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# Management's Statement

[GRI 2-22]

Dear colleagues,

Sustainable development is an integral part of NLMK Group's business. The Company's main focus is to minimize environmental impacts and improve production safety. The Company confirms its commitment to the principles of the UN Global Compact and plans to continue implementing projects aimed at achieving both global and national sustainable development goals. This Report discloses the results of NLMK Group's sustainability performance.

According to Roshydromet Federal Service for Hydrometeorology and Environmental Monitoring, there were no violations of hydrogen sulphide concentration thresholds caused by sources at NLMK in 2023

## Environment

NLMK Group has successfully achieved all key objectives as part of its Environmental Strategy 2023, reducing specific atmospheric emissions by 13%, increasing waste processing rate to 96% (recycling of secondary resources at 99%), and cutting discharges into water bodies in half.

In order to improve air quality, the Company has decreased its specific air emissions by 13% to 17.0 kg/t of steel over the last five years — this is lower than the level of best available techniques (BATs) of 18 kg/t.

A large-scale programme was executed to eliminate the hydrogen sulphide odour. According to Roshydromet Federal Service for Hydrometeorology and Environmental Monitoring, there were no violations of hydrogen sulphide concentration thresholds caused by sources at NLMK in 2023.

In order to reduce adverse impacts on water basins, 11 sites of NLMK Group have set up closed-loop water cycles. Water intake from water bodies is used for the cooling of equipment and other production processes; waste water then undergoes treatment and is re-used. Strategy projects have enabled the Company to reuse 97.5% of its water intake across all of its sites.

As part of the completed strategy cycle, NLMK Lipetsk revamped its on-site treatment facilities. This project, worth a total of RUB 170 million in CAPEX, improved the quality of NLMK municipal sewage discharge. The next step is to integrate municipal sewage discharge into the site's closed-loop system starting from 2025. In general, the course towards the complete cessation of water run-off after use is the main focus of the Company's next strategic cycle.

Waste management went up to 96% as a result of the Environmental Strategy implementation. Recycling of all types of secondary resources (including by-products) was brought up to 99%, or 20 million tonnes of raw materials being recycled per year. The largest project in this area is a new briquetting plant worth RUB 5 billion. It can process all types of sludges and dust captured by gas treatment equipment into feedstock briquettes for blast furnace operations, delivering savings of 500,000 tonnes of virgin feedstock per year.

99%

recycling of all types of secondary resources (including by-products)

## People

The Company continues to improve the occupational health and safety management system. NLMK's approach is based on the Vision Zero concept: all incidents can be prevented. Thanks to the implemented programmes and measures to prevent injuries, the Group's LTIFR has decreased by 46% since 2020 (the year when the transparency policy was introduced).

Also in the reporting year, an External social programmes and charity policy was adopted. It defines the goals, principles and main lines of work to achieve one of the Company's key goals in the field of sustainable development – contribution to the social development of the regions where the Company operates.

Thanks to the implemented programmes and measures to prevent injuries, the Group's LTIFR has decreased by 46% since 2020 (the year when the transparency policy was introduced)

RUB 30 billion

were invested in external social programmes over 20 years

NLMK Group held a "Forum of Good Deeds", where the results of the Group's charitable activities, as well as its related sister companies and charitable foundations for more than 20 years were summed up. Over the years, tens of thousands of people have received assistance and hundreds of important social projects have been implemented. Close to 30 billion rubles were invested in external social programmes over 20 years.

NLMK Group remains committed to the principles of sustainable development and intends to continue the implementation of all planned projects in this area.

With kind regards,  
NLMK Group management





# Process to determine material topics

[GRI 3-1]

To determine the content of the Report, material environmental and social topics that are most significant for the Company and its stakeholders were identified. The approach to materiality assessment was developed based on the requirements of GRI Standards 2021.

- The process of materiality assessment consists of four stages:
- Determining current and potential impacts
  - Assessing the significance of such impacts
  - Ranking significant impacts by degree of significance
  - Approval of the final list of material topics by the Company's management

This approach allows to identify the needs and expectations of the Company's stakeholders, compare them with the Company's development priorities and identify growth points and areas for improvement.

Before identifying material topics, the heads of NLMK's functional areas, having considerable experience in preparing non-financial reporting, analyzed the Company's activities in the current environment, as well as interaction with its business partners in the context of sustainable development in accordance with the stakeholder mapping.

## List of material topics

[GRI 3-2]

No.	Topic	Page
1	Occupational health and safety: <ul style="list-style-type: none"> <li>• Reduction of occupational injuries</li> <li>• Promotion of a healthy lifestyle among employees</li> </ul>	112
2	HR policy and ensuring decent working conditions: <ul style="list-style-type: none"> <li>• Employee structure</li> <li>• Training and development</li> <li>• Social policy</li> <li>• Respect for labour and human rights</li> </ul>	89
3	Climate change and greenhouse gas (GHG) emissions: <ul style="list-style-type: none"> <li>• Achievement of GHG reduction goals, measures, system of accounting and reporting on GHG emissions</li> <li>• Improving the energy efficiency of operations and increasing the production of captive electricity</li> </ul>	18
4	Other significant emissions into the atmosphere and minimization of their impact	55
5	Reducing the impact on water resources, including metrics on water consumption and discharge	55
6	Reducing the impact on the soil and recycling of secondary raw materials, including reducing the impact on biodiversity	61, 71
7	Compliance and corporate ethics, including anti-corruption	159
8	Improving sustainability in the supply chain	81
9	Development and support of local communities	126

Then the working group determined the impact of the Company's activities on the economy, the environment and the population, including in the field of human rights. To assess the impact, the Company used its own data, including messages received during the year via its independent hotline, the results of internal satisfaction surveys, as well as external assessments by third parties, including rating agencies. The Company has also identified its positive impact in the field of sustainable development.

At the third stage, the materiality of all identified impacts was assessed, including through quantitative and qualitative analysis. For this purpose, the Company took into account the results of the annual risk analysis. Assessing the likelihood and impact of risks is one of the most important factors for understanding the Company's impacts.

All impacts were ranked according to their materiality and a list of material topics was compiled on their basis, which includes 14 most material topics, grouped by themes for a more comprehensive review.

## Changes in the list of material topics

[GRI 3-2]

In the previous reporting period, the Company conducted materiality assessment in accordance with the updated GRI Standards 2021 for the first time. In the reporting year, the methodology for assessing materiality was updated, but the list of topics did not undergo drastic changes.

## About NLMK Group

NLMK Group is the largest steelmaker in Russia and one of the top 20 global steel producers. The Group employs a vertically integrated business model from mining and primary steelmaking to finished downstream manufacturing to service and distribution, and has 17 production facilities in Russia, Europe, the US and India. [GRI 2-1]

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

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

Thanks to the self-sufficiency in key raw materials and energy coupled with world-class technologies used throughout the production cycle, NLMK has managed to become one of the most efficient steelmakers globally. The Group's cash cost is one of the most competitive ones and the Group itself has one of the strongest margins among steelmaking companies.

NLMK Group employs 44,400 people, and in 2023, it received a platinum award in the Forbes Best Employers in Russia rating.

The Company adheres to the strict principles of sustainable development. It is committed to protecting the employees' health and well-being, nurturing talent, treating the environment responsibly, observing high ethical business standards, developing, supporting and respecting the interests of local communities.

NLMK Group is a public company listed on the Moscow Stock Exchange.

### NLMK GROUP stands for:

- ✓ No. 1 steelmaker in Russia by volume
- ✓ Efficient vertical integration
- ✓ Cost-efficient steelmaker
- ✓ High profitability
- ✓ Stable financial position
- ✓ High sustainability standards

# NLMK Group's business model

[GRI 2-6]

NLMK is a vertically integrated group with a well-balanced value chain controlling every stage of steel production, from the mining of raw materials through to finished high-tech product sales to end-users.

## UPSTREAM

The Company has achieved the status of one of the most cost-efficient steelmakers in the world through a world-class resource base with leading-edge technology for mining and processing, an optimal process environment, and the NLMK team's high professionalism.

up to 100%

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

## MIDSTREAM

Leading-edge equipment and finely tuned business processes enable the production of high-quality cost-efficient steel products. NLMK Group's steel production capacity amounts to

15.4 mt

per year<sup>1</sup>.

### Cost leadership

NLMK Group enjoys sustainable cost leadership through its high utilization rates, efficient vertical integration, and upgraded production capacities.

### Sales vs. further processing

Ca. 69% of NLMK steel is processed into finished products, while 31% is sold as semi-finished steel. Our reputation as a reliable supplier ensures stable demand for the Group's product offering.

### Optimal logistics

Production facilities located in regions with developed infrastructure and in close proximity to raw material sources lowers outlay on logistics as well as related risks.

## DOWNSTREAM

During this process we operate with a commitment to corporate responsibility for all our people, our communities and our environment.

Finished products are made locally in the Company's strategic markets of Russia, the EU, and the USA, in close proximity to consumers.

13.5 mt

Total production capacity of finished products.

### High quality

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

### Optimal production footprint

Most of steel is sold in the region where it was produced. This allows the Company to meet the customers' most challenging delivery timescales and respond promptly to fluctuations in local demand.

### Diversification of sales

An expansive geographical breakdown of sales and a flexible marketing policy create a global footprint, with the agility to divert sales of steel products to the most attractive market, ensuring the full utilization of production capacity throughout the value chain.

### Balanced product portfolio

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

<sup>1</sup> Excluding the capacities of NLMK Long companies sold in 2023.





# Sustainability management

[GRI 2-23]

As one of the largest international producers of steel and steel products, NLMK Group is aware of its responsibility towards society, nature, and future

generations. Our team is united by corporate values that shape NLMK's approach to responsible leadership.

## NLMK Group's values

Value	Description
Continuous improvement of processes	Continuous improvement of processes and technologies to ensure the sustainable production of steel products that help improve the quality of life
Client-oriented approach	Production of unique premium quality steel products and development of engineering solutions that help our customers be on the cutting edge of innovation and be leaders in their markets
Absolute priority of the health and safety	Unwavering commitment to protecting the health and safety of our employees and contractors and ensuring favourable working conditions that allow our employees to fulfil their potential for professional and personal growth
Ensuring equal opportunities for employee development	Ensuring equal opportunities for the professional and personal growth of our employees and motivating our employees to be proactive and innovation-driven
Sustainable use of resources	Sustainable use of resources and the pursuit of the best available environmental and energy efficiency standards, which we also expect our partners to comply with
Active approach to social responsibility	Active approach to smart social responsibility and care for cultural legacy in the regions where we operate

## Sustainable development policy

In 2019, NLMK's Board of Directors approved the [Company's Sustainable Development Policy](#). The Policy defines the Group's principles, goals, and objectives in matters concerning sustainable development as well as the mechanism for managing the relevant agenda at the level of the Board of Directors.

🕒 See the Corporate Governance section for more detail.

Following the adopted Policy, the Company has implemented a number of projects aimed at achieving leadership in sustainability and safety – one of the four main goals of NLMK Group's Strategy. These projects comply with the best international practices and requirements of stakeholders, and confirm the Group's commitment to the principles and objectives of the UN Global Compact, to which the Company has been a party since 2019.

## Integrated Management System

In 2020, NLMK Group approved its Integrated [Management System Policy](#) (IMS Policy). This Group-wide document lays out the Company's intentions in the areas of quality (ISO 9001), environmental protection (ISO 14001), energy efficiency (ISO 50001), and occupational health and safety (ISO 45001). The Policy, approved as part of integrated management system development, complies with international standards and reflects best global practices of sustainable development.

### Integrated Management System objectives:

- To be a global leader for the quality of our steel products and raw materials by continuously upgrading and expanding our product mix with the aim of increasing our customers' competitiveness
- To comply with industry best practice concerning the rational use of material and technical resources and the safety of our production processes for both human health and the environment
- To be a global leader in adopting best practices to make our operations more energy-efficient, and to reduce energy consumption and cost of production as far as is technologically and economically feasible
- To ensure efficient production with zero accidents, incidents, and near misses through global excellence in occupational health and safety and continuous development and promotion of a safety culture among NLMK Group's employees and contractors
- To ensure our operations do no harm to the environment or the climate, and to respond to changing environmental and climate conditions by balancing them with social and economic needs

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

Recognition of NLMK Group as the leader of the sustainability agenda

### ecovadis

58 points (out of 100, bronze medal)

NLMK Europe sites:  
 NLMK DanSteel 74/100, gold medal  
 NLMK Strasbourg 70/100, gold medal  
 NLMK La Louvière 66/100, silver medal  
 NLMK Clabecq 65/100, silver medal



30.5<sup>1</sup> (vs 34.2 in 2022), No. 1 among Russian steelmakers assessed by the agency



The Company continues to cooperate with the agency and provides information on its climate impact



- NLMK Group is:
- No. 2 among the top 50 Russian companies that pay the most attention to improving sustainability in the supply chain
  - No. 3 among the top 50 Russian companies that pay the most attention to human rights, diversity and inclusivity
  - No. 4 among the top 50 non-financial Russian companies that pay the most attention to green energy transition
  - No. 4 among the top 50 Russian companies that pay the most attention to their direct impact on the climate

### Forbes

NLMK Group was included in the leading platinum group of the Forbes Best Employer Russia rating



The highest category in the ESG index of Russian business



First rating group (advanced ESG practices) in the ESG ranking of industrial companies. NLMK is the only company with an advanced level of integration of environmental practices among those assessed by the agency

<sup>1</sup> The lower the number the better a company is at managing its sustainability risks.

# NLMK Group's contribution to UN Sustainable Development Goals

NLMK Group supports the Sustainable Development Goals adopted by the UN General Assembly in 2015, which aim to address significant economic, social, and environmental issues faced by the global community. We believe that the Group makes a valuable

contribution to the achievement of global sustainability goals by engaging in responsible business and targeted activities that aim to reduce its environmental footprint, supporting local communities, and ensuring safe and decent working conditions. [\[GRI 2-24\]](#)

Field of activity	UN Goal and targets	NLMK Group's contribution	Key metrics
<b>ENVIRONMENT</b>			
Water resources Emission into the atmosphere Rational use of natural resources Biodiversity	<p><b>Target 6.3.</b> By 2030 improve water quality by reducing pollution</p> <p><b>Target 6.4.</b> By 2030, substantially increase water-use efficiency</p>	<ul style="list-style-type: none"> <li>Use of the closed-loop water supply system</li> <li>Use of water purification and treatment technologies</li> <li>Reducing the volume of withdrawn water</li> </ul>	<p><b>-50%</b> Pollutants discharge into water bodies reduced by 50% following implementation of Strategy 2022</p> <p><b>10x</b> Decrease in water consumption from the Voronezh river compared to 1980</p> <p><b>97.4%</b> of water recycled and reused</p>
	<p><b>Target 12.4.</b> Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle</p> <p><b>Target 12.5.</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<ul style="list-style-type: none"> <li>Reuse of ferrous scrap</li> <li>Implementation of a set of measures aimed at improving energy efficiency, resource efficiency and reducing environmental impact</li> </ul>	<p><b>100%</b> of secondary iron-containing raw materials are reused</p> <p><b>99%</b> of recyclables are reused<sup>1</sup></p> <p><b>5,500</b> trees were saved by recycling paper and cardboard</p>
	<p><b>Target 15.9.</b> Integrate ecosystem and biodiversity values into national and local planning, development processes</p>	<ul style="list-style-type: none"> <li>Monitoring the state of biodiversity and developing programmes to prevent and reduce negative impacts</li> </ul>	<p><b>12 ha</b> of disturbed lands reclaimed</p>

<sup>1</sup> Excluding the utilization of previously accumulated raw materials.

Field of activity	UN Goal and targets	NLMK Group's contribution	Key metrics
<b>ENSURING THE HEALTH AND WELL-BEING OF EMPLOYEES AND COMMUNITIES</b>			
Health and safety Our employees Developing local communities	<p><b>Target 3.4.</b> By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being</p>	<ul style="list-style-type: none"> <li>Implementation of programmes aimed at preserving health, improving the availability and quality of medical services for employees</li> <li>Informing employees and contractors of the Group about the rules of industrial safety</li> <li>Implementation of educational OHS programmes</li> <li>Modernization of equipment and improvement of technologies in order to minimize their negative impact on human health and the environment</li> </ul>	<p><b>30,000</b> employees and contractors participate in Security Week events</p> <p><b>8,000</b> contractors trained on corporate OHS training programmes</p> <p><b>90%</b> employees trained on corporate OHS training programmes</p>
<b>FIGHTING CLIMATE CHANGE</b>			
Climate change Energy efficiency	<p><b>Target 7.2.</b> By 2030, increase substantially the share of renewable energy in the energy mix</p> <p><b>Target 7.3.</b> By 2030, double the global rate of improvement in energy efficiency</p>	<ul style="list-style-type: none"> <li>Improving energy efficiency and switching to captive energy production</li> <li>Energy consumption from secondary resources</li> <li>Implementation of a set of measures aimed at reducing specific GHG emissions</li> </ul>	<p><b>82%</b> Captive electricity generation from secondary fuel gases accounts for 80.2% of total energy mix</p> <p><b>-2,9 m t of CO<sub>2</sub></b> in 2023, due to implemented projects (Scope 1 + Scope 2) and low-carbon energy supplies</p>
	<p><b>Target 13.1.</b> Strengthen resilience and adaptive capacity to climate-related hazards, extreme events and disasters, including gradual onset and events, and to climate change impacts</p>	<ul style="list-style-type: none"> <li>Sales of products that contribute to reducing GHG emissions on the consumer side</li> </ul>	<p><b>511 m t of CO<sub>2</sub></b> emissions avoided on consumer side</p>
<b>PARTNERSHIP AND ETHICAL BUSINESS CONDUCT</b>			
Interaction with suppliers and contractors Compliance and corporate ethics	<p><b>Target 16.5.</b> Substantially reduce corruption and bribery in all their forms</p> <p><b>Target 16.6.</b> Develop effective, accountable and transparent institutions at all levels</p>	<ul style="list-style-type: none"> <li>Countering corruption and fraud, preventing conflicts of interest</li> <li>Familiarization of NLMK employees with the Code of Corporate Ethics and Anti-Corruption Policy</li> <li>Creation and continuous improvement of effective corporate governance practices</li> <li>Open interaction with stakeholders and informing stakeholders about the Company's impacts</li> <li>Promotion of sustainable practices in the framework of interaction with stakeholders</li> <li>Strengthening cooperation with other companies in the industry</li> </ul>	<p><b>10,000</b> employees, or 22% of the average headcount, trained on anti-corruption requirements</p> <p><b>Over 19,000</b> business partners confirmed their adherence to the corporate anti-corruption requirements</p>

Field of activity	UN Goal and targets	NLMK Group's contribution	Key metrics
<b>DEVELOPMENT OF EMPLOYEES AND REGIONS WHERE THE COMPANY OPERATES</b>			
Our employees Human rights Development of local communities Interaction with suppliers and contractors	<p><b>Target 4.4.</b> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p>	<ul style="list-style-type: none"> <li>Implementation of training and development programmes for employees</li> <li>Implementation of external social programmes aimed at supporting education in the regions of presence</li> <li>Interaction with educational institutions in order to improve the quality of educational programmes</li> </ul>	<p>3 m person-hours of training</p> <p>More than <b>1,300</b> students took internships at the Group's companies</p>
	<p><b>Target 8.8.</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	<ul style="list-style-type: none"> <li>New jobs in home regions</li> <li>Ensuring equal opportunities for high-performance work, professional growth and disclosure of the creative potential of each employee of the Group</li> <li>Partner's Code of Business Ethics mandatory for all counterparties to comply with</li> <li>Assessment of suppliers' and contractors' compliance with applicable standards in the field of occupational health and safety during audits and qualifications</li> </ul>	<p>Over <b>1,400</b> jobs created in 2023</p> <p><b>85</b> audits of suppliers and contractors</p> <p><b>100%</b> business partners sign the Partner's Code of Business Conduct</p>
	<p><b>Target 11.</b> A Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning</p>	<ul style="list-style-type: none"> <li>Providing a favourable environment for employees of the companies and local population</li> <li>Improving the effectiveness of interaction tools and the engagement of the population and staff for the development of a culture of everyday charity</li> </ul>	<p>RUB <b>735 m</b> invested in external social programmes</p> <p><b>79</b> projects supported through the "Steel Tree" grant competition</p> <p>Ca. RUB <b>30 bn</b> Invested in external social programmes by the Group and its ecosystem in 20 years</p>

## Contacts

The Company is ready to answer additional questions regarding this Report, and will be glad to receive feedback from stakeholders on the development and improvement of the content for future public reports.

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