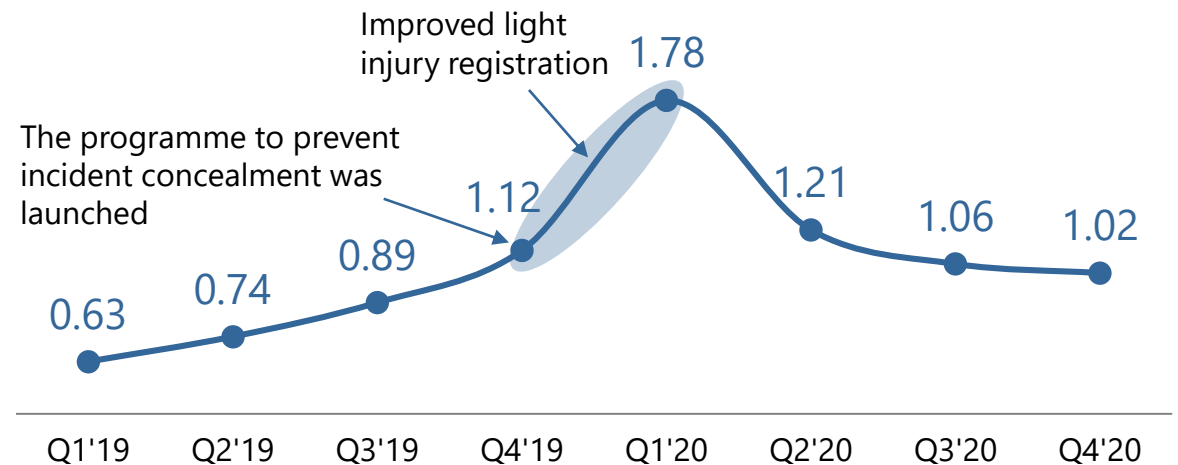
- Zero fatalities
- LTIFR of 0.5 (vs. 0.85 in 2020 as per WSA)

\* <http://visionzero.global>

### LOST TIME INJURY FREQUENCY RATE (LTIFR\*)



### QUARTERLY LTIFR



\* LTIFR refers to Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million man-hours worked, employees and contractors

\*\* Worldsteel data

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## Measurable target to reduce CO<sub>2</sub> emissions by 2023

NLMK blast furnaces are among the most efficient in the world in terms of CO<sub>2</sub> emissions

## Portfolio of projects for future footprint reduction

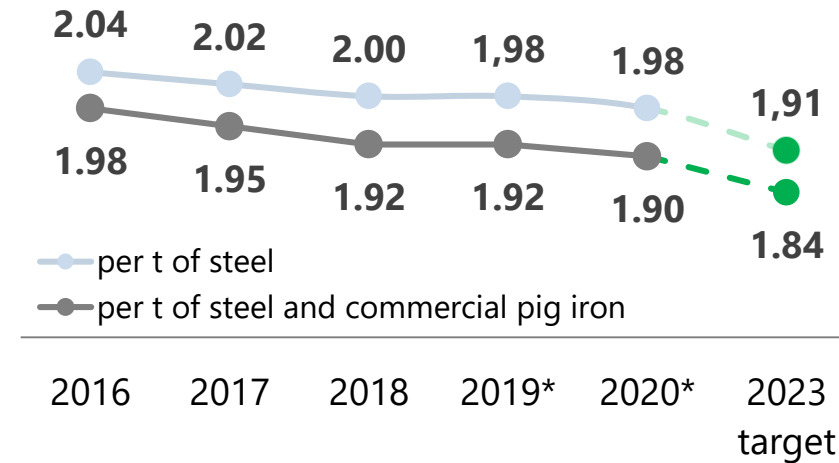
## NLMK actively enhances climate cooperation:

- Partnerships with industrial partners on CCUS and hydrogen use
- Worldsteel’s Step Up program participant to search ideas for further improvement of CO<sub>2</sub> efficiency
- The Net Zero Steel Pathway Methodology Project participant
- A strategic partner for Russia’s first green startup accelerator

## Climate risks assessment with the UK independent consultant in progress

### DIRECT & INDIRECT CO<sub>2</sub> EMISSIONS DYNAMICS

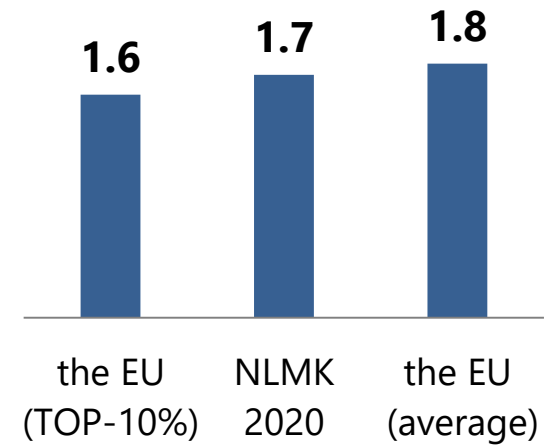
t CO<sub>2</sub> (scope 1 + scope 2)



### CO<sub>2</sub> EMISSIONS AT NLMK LIPETSK

EU ETS methodology,

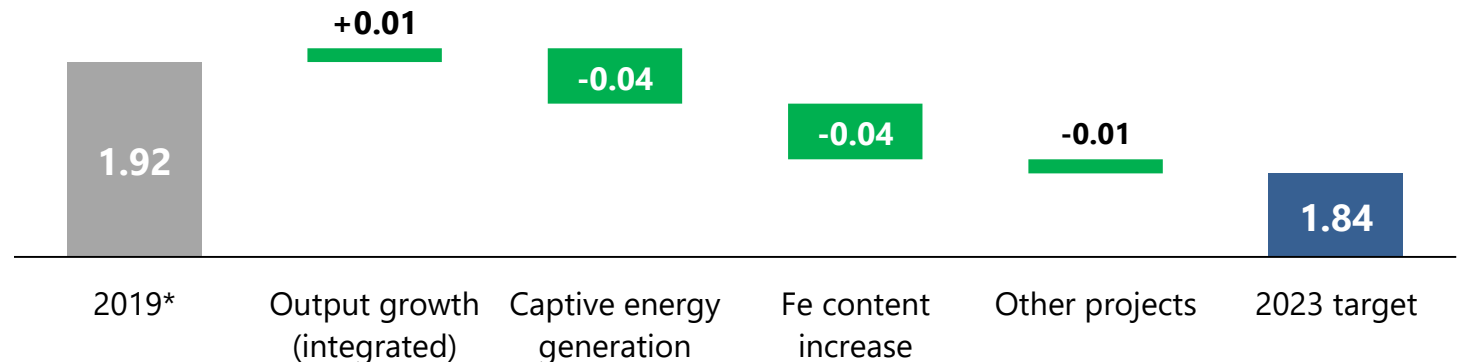
t CO<sub>2</sub> per t of steel (scope 1)



EU ETS = EU Emissions Trading System

### CO<sub>2</sub> EMISSIONS INTENSITY TARGET

T CO<sub>2</sub> per t of steel and commercial pig iron at NLMK Group, (Scope 1+2)



\* Adjusted for temporary production decrease at the Lipetsk site, based on the Group’s steel output in 2018

NLMK has reduced air emissions intensity more than two times since 2000

The Group operates more than 500 modern dust and gas purifying facilities

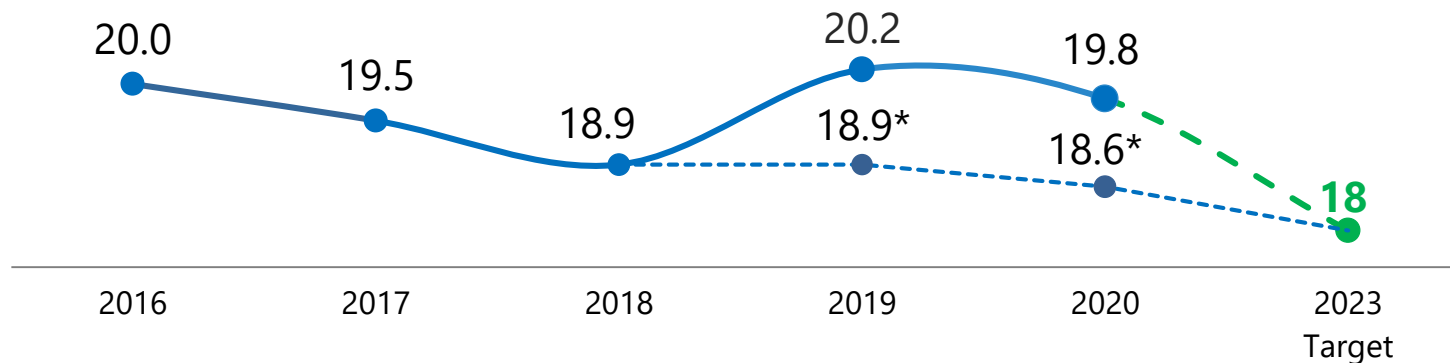
ISO 14001:2015 standard was implemented at 14 of the Group's facilities

**Targets:**

- Reaching the EU BAT level for air emissions intensity

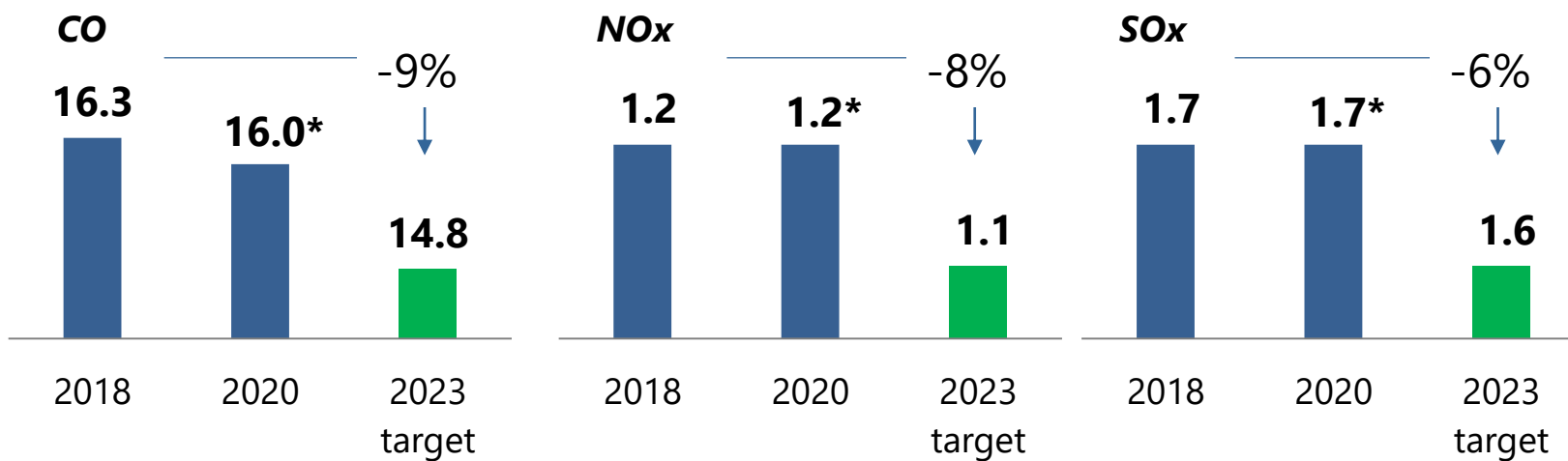
**AIR EMISSIONS INTENSITY**

kg/t, NLMK Group



**AIR IMPACT REDUCTION TARGETS FOR INDIVIDUAL SUBSTANCES**

kg/t, NLMK Lipetsk



\* Adjusted for temporary production decrease at the Lipetsk site, based on the Group's steel output in 2018

**ISO 50001:2011 certified**  
**(recertification under ISO 50001:2018**  
**is underway)**

**Improved energy intensity was**  
**achieved via equipment upgrade and**  
**better processes**

**Higher share of captive electricity**  
**generation contributes to lower CO<sub>2</sub>**  
**emissions**

**Targets:**

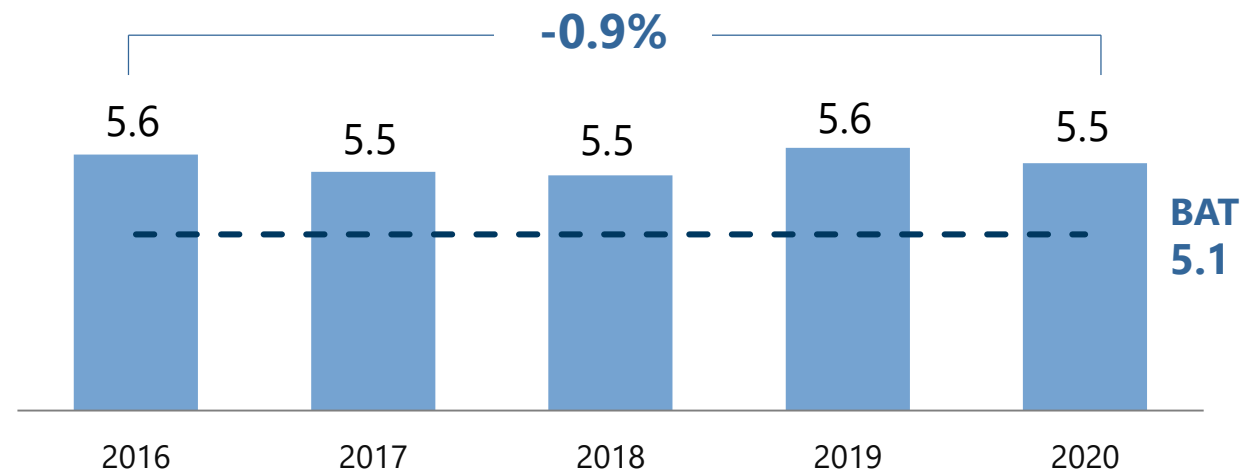
- Attaining a minimum level of economically and technologically feasible level
- Increasing electricity self-sufficiency to 94%

**In 2020, the share of renewable electric energy in purchased energy accounted for 5.15% of total power consumption\***

*\*The share of renewables in the total volume of electrical power generation is shown without transit flows; NLMK Group companies made no direct purchases from renewable energy suppliers*

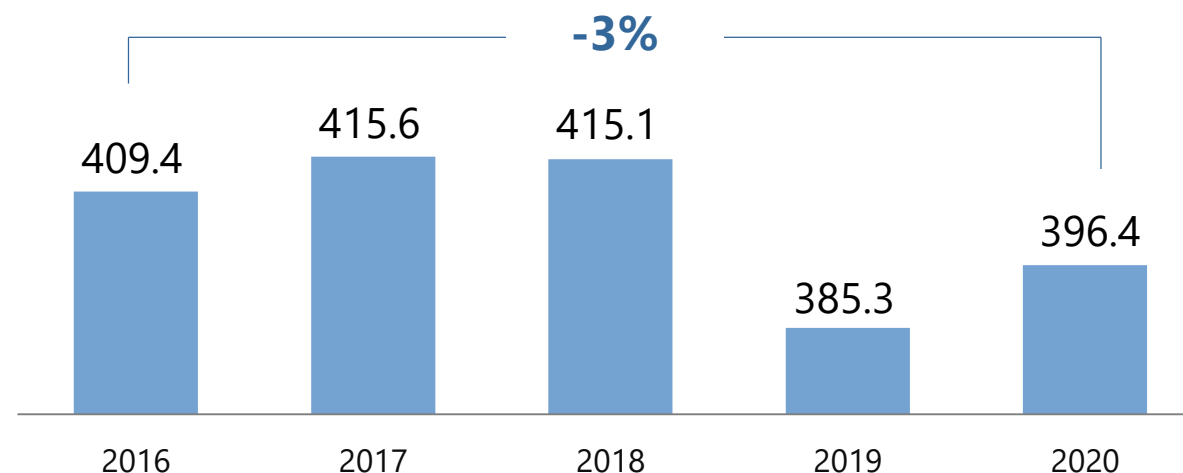
**ENERGY INTENSITY**

GCAL/t, NLMK Lipetsk



**GROSS ENERGY CONSUMPTION**

PJ, NLMK Group





## Strategy 2022 envisages construction of the 3<sup>rd</sup> captive power plant at NLMK Lipetsk:

- The power plant will run on by - product fuel gases
- Leveraging successful experience of by-product gases reuse
- Unique technology for Russia of utilizing basic oxygen furnace gas
- Positive environmental impact

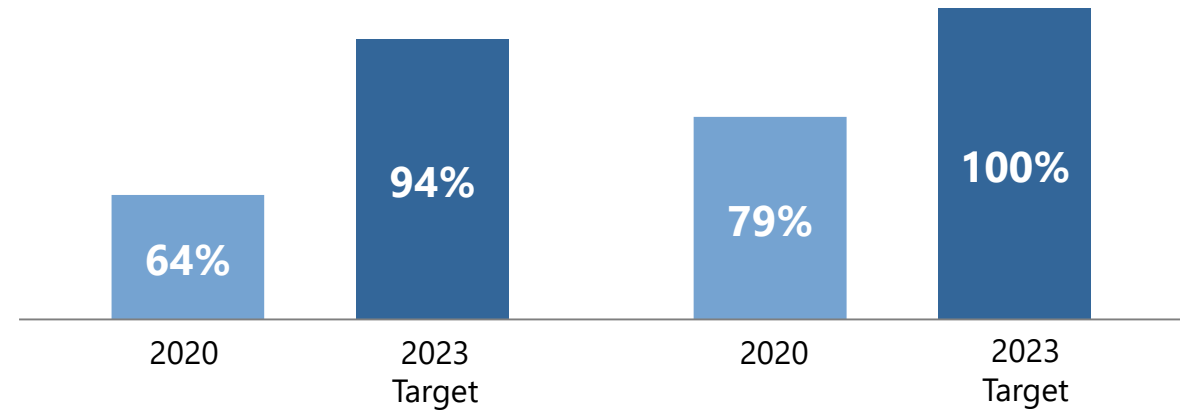
**In 2021, NLMK Lipetsk started the assembly of main process equipment**

**The launch of the plant is scheduled for late 2023**

## ENERGY SELF-SUFFICIENCY TARGETS, NLMK LIPETSK

Captive energy generation

Secondary fuel gas recovery



## ADDITIONAL PROJECT INDICATORS

<b>Power plant capacity</b>	<b>300 MW</b>
<b>Reduction in CO<sub>2</sub> emissions per annum</b>	<b>650k t</b>
<b>Investments</b>	<b>\$420 M</b>

Calculating the impact of consumers using certain product categories on curbing CO<sub>2</sub> emissions is a common practice and is widely used in the steel and other industries:

- NLMK's plate is used in the construction of wind power facilities
- Premium electrical steel able to reduce specific magnetic losses in transformers and electrical motors
- Wear-resistant steel contributes to lighter weight of steel products (leading to lower fuel consumption)



Plate produced at DanSteel is used in wind energy facility construction



Flat products with improved characteristics



Premium GO electrical steels



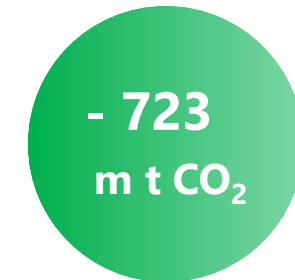
Premium NGO electrical steels



Wear-resistant and high-strength steel (Q&T and Q&P)



**CO<sub>2</sub> emission reduction on consumer side (annually)**



**CO<sub>2</sub> emission reduction on consumer side (life cycle)**

\* Taking into account target sales volume in 2018-2023

**NLMK has substantially reduced water consumption in relative (per t of steel produced) and absolute terms**

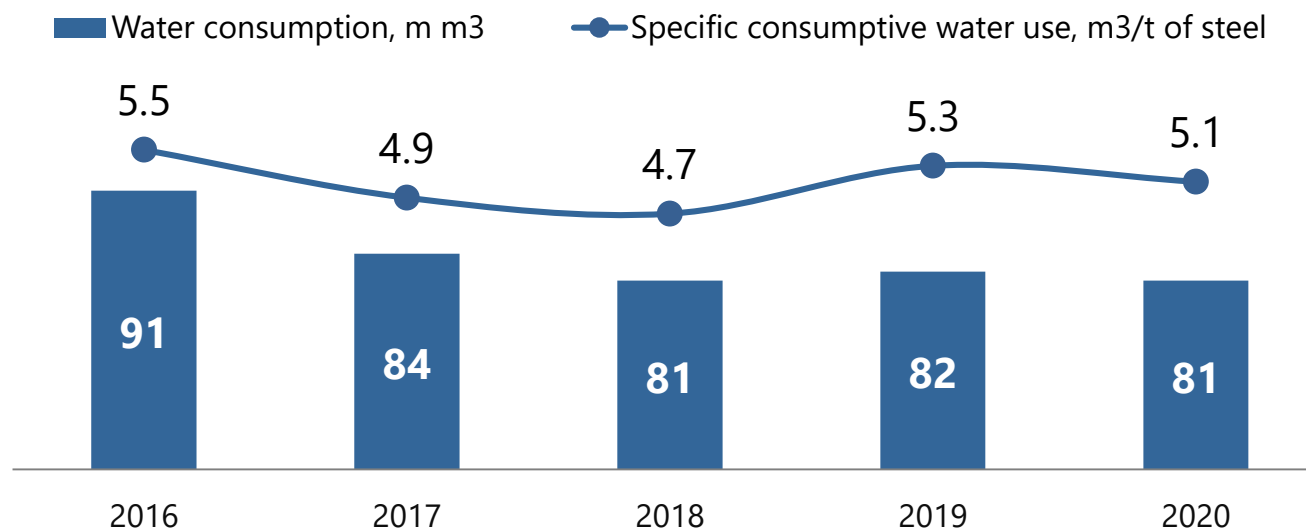
**The Group doesn't operate in water-stressed areas**

**All of NLMK's production facilities are equipped either with closed loop water systems (no waste water discharge) or water recycling solutions**

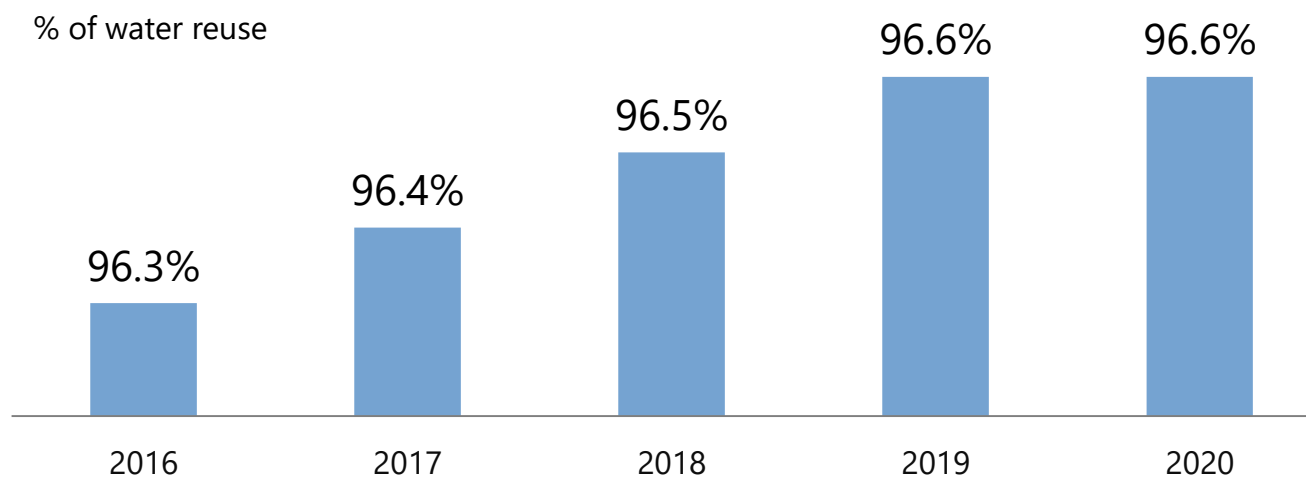
**Target:**

- Minimizing water consumption
- Pollutants discharge into water to decrease from 17.6 k t in 2018 to 13.2 k t in 2023

**WATER CONSUMPTION & USE INTENSITY**



**WATER REUSE IN TOTAL WATER CONSUMPTION**



*\*Adjusted for temporary production decrease at the Lipetsk site, based on the Group's steel output in 2018*



The use of modern technologies for recycling enables efficient use of secondary resources

In 2020, slag processing complex was built at Lipetsk site in place of a slag dump that had been accumulating since the 1970s

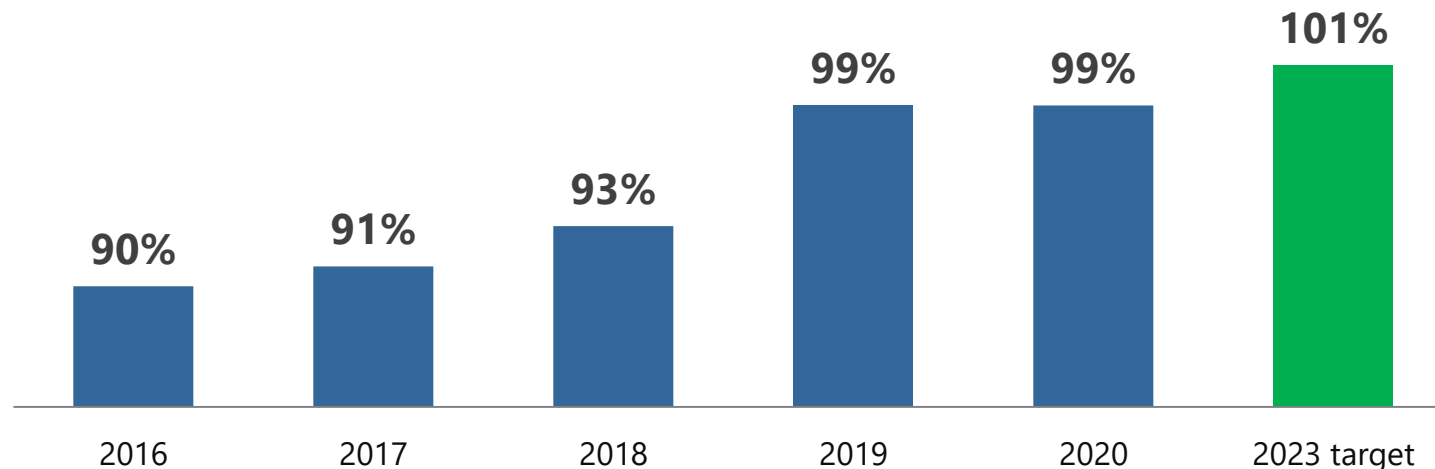
- 6 m t of various materials were processed
- 300 k t of iron were fed back into steel production in the course of project

**Briquetting plant launched in May 2019:**

- All newly accumulated Fe containing waste will be reused for briquettes production at NLMK Lipetsk as feedstock in BOFs

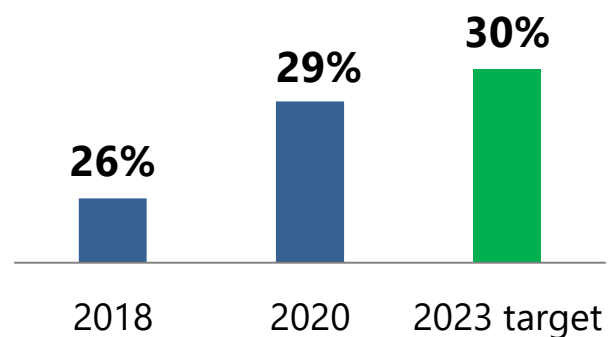
## RECYCLING OF SECONDARY IRON-CONTAINING RAW MATERIALS

%, NLMK Group, excl. mining waste

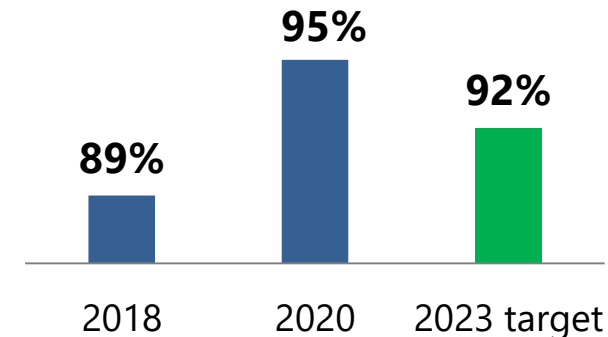


## OTHER RECYCLING TARGETS

*Overburden usage share*



*Waste recycling share*



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RUB  
**250** Investment  
billion



**1,300** New jobs



**2027** Commissioning



Alignment with national projects  
for export development  
and the environment



## PROJECT SCOPE:

- Expanding the open-pit mine
- Boosting beneficiation and pelletizing capacities
- Building an HBI production facility



## PRODUCTS:

- Concentrate
- Pellets with increased Fe content
- Hot-briquetted iron (HBI)



**Increasing ore extraction and processing**

**+24 m tonnes of ore**



**Building new ore beneficiation capacities**

**+10 m tonnes of concentrate**



**Building new capacities for producing pellets with a high Fe content**

**+9 m tonnes of pellets**



**Setting up a facility for hot-briquetted iron production**

**+2.5 m tonnes of HBI**



HBI is a cutting-edge raw material for green steel production



The downward CO<sub>2</sub> emission trend drives global demand for HBI

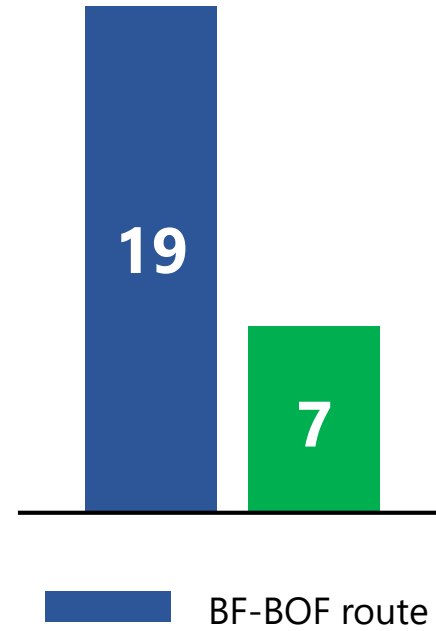


High added value: replacing pig iron and scrap

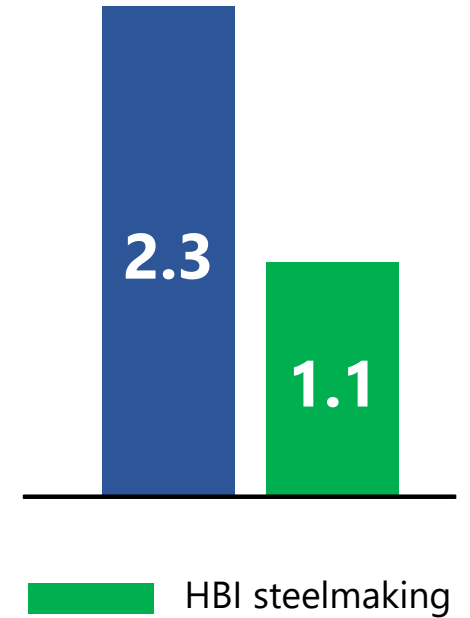
**+ 1** million tonnes per year  
export volume of HBI

**- 3** million tonnes per year  
reduction in CO<sub>2</sub> emissions at the HBI consumers' level

Average specific emissions of pollutants, kg/t of steel



Average specific CO<sub>2</sub> emissions, t/t of steel





## CONVEYOR TRANSPORTATION FROM OPEN-PIT MINE

**x2** reduction  
in emissions\*



## MAXIMUM UTILIZATION OF RECYCLED RAW MATERIALS



## CLOSED LOOP WATER SYSTEM



## EFFECTIVE GAS PURIFICATION

**99%**

\* compared to diesel locomotives

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**NLMK's tailings dam was put into operation in 1984**

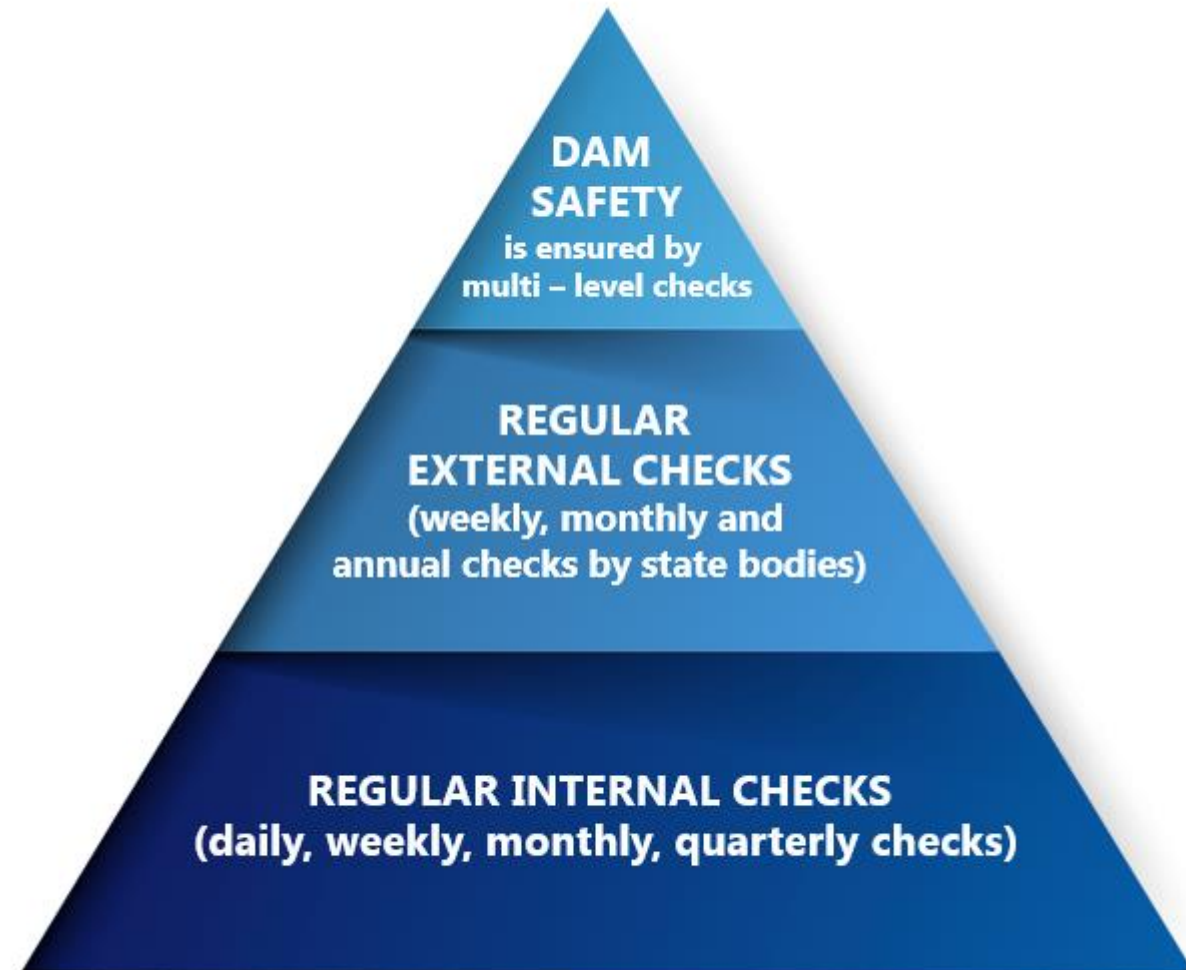
**Tailings dam development plan was independently audited**

**Emergency preparedness is regularly assessed and response procedures are developed**

**Safety drills are regularly performed with the participation of Russia's Ministry of Emergency Situations**

**Water recycling system is in place**

**NLMK responded to the Church of England Pensions Board request**





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NLMK Group employs 51.9 thousand people

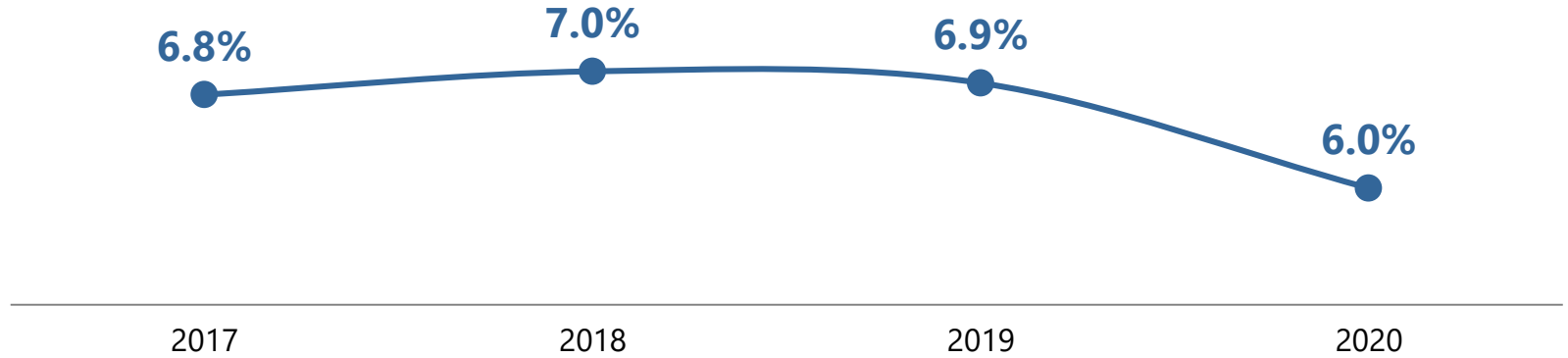
Employee turnover rate decreased in 2020

Regular staff satisfaction surveys are conducted

Feedback channels were developed and launched

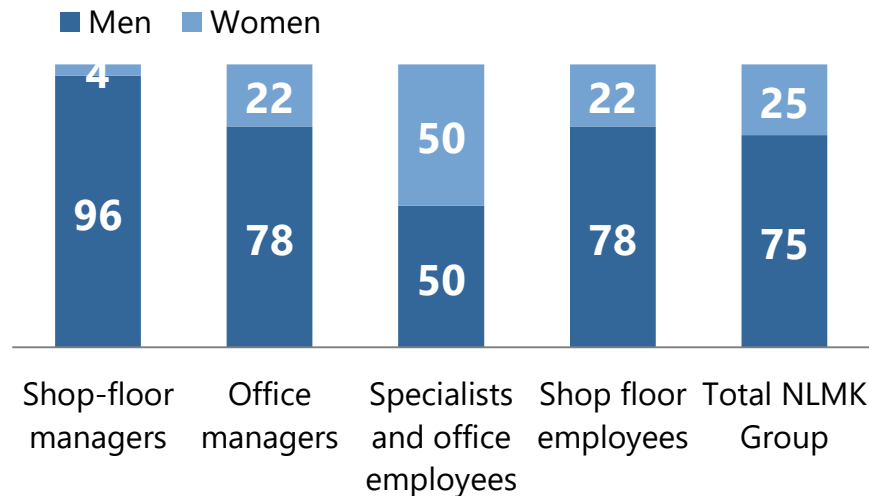
NLMK invests considerable resources in the training and development of its employees

## NLMK GROUP'S EMPLOYEE TURNOVER RATE



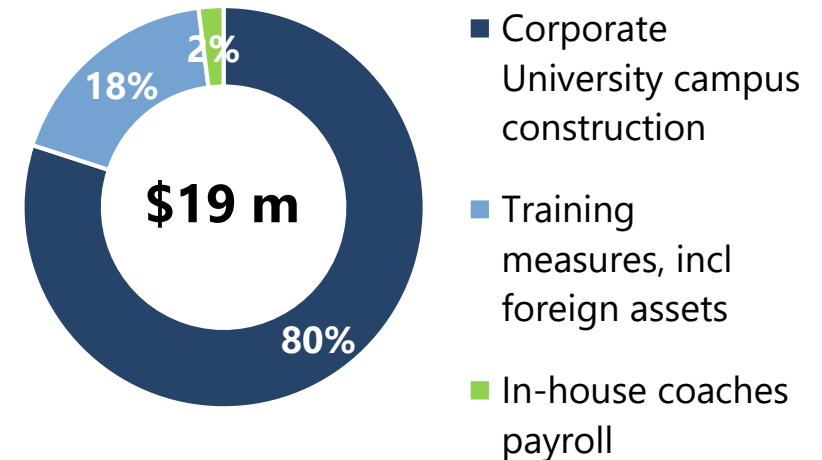
## STAFF BREAKDOWN BY GENDER & CATEGORY

NLMK Group, %



## INVESTMENTS IN 2020 BY TRAINING PROGRAMME

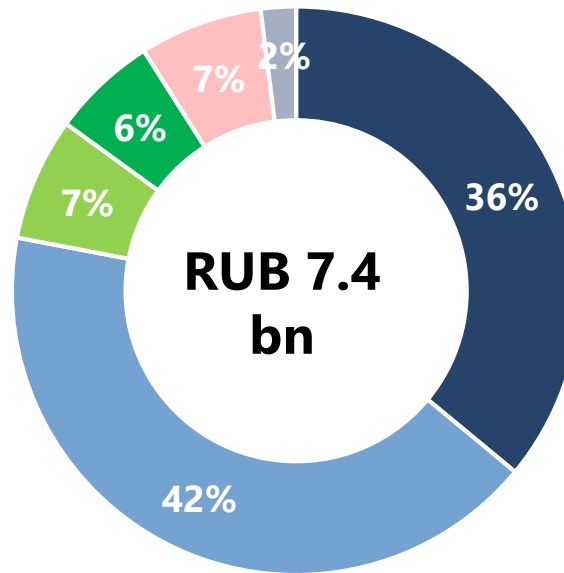
NLMK Group, \$ m



## Tools for community engagement:

- Assessment of existing social programmes
- Direct engagement via dedicated channels
- Public hearings
- Cooperation with regional governments
- "Steel tree" project - a grant competition for social and environmental public initiatives

## INVESTMENTS IN SOCIAL PROGRAMMES IN 2020



- Medicine and wellness
- Material assistance and payments to employees not involved in production
- Co-financing for private pension programmes
- Transport to workplace
- Corporate meals
- Mass sports and cultural events



## Adhering to UN Global Compact principles on human rights and labor

- Human Rights Policy and Corporate Ethics Code are in place to reflect issues around respect of human rights

### Key developments 2020:

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

## FUNDAMENTAL HUMAN RIGHTS PRINCIPLES AT NLMK

Fundamental principles	Areas of activity
Prohibition of forced and child labor	NLMK only signs employment contracts with individuals that meet the minimum age requirements stipulated by prevailing legislation. The Company does not make use of child labor. The Company also forbids the use of forced labor, penal and military labor, slavery, and human trafficking. All employment at the Company is exclusively voluntary in nature.
Prohibition of discrimination	NLMK does not tolerate discrimination based on sex, religion, or any other grounds in its staff management activities, including hiring, and adheres to the same principles when determining wages.
Respect for the right to a minimum wage	Ensuring decent working conditions, including competitive salaries, and providing both employees and retirees with a social benefits package are key priorities for the Group.
Support for freedom of association and collective bargaining	NLMK fulfils all of the requirements set forth in collective agreements, and regularly engages with trade unions. The Company also ensures that conditions are in place to facilitate the creation of associations to represent NLMK employee interests by making corporate communications tools available and by supporting employee volunteering initiatives.
Providing safe working conditions	The health and safety of employees is a priority for NLMK. The Company's management monitors and reduces risks associated with working conditions, increasing safety levels at the production sites of every operating unit of the Group.

In March 2020, NLMK adopted a comprehensive programme to mitigate the impact of COVID-19, with measures covering over 50,000 employees, as well as local communities

Over the course of 2020, NLMK Group allocated c. 5 bn rubles to protect its employees and contractors and to support local communities and medical facilities in the regions where its companies operate

A wide set of precautionary measures implemented to ensure safe working conditions in line with local regulations and beyond

In recognition of its efforts, NLMK ranked first for the “Best practices in ensuring the safety of employees and counterparties amid the spread of COVID-19” by Russian Business Leaders Award

## HEALTH AND SAFETY IS A PRIORITY....



5,000 people working remotely



### Strict safety protocols

Regular distribution of personal protection equipment (PPE)

Regular disinfection



Working schedules and transportation routes adjusted

## ...WITH SUPPORT PROVIDED TO EMPLOYEES AND LOCAL COMMUNITIES....



Providing PPE and medical equipment to local hospitals



46,000 employees of the Group to receive a **one-off cash payment**



Financial support to over 15,000 families in need in seven cities where NLMK operates

## ...WHILE ENSURING FLAWLESS OPERATIONS



No material impact on production and supply chains



Flexible regional sales structure and diversified product mix allowed to **keep capacity utilization rates high**



Solid financial and operating performance amidst pandemic

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- **ESG Ratings**



Continuous improvements across the board resulted in NLMK's ESG ratings upgrades by the leading rating agencies in the area of sustainability

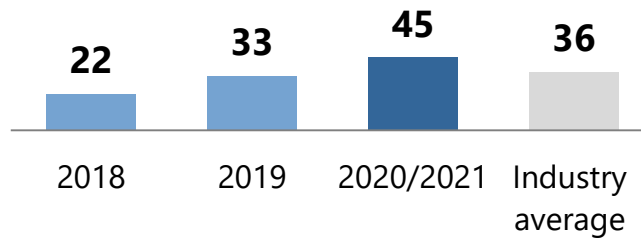
Sustainalytics enhanced NLMK's ESG rating score to 28.2. NLMK is currently ranked among top-7 steel companies analyzed by Sustainalytics

NLMK remained a constituent of the FTSE4Good Index following the December 2021 review, making it to top-3 percentile among steel companies

In 2021, NLMK completed the CDP Climate Change assessment and received B-



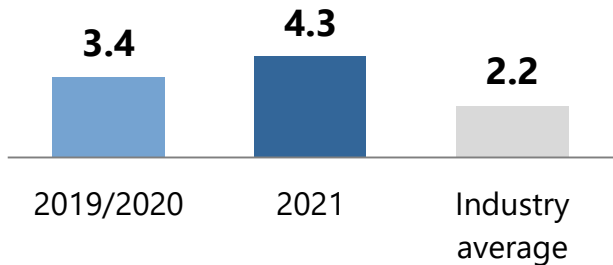
Now a Part of **S&P Global** Out of 100



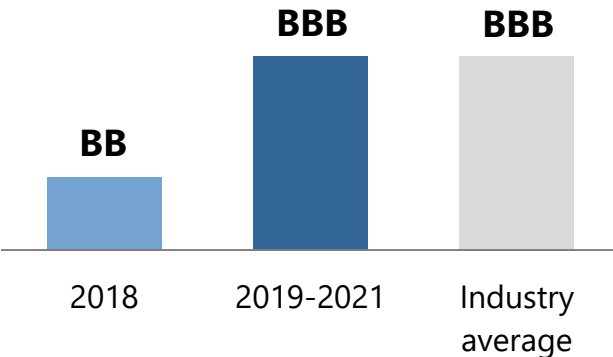
FTSE4Good

**FTSE RUSSELL ESG RATING**

Max 5

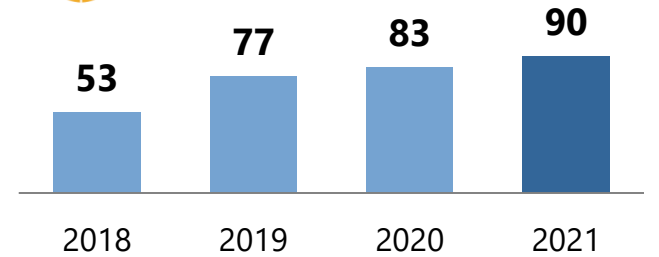


Max AAA



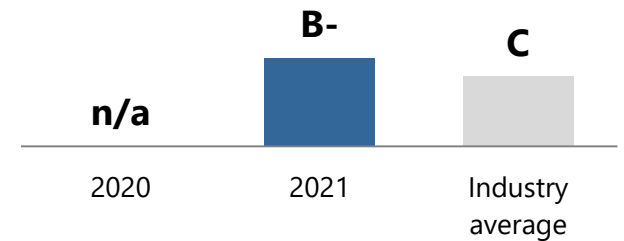
**SUSTAINALYTICS**

Out of 100

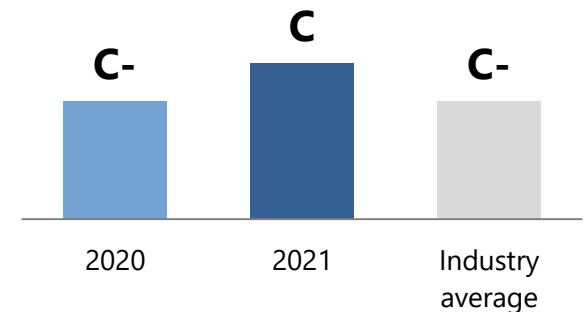


DISCLOSURE INSIGHT ACTION

Max A



Max A+





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