



ANNUAL
REPORT

2020

**CORPORATE
GOVERNANCE**

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CORPORATE GOVERNANCE

CORPORATE GOVERNANCE SYSTEM

CORPORATE GOVERNANCE IN ACTION

NLMK Group's corporate governance system plays a key role in the Company's operations, its successful sustainable development, risk management, and in balancing the rights and interests of shareholders, the Company management, and other stakeholders. The system is built on best international practices, the requirements of the prevailing Russian legislation and laws of the countries where the Group companies operate, the OECD Principles of Corporate Governance, the listing rules of the Moscow and London stock exchanges, GRI information disclosure standards, and provisions of the Corporate Governance Code recommended for use by the Central Bank of Russia.

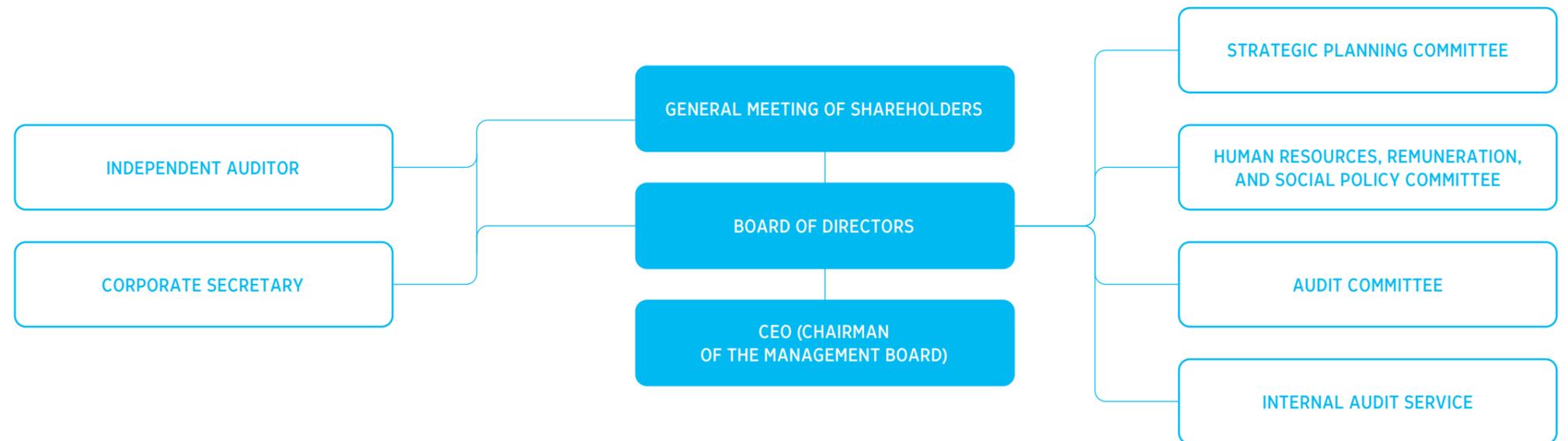
The functioning of a well-developed corporate governance system that secures the rights of shareholders and potential investors is considered a driving force for enhancing NLMK's efficiency and investment appeal.

Key principles at the core of our corporate governance

1. Sustainable development and long-term growth of return on equity investment
2. Equal and fair treatment of all shareholders when they exercise their right to be involved in management processes, receive dividends from the Company, participate in meetings, vote on issues on the agenda, and get up-to-date information on the activities of the Company and its governing and controlling bodies

NLMK'S CORPORATE GOVERNANCE STRUCTURE

GRI 102-18



3. Equal treatment of all shareholders, including non-Russians and minority shareholders
4. Commitment to ensure reliable and effective registration of title to shares and guarantee the opportunity to alienate them freely and without encumbrances
5. Compliance with existing laws, principles of the Corporate Governance Code recommended by the Bank of Russia, and international corporate governance standards
6. Observing the rights of third parties, including creditors and NLMK employees, as required by the law, the Charter, and other regulatory documents
7. Adherence to a common corporate policy in respect of subsidiary companies, affiliates and other legal entities in which NLMK is the founder, a participant, or a member
8. 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
9. Complying with business ethics in conducting operations

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

CORPORATE GOVERNANCE STRUCTURE

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

- The General Meeting of Shareholders, which is the Company's supreme governing body that makes decisions on key business issues
- The Board of Directors, which handles the overall management

of the Company's activities, excluding issues that fall within the purview of the General Meeting of Shareholders according to the NLMK Charter

- Committees of the Board of Directors, which were established to tentatively review key matters concerning the Company's activities
- The CEO (Chairman of the Management Board) and the Management Board, which manage the Company's day-to-day activities and ensure its efficient operation, while implementing the objectives set by the Board of Directors
- The Company's Corporate Secretary, who handles interaction with shareholders, coordinates the Company's activities that aim to protect shareholders' rights and interests, and supports the Board of Directors
- The Internal Audit Service, which oversees the Company's financial and economic activities

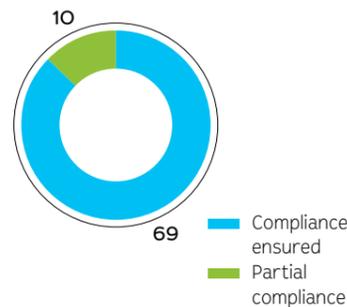
IMPROVING CORPORATE GOVERNANCE PRACTICES IN 2020

In 2020, the Company continued to improve its corporate governance system to ensure it complies with international standards.

In accordance with best Russian and international corporate governance practices, the following steps were taken:

- In March 2020 the Board of Directors approved a new revision of the Regulations on Insider Information, which takes into account the recommendations and requirements of Russian and EU legislation. The revision of the insider information management system included updating the list of insider information and the Regulations on access to insider information, the rules of protecting its confidentiality and of internal control over compliance.

COMPLIANCE OF THE GROUP'S CORPORATE GOVERNANCE TO CORPORATE GOVERNANCE CODE RECOMMENDATIONS



- In December 2020 the Board of Directors approved the Internal Control and Risk Management Policy, a top-level document regulating the functioning of the Company's internal control and risk management system and serving as the basis for further development of internal methodological, organizational and administrative documents regulating the organization and implementation of risk management and internal control.
- In February 2020 the Board of Directors approved a new revision of the Corporate Governance Code to align it with the changes adopted earlier at the Extraordinary General Meeting of Shareholders to the Regulations on the Board of Directors regarding the removal of the list of standing committees, which will allow the Board of Directors, within its competence defined by the NLMK Charter, to set up and reorganize committees efficiently in accordance with the Company's current needs.

Based on its 2020 results, NLMK complies with all principles of the Corporate Governance Code: 69 principles (87%) are fully observed and 10 principles are partially observed. The Company uses the recommendations of the Bank of Russia on preparing a report on compliance with the Corporate Governance Code as a methodology to assess compliance with corporate governance principles.

At meetings held in 2020, the Company continued to employ an electronic voting service, which allows shareholders to vote regardless of where their shares are registered. The total number of shareholders to have used the service in 2020 has doubled since 2019.

In accordance with Federal Law No. 50-FZ dd. 18.03.2020 and a resolution of the Board of Directors, the Company's Annual General Meeting of Shareholders on 2019 performance was held by absentee ballot.

In 2020, the number of NLMK shareholders increased by 1.7 times, and by the end of the year it exceeded 114,000 (+70% growth over the year).

PLANS FOR 2021 AND THE MEDIUM TERM

In 2021, NLMK will continue to analyze the best corporate governance practices and evaluate them in terms of their introduction into the Company's activities. Further steps in relation with the external evaluation of the Board of Directors and an analysis of its results are planned in order to improve the efficiency of the corporate governance system. As always, attention will be paid to the analysis of rankings and benchmarking, which allow to assess issuers' achievements objectively and to identify practices that might bring the greatest benefit to the Company and are important for its stakeholders.

GENERAL MEETING OF SHAREHOLDERS



The Company strives to ensure equal and fair treatment of all shareholders when they exercise their right to participate in the management of NLMK.

NLMK shareholders are given an equal and fair opportunity to participate in the Company's profits by receiving dividends on equal terms.

NLMK'S GENERAL MEETING OF SHAREHOLDERS PROCEDURES

The General Meeting of Shareholders is NLMK's supreme governing body that functions based on the legislation of the Russian Federation, the NLMK Charter, and the Regulations on the General Meeting of Shareholders. The Federal Law 'On Joint-Stock Companies' and the NLMK Charter establish the General Meeting's competence. The procedure for preparing, convening, holding, and summarizing the results of NLMK's General Meeting of Shareholders is set forth in the Regulations on NLMK's General Meeting of Shareholders published on the Company's official website.

The Company's internal documents stipulating the General Meeting procedure contain, among other things, provisions relating to:

- The option for the Company's shareholders to participate in the Meeting of Shareholders online
- The option to discuss agenda items and make decisions on issues put to a vote while being absent from the venue where the voting takes place
- The option to complete electronic ballots online

The notice about the General Meeting of Shareholders and documents (materials) to be provided to persons entitled to participate in the General Meeting of Shareholders are published in Russian and in English on NLMK's website according to the procedure and within the timeframe established by the NLMK Charter and Russian legislation, at least 30 days before the meeting.

In addition to the mandatory materials required by law, the Company provides its shareholders with additional information and materials pertaining to the agenda items of the General Meeting of Shareholders in line with the recommendations of the Corporate Governance Code recommended by the Central Bank of Russia. For instance, the Company posts a map of how to get to the General Meeting of Shareholders, a sample form of a proxy that shareholders may issue to their representative for participation in the meeting, and information on certifying such proxy.

The Company also publishes all this information in English to ensure the equal treatment of all shareholders, including international ones.

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

The voting results and resolutions passed by the General Meeting of Shareholders are disclosed in accordance with the requirements of Russian legislation and published on the *Company's website*.

ACTIVITIES IN 2020

Five General Meetings of Shareholders were held in 2020.

NLMK's Annual General Meeting of Shareholders on 2019 performance was held on 24 April 2020 by absentee ballot. It was attended by shareholders and shareholder representatives holding a total of 88.72% of NLMK's equity, which meets the quorum requirements. During the meeting, resolutions were passed on the issues envisaged by Item 1, Article 47 of the Federal Law 'On Joint-Stock Companies'. The resolution on the payment of FY 2019 dividends was not passed (it was later passed at the Extraordinary Meeting on 29 May 2020).

NLMK's 2020 Extraordinary General Meetings of Shareholders were held by absentee ballot.

At the NLMK Extraordinary General Meeting of Shareholders held on 29 May 2020, shareholders passed a resolution to pay (declare) FY 2019 dividends on ordinary shares in the amount of RUB 17.36 per ordinary share, including out of previous profits. Taking into account the interim dividends paid in the amount of RUB 14.24 per ordinary share, the outstanding amount for payment was RUB 3.12 per ordinary share.

At the NLMK Extraordinary General Meeting of Shareholders held on 30 June 2020, shareholders passed

a resolution to pay (declare) Q1 2020 dividends on ordinary shares in the amount of RUB 3.21 per ordinary share, including out of retained earnings.

At the NLMK Extraordinary General Meeting of Shareholders held on 25 September 2020, shareholders passed a resolution to pay (declare) H1 2020 dividends on ordinary shares in the amount of RUB 4.75 per common share, including out of retained earnings.

At the NLMK Extraordinary General Meeting of Shareholders held on 18 December 2020, shareholders passed a resolution to pay (declare) 9M 2020 dividends on ordinary shares in the amount of RUB 6.43 per common share, including out of retained earnings. They also voted to approve NLMK's membership in the Tsentrisiskaniya Self-Regulatory Organization (Central Association of Organizations for Engineering Construction Survey).

Detailed information on the voting results and resolutions passed by the General Meetings of Shareholders in 2020 is available on *the Company's website*.

NLMK'S GENERAL MEETINGS OF SHAREHOLDERS HELD IN 2020

General Meeting of Shareholders by status (format)	Number
Annual meeting (absentee ballot using e-voting technology)	1
Extraordinary meeting (absentee ballot using e-voting technology)	4

NLMK'S EXTRAORDINARY GENERAL MEETINGS OF SHAREHOLDERS HELD IN 2020

Date	Number of votes held by the General Meeting participants, %
29.05.2020	89.02
30.06.2020	89.19
25.09.2020	89.44
18.12.2020	90.22

BOARD OF DIRECTORS

NLMK BOARD OF DIRECTORS PROCEDURES

A key component of the Company's corporate governance system, the Board of Directors determines its strategic vectors, lays down the principles of and approaches to the risk management and internal control system, monitors the activities of executive bodies, and has other key functions within the Company. NLMK's Board of Directors reports to the Company's shareholders and is elected by a resolution of the Company's General Meeting of Shareholders [GRI 102-26](#).

In addition to the main functions of the Board of Directors stipulated by legislation and NLMK's Regulations on the Board of Directors, key importance is attached to such goals and objectives as assessing political, financial, and other risks, ensuring compliance with corporate governance and sustainable development principles, and monitoring compliance with the Sustainable Development Policy.

Members of the Company's Board of Directors ensure the reliability and stability of the Company's operations, facilitate the adoption of balanced decisions by management, and make objective independent judgements and decisions that serve the interests of the Company and its shareholders.

The Regulations on the Board of Directors establish the procedure of preparing for and holding meetings of the Board of Directors, as well as the procedure for the nomination and selection of potential Board members [GRI 102-24](#).

Members of the Company's Board of Directors have sufficient time to fulfil their obligations efficiently and in good faith, including for participation in meetings of the Board of Directors and its committees. The requirement for members of the Board of Directors to have sufficient time for efficient participation in the Board's work is enshrined in NLMK's Corporate Governance Code.

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

The format of NLMK Board meetings is determined based on the importance of the agenda items. The most important items within the Board's remit are resolved at in-person meetings, and as a rule, are first reviewed by the Board's committees, thereby ensuring their thorough consideration and informed decision-making. Amid the pandemic, the prevailing meeting format was via videoconference, which enabled members to consider agenda items without compromising discussion quality. The effectiveness of the Board of Directors is facilitated by the following components:

- Planning its activities by approving the meeting schedule
- Optimal Board composition that is balanced in terms of qualifications and experience
- Inclusion of independent directors on the Board
- Induction procedures for newly elected members of the Board of Directors
- Annual assessment of the Board of Directors and its committees
- Ensuring the succession of the Board of Directors by regularly rotating its composition while preserving its purview and best practices

The NLMK Charter and the Regulations on the Board of Directors published on the *Company's official website* govern the procedures of the Board of Directors.

Information on the activities of NLMK's Board of Directors, including information on its composition, its committees, meetings, and decisions is disclosed on the *Company's official website*.

COMPOSITION OF THE BOARD OF DIRECTORS

GRI 102-22 The composition of the Company's Board of Directors is balanced in terms of qualification, experience, knowledge, business acumen, and diversity. Members of the Board of Directors have an impeccable business reputation, knowledge, skills, and experience in steelmaking, mining, finance, investment, corporate governance, and other areas that are important for governing the Company successfully.

Members of the Board of Directors have ample work experience as CEOs, partners, and management body members of major international companies. The Company pays particular attention to the diversity of the Board's composition and the share of independent directors. The Board of Directors includes a woman and citizens of various states, ensuring sociocultural and gender diversity.



VLADIMIR LISIN

Chairman of the Board of Directors

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



OLEG BAGRIN

Member of the Board of Directors

Chairman of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee



THOMAS VERASZTO

Member of the Board of Directors, *Independent director*

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



MARJAN OUDEMAN

Member of the Board of Directors, *Independent director*

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



STANISLAV SHEKSHNIA

Member of the Board of Directors, *Independent director*

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



BENEDICT SCIORTINO

Member of the Board of Directors, *Independent director*

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



NIKOLAI GAGARIN

Member of the Board of Directors

Member of the Audit Committee



SERGEY KRAVCHENKO

Member of the Board of Directors, *Independent director*

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

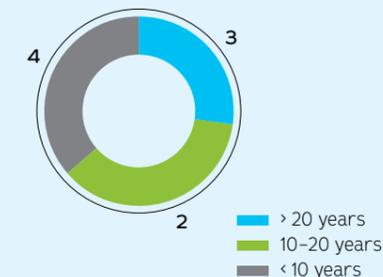


JOACHIM LIMBERG

Member of the Board of Directors, *Independent director*

Member of the Strategic Planning Committee and member of the Human Resources, Audit Committee

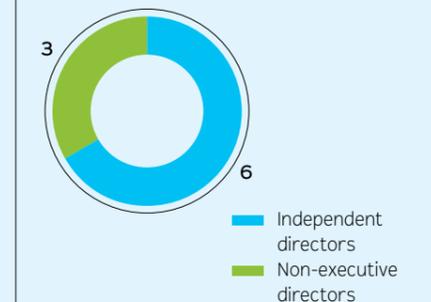
DIRECTORS' EXPERTISE IN THE STEEL SECTOR



DIRECTORS' LENGTH OF TENURE¹



COMPOSITION OF THE BOARD OF DIRECTORS BY DIRECTOR STATUS¹



¹ As of 31 December 2020.

CHAIRMAN OF THE BOARD OF DIRECTORS

GRI 102-23 The Chairman of the Board of Directors ensures the efficient functioning of the Board of Directors, arranges for the preparation of the Board's schedule, supervises the execution of resolutions passed by the Board, compiles the agenda, and makes sure that the most efficient decisions on the agenda items are made.

The Chairman of the Board also plays a key role in organizing the Board's activities and ensuring that the committees of the Board of Directors function efficiently.

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

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

INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

In order to ensure that the Board of Directors effectively performs its functions, including those related to the protection of shareholders' interests and risk management, the Company's Board of Directors includes independent directors. Their participation in the Board's activities contributes to the formation of objective opinions on the items discussed, improves management efficiency, and has a positive impact on the Company's image.

The fact that the governing body includes independent directors increases the level of confidence in the Company among shareholders and the investment community. Independent directors, who have made up the majority of the Company's Board since 2016, make a decisive contribution to discussions and decision-making on issues that may affect the interests of shareholders, including devising the Company's development strategy, assessing the conformity of its activities with the Company's chosen strategy, preventing and resolving corporate conflicts, assessing the quality of work performed by the executive bodies, establishing an efficient incentive system, and conducting performance assessments to ensure that the Company's activities are in the interest of all its shareholders. In addition, independent directors play a key role in the operation of the Board's committees.

The Corporate Secretary regularly conducts a preliminary analysis and assessment of the Board members' compliance with independence criteria.

NLMK's independent directors fully meet the independence criteria stipulated by the Regulations on the Company's Board of Directors and the Corporate Governance Code recommended by the Bank of Russia.

In some exceptional cases, the Board of Directors may recognize the independent status of a member of the Board of Directors in the assessment process, despite them having some formal criteria of being affiliated with the Company, as long as such affiliation does not affect the individual's ability to exercise independent, impartial, and fair judgement.

In the course of the independence assessment of Board members, conducted by the Board of Directors in 2020, five out of six directors were deemed to be fully compliant with the independence criteria defined by the Regulations on the Company's Board of Directors, while one director, who has a formal relationship with NLMK (Mr. Benedict Sciortino has been a member of the Board for more than seven, but less than twelve years), was recognized as independent due to the formality of his affiliation and the fact that it does not influence the director's decisions and his work on the Board of Directors.

COMPOSITION OF THE BOARD OF DIRECTORS

GRI 102-22 The share of directors matching the independence criteria stands at 67%, which is one of the best ratios among public Russian companies with advanced corporate governance practices.

As of 31 December 2020, the Board of Directors elected at the Annual General Meeting of Shareholders on 24 April 2020 consisted of nine members, including six independent directors. In order to maintain the balance of key competencies, experience, and the optimal Board composition, including the optimal number of independent directors on the Board, the Company continuously ensures succession on the Board of Directors. In 2020, Sergey Kravchenko was elected as a new independent director.



MEMBERS OF NLMK BOARD OF DIRECTORS AS OF 31 DECEMBER 2020

Board member	Position	Tenure, years	Status	Member of the Strategic Planning Committee	Member of the Audit Committee	Member of the Human Resources, Remuneration, and Social Policy Committee
Vladimir Lisin	Chairman of the Board of Directors	24	Non-executive director	✓		✓
Oleg Bagrin	Member of the Board of Directors	16	Non-executive director	Chair		✓
Thomas Veraszto	Member of the Board of Directors	5	Independent director	✓		✓
Nikolai Gagarin	Member of the Board of Directors	19	Non-executive director		✓	
Sergey Kravchenko	Member of the Board of Directors	1	Independent director	✓		✓
Joachim Limberg	Member of the Board of Directors	2	Independent director	✓	✓	
Marjan Oudeman	Member of the Board of Directors	3	Independent director	✓	Chair	
Stanislav Shekshnia	Member of the Board of Directors	6	Independent director		✓	Chair
Benedict Sciortino	Member of the Board of Directors	9	Independent director	✓	✓	

COMPOSITION OF NLMK BOARD OF DIRECTORS IN 2020

Composition of NLMK Board of Directors from 19 April 2019 until 24 April 2020		Composition of NLMK Board of Directors elected on 24 April 2020	
Member of the Board of Directors	Position	Member of the Board of Directors	Position
Vladimir Lisin	Chairman of the Board of Directors	Vladimir Lisin	Chairman of the Board of Directors
Oleg Bagrin	Member of the Board of Directors	Oleg Bagrin	Member of the Board of Directors
Thomas Veraszto	Member of the Board of Directors, independent director	Thomas Veraszto	Member of the Board of Directors, independent director
Joachim Limberg	Member of the Board of Directors, independent director	Joachim Limberg	Member of the Board of Directors, independent director
Nikolai Gagarin	Member of the Board of Directors	Nikolai Gagarin	Member of the Board of Directors
Karen Sarkisov	Member of the Board of Directors	Sergey Kravchenko	Member of the Board of Directors, independent director
Stanislav Shekshnia	Member of the Board of Directors, independent director	Stanislav Shekshnia	Member of the Board of Directors
Benedict Sciortino	Member of the Board of Directors, independent director	Benedict Sciortino	Member of the Board of Directors, independent director
Marjan Oudeman	Member of the Board of Directors, independent director	Marjan Oudeman	Member of the Board of Directors, independent director

KEY COMPETENCIES OF THE NLMK BOARD OF DIRECTORS

GRI 102-27

Competency	Number of Board members			
	Board of Directors (9) ¹	Strategic Planning Committee (7)	Audit Committee (5)	Human Resources, Remuneration, and Social Policy Committee (5)
Knowledge of industry	7	7	3	4
Corporate governance	8	6	5	4
Strategy	7	7	3	4
Finance and investment	9	7	5	5
HR management	7	6	3	5
Risk management	8	6	5	4
Customers and sales	5	5	2	3
Digitalization and IT	4	3	2	3
Sustainability	6	5	4	3

On 14 December 2020, Benedict Sciortino, who was previously not an NLMK shareholder, acquired 6,900 global depositary shares (equivalent to 69,000 ordinary shares) making up 0.00115% of NLMK's charter capital.

Other Board members are not NLMK shareholders.

¹ The number in brackets indicates the number of Board members who sit on the executive body.

BIOGRAPHIES OF MEMBERS OF THE BOARD OF DIRECTORS

VLADIMIR LISIN

Year of birth: 1956

Member of the Board of Directors since 1996, Chairman of the Board of Directors since 1998

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

Dr. Lisin started his career in 1975 as an electrical fitter. At Tulachermet, he worked his way up from assistant steelmaker to deputy shop manager. In 1986, he went to work in Kazakhstan, first as Deputy Chief Engineer and later as Deputy CEO of the Karaganda Steel Plant. He has been a member of boards of directors at several leading Russian steel companies since 1993.

Dr. Lisin graduated from Siberian Metallurgic Institute, where he majored in ferrous and non-ferrous foundries. In 1990, he graduated from the Higher School of Commerce under the Foreign Trade Academy. In 1992, he graduated from the Academy of National Economy with a major in economics and management. He holds a Ph.D. in engineering and economic sciences and is a professor. He won the USSR Council of Ministers Prize for Science and Technology, is an Honorary Metallurgist of the Russian Federation, and is a holder of the Order of Honour and the Order of Alexander Nevsky. He serves as President of the International Shooting Sport Federation.

OLEG BAGRIN

Year of birth: 1974

CEO (Chairman of the Management Board) from 2012 until March 2018. Member of the Board of Directors since 2004

Chairman of the Strategic Planning Committee and member of the Human Resources, Remuneration, and Social Policy Committee

Member of the Board of Freight One. Director and member of the Board of Directors of Fletcher Group Holdings Limited.

Oleg Bagrin graduated from the State Management University with a major in mathematical methods and operations research in economics. He has a postgraduate degree in economics and a degree in business administration from the University of Cambridge, UK.

THOMAS VERASZTO

Year of birth: 1962

Member of the Board of Directors since 2016, [independent director](#)

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

Dr. Veraszto was a Partner and Managing Director with the Boston Consulting Group (BCG) in 2014–2015, serving primarily clients in the industrial goods sector on strategy, organizational development, and operational improvement. He continues to be a Senior Advisor for BCG in this area.

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

Dr. Veraszto earned a doctorate in law and a master's in philosophy 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 at Johns Hopkins University (USA).

NIKOLAI GAGARIN

Year of birth: 1950

Member of the Board of Directors since 2001

Member of the Audit Committee

In 2003, as a Managing Partner, Mr. Gagarin was appointed Chairman of the Board at Reznik, Gagarin, Abushakhmin, and Partners Law Offices. He has been Chairman of the Board and a Managing Partner at Reznik, Gagarin, and Partners Law Offices, Moscow, since 2009.

Nikolai Gagarin has extensive experience in corporate law, foreign investment, taxation, finance, real estate, contract law, arbitration proceedings, and civil litigation.

He is a graduate of Lomonosov Moscow State University with a major in law.

SERGEY KRAVCHENKO

President of Boeing Russia/CIS since 2002.

Year of birth: 1960

Member of the Board of Directors since 2020, [independent director](#)

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

Dr. Kravchenko is in charge of developing all of Boeing's business areas in Russia, Ukraine, and the CIS countries. He leads a team consisting of regional department heads from every company sector. In 2017 he was appointed Innovation Accelerator Leader at Boeing Global Services.

Before joining Boeing in 1992, Dr. Kravchenko worked as professor and lead scientist at the Russian Academy of Sciences. He also taught in Moscow and worked as a visiting professor and research consultant in the United States, Sweden, and South Korea.

Dr. Kravchenko graduated from Moscow Polytechnic University, obtaining his doctorate degree in engineering in 1991 and his title of professor in 1992. He has published more than 70 research papers and holds more than 20 patents in various areas of engineering.

He is an independent director at TMK Group.

Dr. Kravchenko is a member of the Russian Academy of Engineering, member of the American Institute of Aeronautics and Astronautics, and Doctor Honoris Causa of the Georgian Technical University. In 2007 he was elected to the Board of Directors of the American Chamber of Commerce in Russia. In 2009 Dr. Kravchenko was awarded the Businessman of the Year prize by the American Chamber of Commerce.

JOACHIM LIMBERG

Year of birth: 1954

Member of the Board of Directors since 2019, [independent director](#)

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

Mr. Limberg was Chairman of the Management Board of the Materials Services Business Area, CEO and Chairman of the Executive Board of thyssenkrupp Materials International GmbH from October 2009 until 31 December 2018. He was responsible for the Materials unit in Germany, North America, Eastern Europe, and Western Europe/Asia Pacific, Materials Processing Europe, Materials Trading, the Special Materials units (special steels) of AST and Distribution Stainless, as well as the Special Services units of Plastics Europe, Aerospace, and Technical Services.

Mr. Limberg began his career in 1976 at Klöckner. He then spent several years as managing director/CEO of various small and medium-size companies. In 1995, he joined thyssenkrupp Group, initially as head of the Product Management Steel and Materials Management departments at thyssenkrupp Schulte. In 1998, he was appointed to the Executive Board. From 2002 to 2005, he served as Chairman of the Executive Board of thyssenkrupp Schulte GmbH. On 1 April 2001, Mr. Limberg was appointed to the Executive Board of thyssenkrupp Materials AG, later thyssenkrupp Services AG.

In January 2002, he was made additionally responsible for the North American operations of thyssenkrupp Materials N.A., of which he was chairman. With the establishment of thyssenkrupp Materials Europe GmbH on 1 June 2005, he took over as Chairman of the company's Executive Board and continued in this position after the company was renamed thyssenkrupp Materials International GmbH.

From October 2006 to September 2009, he was Vice Chairman of the Executive Board of thyssenkrupp Services AG, where he was primarily responsible for strategic corporate development. One of his particular focuses was on developing activities in North America, Eastern Europe and South America, as well as establishing the aerospace and services business as core activities. This also included business actions in Asia, which he was in charge of for several years while located in Hong Kong.

Mr. Limberg is a professional exporter. He obtained a degree in economics (DIPLOM-ÖKONOM) from the Open University of Hagen and has extensive financial experience.

MARJAN OUDEMAN

Year of birth: 1958

Member of the Board of Directors since 2018, [independent director](#)

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

Ms. Oudeman served as President of the Executive Board of Utrecht University (The Netherlands) from 2013 until June 2017.

From 2010 to 2013, Ms. Oudeman was a member of the Executive Committee of AkzoNobel, where she was responsible for HR and organizational development.

From 2007 to 2010, Ms. Oudeman served as a member of the Executive Committee of Corus Group, and Executive Director of the Corus Strip Products Division.

She also held the positions of CEO at Corus Nederland BV and Managing Director of Corus Strip Products IJmuiden from 2004 to 2007, and Managing Director of Corus Packaging Plus from 2000 to 2004.

Before joining Corus, Ms. Oudeman worked for Hoogovens Group NV, where she held various corporate staff positions in legal, corporate finance, and controlling, culminating in 1998-2000 as a Member of the Management Board of the Steel Division of Hoogovens Group NV and Managing Director of Hoogovens Packaging Steel.

Ms. Oudeman holds positions in the governing bodies of a number of entities: she is a member of the Boards of Solvay SA, SHV Holdings, Aalberts NV, and UPM-Kymmene Corporation.

She has extensive experience as a line manager in the steel industry and considerable financial and international business experience.

Ms. Oudeman has a law degree from Rijksuniversiteit Groningen in the Netherlands and an MBA in Business Administration from the University of Rochester, New York, USA and Erasmus University, Rotterdam, the Netherlands.

KAREN SARKISOV

Year of birth: 1963

Member of the Strategic Planning Committee

Aide to the Chairman of the Board of Directors on External Economic Relations and a member of the Board of Directors of 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 1990s to 2008, he worked at steel trading companies, where he held various executive positions at a number of international metal trading entities.

He is a graduate of Tashkent State University, where he majored in oriental studies.

Until 24 April 2020, Mr. Sarkisov served as a member of the NLMK Board of Directors and Audit Committee. He continues to sit on the Strategic Planning Committee.

STANISLAV SHEKSHNIA

Year of birth: 1964

Member of the Board of Directors since 2015, [independent director](#)

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

In 1991–2002, Dr. Shekshnia held senior executive positions at Russian and international corporations, including HR Director of Otis Elevator in Central and Eastern Europe, President and CEO at Millicom International Cellular in Russia and the CIS, COO at VimpelCom, and CEO of Alfa-Telecom. He has extensive financial experience. He served as Chairman of SUEK, Russian Fishery Company, and Vimpelcom-R and as a board member of a number of Russian and Ukrainian companies. Dr. Shekshnia was an independent director at DTEK BV, Ilim Timber Industry, Naftna Industrija Srbije (NIS), and Ener1. Currently, Dr. Shekshnia is Chairman of the Board of the Samolet Group. In 2002, he co-founded Zest Leadership International Consultancy.

From April 2007 until July 2019, Dr. Shekshnia was a Senior Partner of LEADERSHIP VECTOR, a talent equity consulting practice. He focused on leadership, leadership development, corporate governance, and business in emerging economies. He is now a Senior Consultant at Ward Howell. Dr. Shekshnia also provides personal coaching to business owners and corporate executives.

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, and is the author, co-author, or editor of ten books, numerous articles, executive commentaries, interviews, and case studies on entrepreneurship, leadership, people management, intercultural management, and business and management in Russia.

Dr. Shekshnia has a master's degree in economics, a Ph.D. from Moscow State University, and an MBA from Northeastern University in Boston.

BENEDICT SCIORTINO

Year of birth: 1950

Member of the Board of Directors since 2012, [independent director](#)

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

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

Since March 2013, he has served as CEO and member of the Board of Directors of DXT Commodities SA (formerly Dufenergy Trading SA).

He graduated from Queens College, New York with a BA degree and received JD and LL.M degrees from New England School of Law (Boston, MA) and New York University Law School, New York. Mr. Sciortino has extensive financial experience.

BOARD OF DIRECTORS' ACTIVITY IN 2020

In 2020, NLMK's Board of Directors held nine meetings, seven of which were held by absentee ballot. 28 items were considered at the meetings.

MAIN ISSUES EXAMINED BY THE GROUP'S BOARD OF DIRECTORS IN 2020

Questions	Resolutions	Stakeholders
Strategy and priority areas	<ul style="list-style-type: none"> Status of NLMK Group's 2018-2022 Strategy and approval of the consolidated budget for 2021 	<ul style="list-style-type: none"> Investors and shareholders Consumers Suppliers Government authorities Employees Local communities
Appointments and remuneration	<ul style="list-style-type: none"> Reviewing proposals on the nomination of candidates to NLMK's governing bodies (the Board of Directors, NLMK CEO (Chairman of the Management Board)) and inclusion of the nominees in the voting list of people to be elected to these governing bodies Providing recommendations to the Annual General Meeting of Shareholders regarding the payment of remuneration to Board members Election of the Chairman of NLMK's Board of Directors Forming the committees of NLMK's Board of Directors Recognition of the independent status of nominees to NLMK's Board of Directors Performance evaluation of NLMK's Board of Directors Performance reports of the committees of NLMK's Board of Directors 	<ul style="list-style-type: none"> Investors and shareholders Government authorities Employees
Corporate governance	<ul style="list-style-type: none"> Convocation of NLMK's General Meetings of Shareholders Approving the agendas, draft documents, and measures necessary for preparing for and holding the Annual General Meeting of Shareholders Providing recommendations to NLMK's Annual General Meeting of Shareholders regarding profit distribution/dividend payment Providing recommendations to NLMK's Annual General Meeting of Shareholders regarding NLMK's membership in the Tsentrisiskaniya Self-Regulatory Organization (Central Association of Organizations for Engineering Construction Survey) Approving the 2019 NLMK report on interested-party transactions Approving the 2019 NLMK Draft Annual Report Providing recommendations to the Annual General Meeting of Shareholders regarding the approval of NLMK's Auditor and remuneration to be paid for the Auditor's services Approving the meeting schedule for NLMK's Board of Directors Approving the following revised documents: Corporate Governance Code, Regulations on Insider Information, Internal Control and Risk Management Policy 	<ul style="list-style-type: none"> Investors and shareholders Government authorities employees
Financial reporting	<ul style="list-style-type: none"> Approving the Company's annual accounting (financial) statements for 2019, as well as NLMK's IFRS 2019 annual consolidated financial statements 	<ul style="list-style-type: none"> Investors and shareholders Consumers Suppliers Government authorities Employees Local communities

PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN ITS MEETINGS AND THE MEETINGS OF ITS COMMITTEES

Board member in the reporting year	Independent director	Participation in the Board meetings ¹	Audit Committee	Human Resources, Remuneration, and Social Policy Committee	Strategic Planning Committee
Oleg Bagrin		9 (9)		4 (4)	5 (5)
Thomas Veraszto	✓	9 (9)		4 (4)	5 (5)
Nikolai Gagarin		9 (9)	5 (5)		
Vladimir Lisin		9 (9)		4 (4)	5 (5)
Karen Sarkisov ²		3 (3)	2 (2)		5 (5)
Stanislav Shekshnia	✓	9 (9)	5 (5)	4 (4)	
Benedict Sciortino	✓	9 (9)	5 (5)		5 (5)
Marjan Oudeman	✓	9 (9)	5 (5)		5 (5)
Joachim Limberg ³	✓	9 (9)	3 (3)	2 (2)	5 (5)
Sergey Kravchenko ⁴	✓	6 (6)		2 (2)	4 (4)

In addition, a seminar on sustainability was organized for Board members in March 2020. This event aimed at enhancing the Board's ESG competence underscores the Company's focus on sustainability.

BOARD OF DIRECTORS PERFORMANCE ASSESSMENT

GRI 102-28 The Board of Directors is one of the key bodies in the Company's corporate governance system. The quality of the Company's governance depends on the efficiency of its activities, and its decisions directly affect the Company's market capitalization. The assessment of the Board of Directors' performance is an effective tool for improving the corporate governance system, each component of which is related to the work of the governing body.

In line with the recommendations of the Corporate Governance Code recommended by the Bank of Russia

and best international practices, the Company has been conducting an annual assessment (self-assessment) of the Board of Directors' performance since 2016. The formal assessment procedure does not only cover the Board of Directors as a whole, but also assesses the work of the Board's committees, Chairman and each individual member. The assessment includes an analysis of the Board's composition and qualifications, its agendas, meeting efficiency, and interaction with management and the Corporate Secretary.

The main purpose of the assessment is to determine the efficiency of the Board's performance as a collective governing body and enhance its role in achieving the Company's goal of successful development. The assessment of the Board's performance helps to determine the focus and changes in the performance of the Board of Directors and its committees, get a comparative analysis of their contribution to the Company's successful development, and identify areas for the continuous improvement of the Board's procedures.

If necessary, based on the results of the Board's performance assessment, the Chairman of the Board of Directors and the Human Resources, Remuneration, and Social Policy Committee put forward proposals that aim to improve the work of the Board of Directors and its committees. Individual assessments of Board members identify aspects that need to be developed and strengthened. Recommendations as well as individual training programmes (training sessions) may be offered to improve the skills of individual Board members.

The Board's strengths and areas for improvement were analysed as part of an annual assessment carried out in January 2020 in the form of an online survey of its members in the format approved by the HR Committee. The assessment confirmed the effectiveness of the Company's Board of Directors and its committees in 2019. Board members commended the meeting agendas, approaches to holding

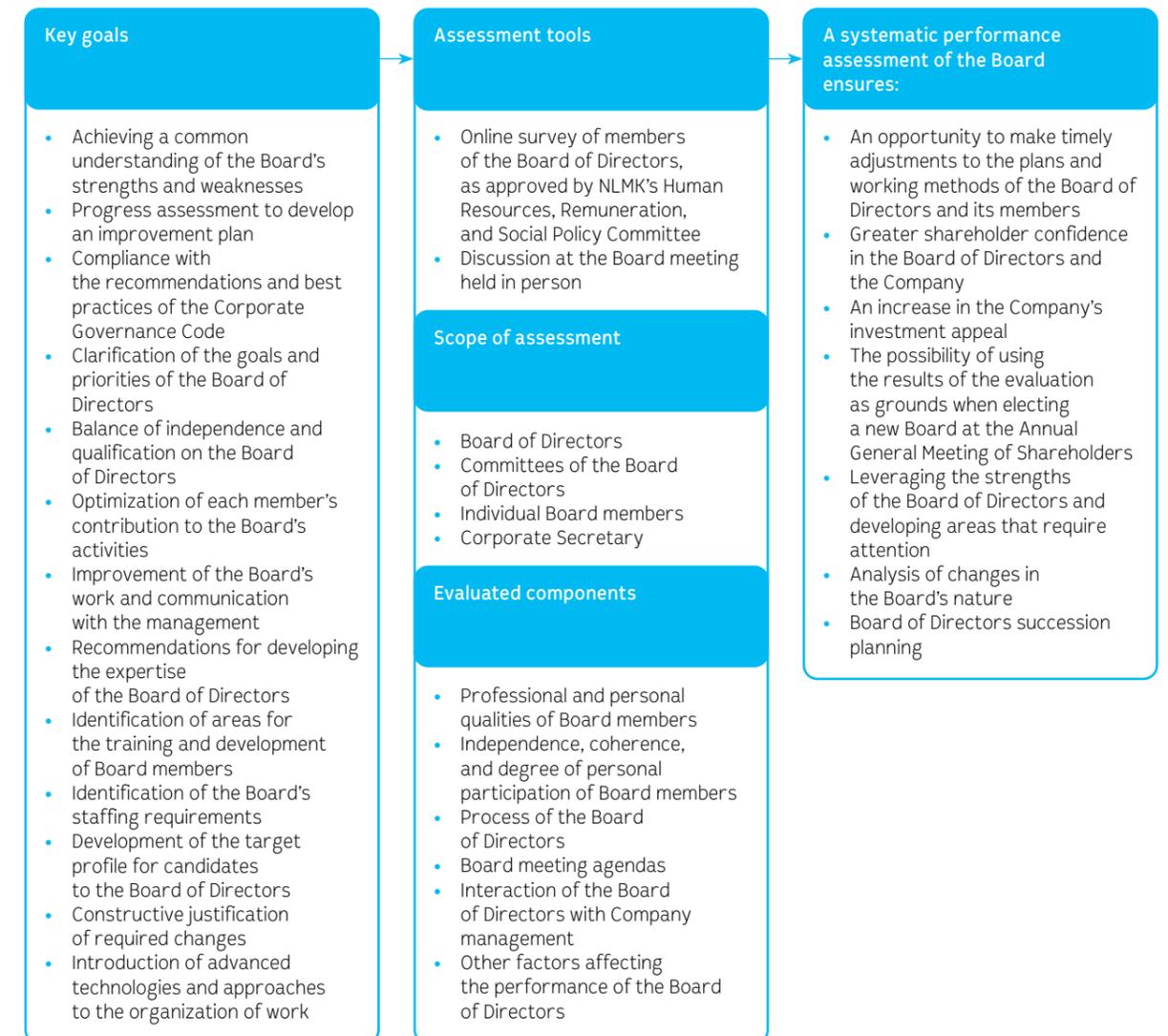
¹ The number in brackets denotes the number of meetings of the Board of Directors or the Board's committee held during this director's tenure.

² Karen Sarkisov was a member of the Board of Directors, the Audit Committee, and the Strategic Planning Committee until 24 April 2020 (he continues to sit on the Strategic Planning Committee).

³ Joachim Limberg was a member of the Human Resources, Remuneration, and Social Policy Committee until 24 April 2020. He was elected to the Audit Committee at the 24 April 2020 Board meeting.

⁴ Sergey Kravchenko was elected to the Board of Directors at NLMK's Annual General Meeting of Shareholders. He was elected to the Strategic Planning Committee and the Human Resources, Remuneration, and Social Policy Committee at the 24 April 2020 Board meeting.

PERFORMANCE ASSESSMENT OF THE NLMK BOARD OF DIRECTORS



meetings and control over the execution of instructions, the contribution of the Board Chairman, and the Corporate Secretary's performance. Recommendations were issued on developing certain competencies of the Board of Directors, introducing certain practices, prioritizing several issues that are of strategic importance to the Company, and using additional formats for engaging with the management.

The results of the Board's performance assessment and recommendations on further improving the work of the Board, its committees, and individual Board members were reviewed at the in-person Board meeting in March 2020.

In 2020 the activities of the Board and the Corporate Secretary were focused on implementing the recommendations resulting from the assessment.

Guided by current trends and recommendations of normative bodies, the Company engaged an independent consulting firm, Spencer Stuart, to carry out an independent assessment of the Board's performance. The external assessment of the Board's activities included questionnaires, individual interviews with directors, analysis of the agendas, practices, and internal documents of the Board and its committees, and a benchmark against the advanced corporate governance practices of international companies.

INDUCTION PROGRAMME FOR NEWLY ELECTED MEMBERS OF NLMK'S BOARD OF DIRECTORS AND THE ONBOARDING PROCESS

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

The programme of the induction course includes an introduction to NLMK Group's key operational and financial indicators and its systems of risk management, internal control, and corporate governance.

Meetings with the CEO (Chairman of the Management Board), members of the Board of Directors, members of the Management Board, and other senior executives of the Company are arranged as part of the course. The newcomers also have an opportunity to get acquainted with the Company's core facilities, processes, and products.

PREVENTING A CONFLICT OF INTEREST AMONG BOARD MEMBERS

Members of the Board of Directors must act in good faith and reasonably in the interests of the Company and its shareholders based on sufficient awareness and with due care and discretion. Given that the reasonable and good-faith actions of the Board members require the adoption of



decisions based on all available information without any conflict of interest and taking into account the equal treatment of shareholders, the Company has developed a number of measures to prevent conflicts of interests. As part of these requirements, members of the Board of Directors shall:

- Notify the Board in case there is a potential conflict of interest (including an interest in the Company making a transaction) and put the Company's interests above their own under all circumstances
- Refrain from any acts that will or may lead to a conflict between their personal interests and those of the Company
- Promptly inform the Board of Directors of any conflict of interest and the grounds for it before the start of a discussion on the item with respect to which the Board member has a conflict of interest at a Board Meeting or a Board Committee meeting
- Abstain from voting on items in which they have a conflict of interest. Where the nature of the item discussed or the specific aspects of a conflict of interest so require, the Board member experiencing said conflict of interest should not be present at the Board meeting when the item is discussed.

According to the information available to the Company, there was no conflict of interest among the members of the Board of Directors in 2020 (including none related to their participation in the governing bodies of NLMK's competitors)

GRI 102-25

COMMITTEES OF THE BOARD OF DIRECTORS

GRI 102-22 In order to improve the efficiency of the decisions taken by the Board of Directors, ensure the preliminary examination and study of the most essential matters in the Company's activities, and prepare the appropriate recommendations, the Board of Directors has set up the following standing committees:

- Strategic Planning Committee
- Audit Committee
- Human Resources, Remuneration, and Social Policy Committee

The committees are structured around the most important Board activities. Their composition is determined with the most effective application of the members' expertise and professional experience in mind.

The committees of the Board of Directors report to the Board of Directors and serve as its advisory bodies. The resolutions of the committees are advisory in nature.

Due to the need for a comprehensive discussion of the issues under consideration, the committees are composed of Board members with specialized knowledge and skills. Committee composition is balanced to ensure optimal application of the members' competencies and professional experience.

If necessary, a committee chair may engage experts and consultants to work with their committee on a temporary or permanent basis with no right to vote during decision-making on issues within the committees' remit.

The status, goals, objectives, and functions of the committees, as well as the procedures for their composition, formation, and operation are set out in Regulations on Committees, which are approved by the Company's Board of Directors and published on NLMK's official website.

In order to balance approaches to problem solving with respect to risk management and the protection of shareholders' interests, in two out of three committees the majority of members, including their chairpersons, are independent directors.

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee provides support to the Board of Directors in resolving matters that involve enhancing the efficiency of the Company's activities in the long-term and promoting asset growth, profitability, and investment appeal. The Committee defines the goals for minimizing the Company's environmental impact, including greenhouse gas emissions, and reviews and approves the appropriate investment programme.

Committee members as of 31 December 2020

The Strategic Planning Committee includes five independent directors. All members of the Committee, including those who are not members of the Board of Directors, have the right to vote on the Committee's agenda items.

The Committee's composition changed in 2020.

Committee's activities in 2020

In 2020, the Strategic Planning Committee held five meetings. The Committee reviewed and passed resolutions on the following issues:

- Development of NLMK Group's functional areas and key projects of its divisions
- Updated CO₂ emission reduction targets for 2023
- Status of NLMK Group's investment programme and 2021 investment budget
- Strategic Planning Committee schedule for 2020

Plans for 2021

In 2021, the Strategic Planning Committee plans to actively determine development areas for the new strategy cycle beyond 2023, which includes reviewing the first draft of NLMK Group's long-term climate strategy. The Committee will also analyze the implementation of its instructions and the progress of NLMK Group's investment programme.

STRATEGIC PLANNING COMMITTEE MEMBERS IN 2020

Committee members from 19 April 2019 to 24 April 2020		Committee members as of 24 April 2020	
Member of the Board of Directors	Position	Member of the Board of Directors	Position
Oleg Bagrin	Chair of the Committee	Oleg Bagrin	Chair of the Committee
Thomas Veraszto	Member of the Committee	Thomas Veraszto	Member of the Committee
Helmut Wieser	Member of the Committee	Helmut Wieser	Member of the Committee
Joachim Limberg	Member of the Committee	Joachim Limberg	Member of the Committee
Vladimir Lisin	Member of the Committee	Vladimir Lisin	Member of the Committee
Marjan Oudeman	Member of the Committee	Marjan Oudeman	Member of the Committee
Karen Sarkisov	Member of the Committee	Karen Sarkisov	Member of the Committee
Grigory Fedorishin	Member of the Committee	Grigory Fedorishin	Member of the Committee
Benedict Sciortino	Member of the Committee	Benedict Sciortino	Member of the Committee
Sergey Filatov	Member of the Committee	Sergey Filatov	Member of the Committee
		Sergey Kravchenko	Member of the Committee

AUDIT COMMITTEE

The Audit Committee drafts and submits recommendations to the Board of Directors on matters concerning the Board's active involvement in the supervision of the Company's financial and business activities. These include recommendations on annual independent audits of NLMK's accounting (financial) statements, the quality of services provided by the auditor, compliance with the requirements for auditor independence, the process of the independent appraisal of property in cases stipulated by Russian legislation and other cases, as well as issues related

to disclosure of the Company's information about sustainable development [GRI 102-32](#). Since 2019, one of the Audit Committee's responsibilities is monitoring performance and considering reports related to sustainable development, including matters of environment and occupational health and safety [GRI 102-29](#).

The Committee analyzes and evaluates the Company's information disclosure system on sustainable development issues and monitors its completeness, accuracy, and reliability.

Committee members as of 31 December 2020

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

The Committee's composition changed in 2020.

AUDIT COMMITTEE MEMBERS IN 2020

Committee members from 19 April 2019 to 24 April 2020		Committee members as of 24 April 2020	
Member of the Committee	Position	Member of the Committee	Position
Marjan Oudeman	Chair of the Committee	Marjan Oudeman	Chair of the Committee
Karen Sarkisov	Member of the Committee	Joachim Limberg	Member of the Committee
Nikolai Gagarin	Member of the Committee	Nikolai Gagarin	Member of the Committee
Stanislav Shekshnia	Member of the Committee	Stanislav Shekshnia	Member of the Committee
Benedict Sciortino	Member of the Committee	Benedict Sciortino	Member of the Committee

Audit Committee's activities in 2020

In 2020, the Audit Committee held five meetings. The Committee reviewed and passed resolutions on the following key issues:

- Accounting (financial) statements with respect to the consideration of the relevant draft documents
- Risk management, internal control, and corporate governance, as well as other reports related to asset protection and management of the Company's significant risks
- Mitigating the risks associated with COVID-19
- External and internal audits, including non-audit services provided by the independent auditor
- Non-financial results of NLMK Group's activities prepared in accordance with GRI standards and quality assessment of the preparation of the disclosed GRI indicators

"In an era of fast-paced adoption of new technologies, business models, and growing uncertainty in the world, the Company's risks are growing more than ever. Today large companies realize that the strategy of sustainable development has become an absolute must, and their business objectives go beyond just making profit: they also include obtaining long-term benefits associated with the enablement in the field of environmental and socio-economic sustainable development.

In order to meet the growing expectations of the business, internal audit needs to maintain a high level of innovation adoption in its processes, expand its role from following a reactive approach to focusing on the future of the company, from protecting assets to supporting value creation by developing methods of continuous audit and transferring innovations to the business.

As it fulfils its task of 'driving the development of a mature risk management system', internal audit needs to strive to become a reliable advisor and business partner.

The focus of the Audit Committee is expanding to consider the efficiency of the Company's top risk management, corporate governance practices, business processes of international companies, business continuity management issues and improving the company's overall resilience to external threats."

Marjan Oudeman,
Chair of the Audit Committee

RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee exercises control over the reliability and efficient functioning of the risk management, internal control, and corporate governance systems, and the drafting of proposals on their improvement. In fulfilling its oversight responsibilities, the Committee reviews reports on the performance of the internal control and risk management system prepared by the external auditor, Internal Audit Service, and the Group's other bodies responsible for fulfilling the risk management, oversight, and compliance functions. The Committee holds regular meetings with the Audit Director and the external auditor's team.

Internal Audit

The Audit Committee is responsible for monitoring the operation 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 recommendations are submitted to the Committee throughout the year to ensure that the actions taken by the executive management are efficient.

In an effort to ensure independence, the Audit Director reports directly to the Board of Directors. The Audit Director has the right to raise any matter that he/she deems to be important, reports to the Audit Committee, including on audit results above a certain materiality threshold, and/or in line with other obligatory disclosure requirements, and meets with the external auditors as required.

The Internal Audit Service undergoes regular independent external quality assessments (at least once every five years). The results of these assessments are submitted to the Audit Committee for consideration. The most recent assessment was in 2017.

External audit

AO PricewaterhouseCoopers Audit (PwC) has been the Group's Auditor since 2003.

NLMK Group companies hire PwC from time to time to provide non-audit services. NLMK management is certain that these services do not impair the auditor's independence and are not related to the preparation of financial statements. In 2020, the share of non-audit services was at an acceptable level of no more than 30% of the total services provided by PwC. PwC regularly rotates key audit staff (at least once every 7 years) to ensure compliance with independence requirements.

PwC submits quarterly reports to the Audit Committee, and members of the Committee review and discuss key audit issues with external auditors. As a result of this review, the Committee concluded that the external audit process is proceeding effectively.

HUMAN RESOURCES, REMUNERATION, AND SOCIAL POLICY COMMITTEE

The main purpose of the Human Resources, Remuneration, and Social Policy Committee is conducting preliminary reviews and developing recommendations for the Board of Directors to ensure the efficient operation of its decision-making on the following issues:

- Appointment of members of the Company's management and other key employees and the training of succession candidates for their positions
- Performance assessment of the Company's management and other key employees
- Remuneration of the Company's management and other key employees
- Social policy of the Company

Members of the HR Committee as of 31 December 2020

The Committee is chaired by an independent director. Most of the Committee members are also independent directors. The Human Resources, Remuneration, and Social Policy Committee includes an independent director who is knowledgeable in matters concerning motivational management and personnel administration.

The Committee's composition changed in 2020.

HUMAN RESOURCES, REMUNERATION, AND SOCIAL POLICY COMMITTEE MEMBERS IN 2020

Committee members from 19 April 2019 to 24 April 2020		Committee members as of 24 April 2020	
Member of the Committee	Position	Member of the Committee	Position
Stanislav Shekshnia	Chair of the Committee	Stanislav Shekshnia	Chair of the Committee
Vladimir Lisin	Member of the Committee	Vladimir Lisin	Member of the Committee
Thomas Veraszto	Member of the Committee	Thomas Veraszto	Member of the Committee
Oleg Bagrin	Member of the Committee	Oleg Bagrin	Member of the Committee
Joachim Limberg	Member of the Committee	Sergey Kravchenko	Member of the Committee

Committee's activities in 2020

NLMK's Human Resources, Remuneration, and Social Policy Committee held four meetings in 2020, including two in the form of absentee voting. The Committee reviewed and passed resolutions on the following issues:

- Eligibility of nominees proposed for independent directors to be voted on at the Annual General Meeting of Shareholders on the Company's 2019 results
- Professional background of nominees to the Board Directors proposed at the Annual General Meeting of Shareholders on the Company's 2019 results

- Review of proposals to the NLMK Board of Directors on the amount of remuneration to be paid to Board members
- Progress against target KPIs by the NLMK Group CEO (Chairman of the Management Board) in 2019 and approval of target project KPIs for 2020
- Progress against target KPIs by Company management in 2019
- Implementation status of Committee instructions
- Managerial competency model
- Labour productivity improvement
- Development of professional competencies

In 2020, the Committee continued to analyze and evaluate the implementation of the Company's HR Strategy, the performance of key executives, and the execution of the Committee's instructions. The Committee considered the implementation status of the labour productivity improvement programme and professional competency development programmes.

"In 2020, the Human Resources, Remuneration, and Social Policy Committee reviewed a number of key matters within its remit and developed relevant recommendations for the Board of Directors.

The Committee reviewed the execution status of NLMK Group's HR Strategy, oversaw the implementation of earlier instructions, and systematically tackled related issues.

One important outcome is engaging the Spencer Stuart consulting firm to participate in the independent assessment of the Board. The firm

has an impeccable reputation and international expertise in corporate governance. Spencer Stuart's experience will lend a fresh perspective on the Board's development prospects and ways to enhance its practices, further strengthening its performance.

It should be noted that during the pandemic the Committee addressed new challenges encountered by the Company. At the same time, the Committee continued to operate with maximum effectiveness, as its members, who have extensive competencies and international experience, used modern means of communication and remained highly engaged in the consideration and discussion of the agenda items. All this ensured in-depth exploration of the relevant issues discussed and fruitful collaboration with management, facilitating the adoption of quality resolutions and instructions, effective follow-up of their implementation, and introduction of best practices into the Company's activities."

Stanislav Shekshnia,
Chair of the Human Resources, Remuneration, and Social Policy Committee

CORPORATE SECRETARY

NLMK's Corporate Secretary ensures efficient day-to-day interaction with shareholders, coordinates the Company's activities to protect shareholders' rights and interests, and supports the efficient operation of the Board of Directors.

The Corporate Secretary's activities, rights, and obligations are regulated by the Regulations on the Corporate Secretary, developed in accordance with the Corporate Governance Code recommendations of the Bank of Russia. In line with these recommendations, the Corporate Secretary is also in charge of the induction course for newly elected members of the Company's Board of Directors, corporate governance in subsidiaries and affiliates, working with insiders, and accounting for affiliates of the Group's companies. All these functions enable the establishment of a dynamic and balanced corporate governance system that ensures efficient interaction between the Company's shareholders, Board of Directors, and management.

Functionally subordinate to the Board of Directors and administratively to NLMK's CEO (Chairman of

the Management Board), the Corporate Secretary is appointed and dismissed by the CEO (Chairman of the Management Board) based on a resolution of the Board of Directors.

The Corporate Secretary oversees the Corporate Secretary's Office.

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

VALERY LOSKUTOV

Year of birth: 1969

Mr. Loskutov graduated from the Lipetsk Polytechnic Institute and the Academy of National Economy under the Government of the Russian Federation with an MBA.

For more than twenty years, he has been a member of the governing bodies of a number of Russian companies. Mr. Loskutov has been with NLMK since 1998 and has served as NLMK's Corporate Secretary since 2005. He has been Secretary of the Human Resources, Remuneration, and Social Policy Committee since 2017.

Mr. Loskutov is a co-founder of the National Association of Corporate Secretaries. He was elected to the Board of the National Association of Corporate Secretaries on 20 December 2019.

He won the 8th Director of the Year national award in the Corporate Governance Director/Corporate Secretary category.

Mr. Loskutov ranked first in the Best Corporate Governance Director in Metals and Mining category of the 21st Top 1,000 Russian Managers annual rating by the Russian Managers Association and Kommersant Publishing House.

COMPOSITION OF THE MANAGEMENT BOARD

MANAGEMENT BOARD PROCEDURES

The Management Board is in charge of managing the Company's day-to-day operations and implementing the approved strategy and specific resolutions of the General Meeting of Shareholders and the Board of Directors. The main objective of the Management Board is to ensure that the Company is operating efficiently.

In its efforts to reach this objective, the Management Board is guided by the following principles:

- Efficient and objective decision-making that favours the interests of the Company and its shareholders

- Fair, timely, and efficient execution of the decisions of the General Meeting of Shareholders and the Board of Directors
- Cooperation with trade unions comprised of the Company's employees in order to take into account the employees' interests
- Cooperation with government agencies and local authorities on the most important issues

The list of issues in the Management Board's remit is regulated by the NLMK Charter and Regulations on the Management Board, which are available on the Company's official website.



GRIGORY FEDORISHIN

CEO (Chairman of the Management Board)

Member of the Strategic Planning Committee



TATYANA AVERCHENKOVA

Member of the Management Board

Vice President, Operational Efficiency



MIKHAIL ARKHIPOV

Member of the Management Board

Vice President, HR and Management System



SERGEY LIKHAREV

Member of the Management Board

Vice President, Logistics



EVGENY OVCHAROV

Member of the Management Board

Vice President, Risk Management



SERGEY CHEBOTAREV

Member of the Management Board

Vice President, Energy and Environment



ILYA GUSCHIN

Member of the Management Board

Vice President, Sales



BEN DE VOS

Member of the Management Board

Vice President, International Operations



SHAMIL KURMASHOV

Member of the Management Board

Vice President, Finance

COMPOSITION OF THE MANAGEMENT BOARD

NLMK Group's Management Board consisted of nine members as of 31 December 2020. The current composition of the Management Board was approved by the Board of Directors at a meeting held on 24 October 2019.

CEO (CHAIRMAN OF THE MANAGEMENT BOARD)

The CEO (Chairman of the Management Board) is the permanent sole executive body, whose main responsibility is to manage the Company's day-to-day activities, arrange for the execution of resolutions passed by the General Meeting of Shareholders and the Board of Directors, organize the work of the Management Board, and ensure the timely adoption of resolutions by the Management Board.

The rights and obligations of the CEO (Chairman of the Management Board) stipulated by the existing legislation of the Russian Federation as well as the CEO's contract with the Company.

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

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

Grigory Fedorishin has been the CEO (Chairman of the Management Board) since 12 March 2018.

BIOGRAPHIES OF MEMBERS OF THE MANAGEMENT BOARD

GRIGORY FEDORISHIN

Year of birth: 1979

Member of the Strategic Planning Committee.
CEO (Chairman of the Management Board) since March 2018

Mr. Fedorishin graduated from the State Finance Academy in Moscow. He holds a master's degree in business administration from INSEAD business school in France and Singapore. He is member of the Certified Financial Analysts (CFA) association.

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

From 2011 to 2013, Mr. Fedorishin served as NLMK's Strategy and Business Development Director. From 2009 to 2011, he served as an investment manager at Libra Capital, a Moscow-based investment management company. From 2001 to 2009, he worked for the PricewaterhouseCoopers consulting company, where he held positions up to director for business restructuring practice.

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 with a major in economics and management.

Ms. 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 for Operational Efficiency.

ILYA GUSCHIN

Year of birth: 1976

Vice President, Sales.
Member of the Management Board since 2014

Mr. Guschin graduated from the Faculty of Economics at Lomonosov Moscow State University. He 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 in Moscow. From 2002 to 2007, he held various positions at Microsoft.

BEN DE VOS

Year of birth: 1967

Vice President, International Operations.
Member of the Management Board since 2016

Mr. de Vos holds a bachelor's degree with a major in electrical engineering (supplementary training programme) and a master's degree with a major in process engineering from the University of Pretoria.

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

Mr. de Vos joined Duferco La Louvière in Belgium in 2004 and served as a Management Board member of the NLMK/Duferco JV from 2007 to 2011.

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

SERGEY LIKHAREV

Year of birth: 1964

Vice President, Logistics.
Member of the Management Board since 2014

Mr. Likharev holds a Ph.D. in physics and mathematics and a master's of business administration from Cornell University, USA. From 1990 to 1993, he worked as a researcher at Lomonosov Moscow State University.

Mr. Likharev joined NLMK in October 2013. From 2012 to 2013, he served as Aviation Business Director at Russian Machines Group and Chairman of the Board of Directors of the Aviacor Aviation Plant.

After serving as CEO of Aviacor Aviation Plant in Samara from 2004 to 2007, he worked as CEO of the Basel Aero airport group from 2008 to 2012.

From 1993 to 2004, he held senior positions at Interros, Ostankino Meat Processing Plant, Golden Telecom, Cannon Associates, and Coopers & Lybrand.

EVGENY OVCHAROV

Year of birth: 1977

Vice President, Risk Management.
Member of the Management Board since 2018

Mr. Ovcharov is a graduate of Lipetsk State Technical University and holds a Ph.D. in economic sciences.

Mr. Ovcharov joined NLMK in 1998. He served as Director for Internal Control and Risk Management and Head of Corporate Finance, and held senior management positions at the Department of Economics and Finance. In 2016, he was appointed Vice President for Risk Management.

MIKHAIL ARKHIPOV

Year of birth: 1982

Vice President, HR and Management System.
Member of the Management Board since 2018

Mr. Arkhipov graduated with honours from the Faculty of Sociology at Lomonosov Moscow State University.

Mr. Arkhipov joined NLMK in January 2018 as Vice President for HR and Management System. From 2013 to 2018, he was a member of the Management Board and Vice President for HR at MTS Group. From 2009 to 2013, he held various positions in the HR Department at SIBUR up to HR Director. From 2004 to 2009, Mr. Arkhipov worked in senior management positions in HR at SUN InBev and KPMG.

SERGEY CHEBOTAREV

Year of birth: 1980

Vice President, Energy and Environment.
Member of the Management Board since 2018

Mr. Chebotarev graduated from Lipetsk State Technical University with a major in applied mathematics. He holds a Ph.D. in engineering sciences.

Mr. Chebotarev joined NLMK in 2000 as an economist in the Fuel and Energy Industry Department. He served as Head of Energy Policy Management and Director for Energy Efficiency and Energy Markets, before being promoted to Vice President for Energy in 2016 and Vice President for Energy and Environment in 2020.

SHAMIL KURMASHOV

Year of birth: 1978

Vice President, Finance.
Member of the Management Board since 2019

Mr. Kurmashov graduated from Moscow State Institute of International Relations (MGIMO University), and holds a Ph.D. in economics from the Central Economics and Mathematics Institute (CEMI RAS).

He is a member of the Board of Directors at NLMK International B.V.

From 2009 to 2018, he was Deputy CEO for Commerce and Finance at Aeroflot. From 2007 to 2009, he served as Deputy CEO for Finance and Investment at Sistema, where he was also in charge of the group's investment activities. He has held executive positions at Norilsk Nickel and Wimm-Bill-Dann.



ACTIVITIES OF THE MANAGEMENT BOARD IN 2020

The Management Board functions in accordance with the approved meeting plan or as necessary. The CEO (Chairman of the Management Board) determines the format of the Management Board's meetings.

In 2020, the Management Board held 41 meetings, including 13 by absentee ballot. The following issues were considered at these meetings:

- Achievement of the Group's key performance indicators in occupational health and safety
- Execution of NLMK Group's budget
- The Group's participation in and withdrawal from other companies
- Execution of NLMK Group's Strategy: updates on the development and implementation of the investment programme projects; updates on the execution of the HR and Social Strategies, Occupational and Industrial Safety programmes; operational efficiency improvements; sales portfolio management; development of maintenance and repair services
- Development programmes for functional areas and production facilities
- Non-core assets portfolio management

ACTIVITIES OF THE MANAGEMENT BOARD IN 2020

Member of the Management Board	By member of the Management Board
Grigory Fedorishin	41 (41)
Tatyana Averchenkova	41 (41)
Ilya Guschin	41 (41)
Ben de Vos	41 (41)
Sergey Likharev	41 (41)
Evgeny Ovcharov	41 (41)
Mikhail Arkhipov	41 (41)
Sergey Chebotarev	41 (41)
Shamil Kurmashov	41 (41)

NLMK Management Board members had no conflict of interest in 2020.

On 19 March 2020, Grigory Fedorishin, who was previously not an NLMK shareholder, acquired 35,678 of the Company's global depository shares (equivalent to 356,780 ordinary shares) making up 0.00595% of NLMK's charter capital.

On 15 December 2020, Grigory Fedorishin sold 17,839 of the Company's global depository shares (equivalent to 178,390 ordinary shares) making up 0.00298% of NLMK's charter capital. After that 17,839 of the Company's global depository shares (equivalent to 178,390 ordinary shares) making up 0.00298% of NLMK's charter capital remained in his ownership.

Other Management Board members are not NLMK shareholders.

REPORT ON REMUNERATION PAID TO GOVERNING BODIES

The level of remuneration the Company pays to members of governing bodies is sufficient to attract, motivate, and retain persons with the expertise and qualifications NLMK seeks.

REMUNERATION AND COMPENSATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS

GRI 102-35 The Company's policy of remuneration to members of the Board of Directors serves to align the financial interests of directors with the long-term financial interests of shareholders.

Members of the Board of Directors are paid remuneration during the period in which they perform their duties, and they also receive reimbursement of expenses related to the performance of their duties as members of the NLMK Board of Directors. The Regulations on Remuneration for Members of the Board of Directors, which was approved by the General Meeting of Shareholders, establish the amount of remuneration and determine the terms and conditions as well as the procedure for remuneration payment **GRI 102-37**. The Regulations are available on *the Company's official website*.

The Regulations contain transparent mechanisms for determining the amount

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

The remuneration system for members of the Board of Directors serves to align their financial interests with the long-term financial interests of shareholders. Remuneration is paid to members of the Board of Directors for reasonably and faithfully exercising their rights and duties in the interests of the Company. Remuneration to members of the Board of Directors consists of basic remuneration and a bonus.

The amount of the basic remuneration was approved on 5 June 2015 by a resolution of the Annual General Meeting of Shareholders in the amount of \$160,000

GRI 102-36

Members of the Board of Directors are entitled to basic remuneration if they participated in over half of the Board of Directors meetings over the reporting period.

Members of the Board of Directors are also paid remuneration for performing the functions of the Chairman of the Board of Directors, a member of one or more committees of the Board of Directors, or for chairmanship in one or more committees of the Board of Directors.

A member of the Board of Directors may receive a bonus that shall not exceed the amount of two basic remuneration packages. The amount of bonuses is determined based on the member's contribution to the work of the Board of Directors and its committees and the recommendations of the Human Resources, Remuneration, and Social Policy Committee.

Remuneration is paid based on a resolution of NLMK's General Meeting of Shareholders. Regulations on the Remuneration of Members of the NLMK Board of Directors outline the rules for reimbursing Board members' work-related expenses. The following expenses are considered to be reimbursable:

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

REMUNERATION FOR MEMBERS OF THE NLMK BOARD OF DIRECTORS

Remuneration category	Remuneration amount
Basic remuneration	\$160,000
Additional remuneration to the Chairman of the Board of Directors, taking into account their functions related to organizing the work of the Board of Directors	Up to 50% of the basic remuneration package
Additional remuneration to a member of any committee of the Board of Directors (who participated in over half of its meetings)	Up to 25% of the basic remuneration package, and up to 50% of the basic remuneration package for a member of two or more committees
Additional remuneration to the Chairman of any committee of the Board of Directors (who participated in over half of its meetings)	Up to 40% of the basic remuneration package, and up to 80% of the basic remuneration package for the Chairman of two or more committees

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

The Company does not have other forms of remuneration, including short-term or long-term incentive programmes that depend on financial performance, or stock option programmes.

The Annual General Meeting of Shareholders on the results of 2019, which was held on 24 April 2020, resolved to pay remuneration to members of NLMK Board of Directors in the amount of \$2.272 m.

REMUNERATION TO BOARD MEMBERS¹, '000 RUB

Indicator	2018	2019	2020
Total payments	152,482	179,066	169,522
Remuneration, incl.:	145,564	170,693	167,846
Basic remuneration	92,259	108,186	106,381
Bonuses	53,305	62,507	61,465
Salary	-	-	-
Commission	-	-	-
Reimbursed expenses	6,918	8,373	1,676
Other types of remuneration	-	-	-

INDIVIDUAL AMOUNT OF REMUNERATION TO BOARD MEMBERS¹, '000 RUB

Member of the Board of Directors	2018	2019	2020
Vladimir Lisin	20,705	24,041	23,640
Stanislav Shekshnia	17,427	21,655	19,503
Oleg Bagrin	19,293	21,948	19,503
Nikolai Gagarin	12,982	15,026	14,775
Karen Sarkisov	15,633	18,031	17,730
Thomas Veraszto	16,309	19,248	17,730
Helmut Wieser	16,423	400	-
Marjan Oudeman	15,881	20,848	19,503
Benedict Sciortino	17,446	18,935	17,730
Franz Struzl	383	-	-
Joachim Limberg	-	18,934	17,730
Sergey Kravchenko	-	-	-

¹ Data for 2018-2019 is represented in actual amounts. Remuneration to members of the Board of Directors for 2020 is determined based on preliminary calculations in accordance with the Regulations on Remuneration for Members of NLMK's Board of Directors.

APPROACH TO REMUNERATION AND COMPENSATION FOR MANAGEMENT BOARD MEMBERS AND OTHER TOP EXECUTIVES

GRI 102-35, GRI 102-36 The material interest of members of the Management Board in achieving the Company's strategic goals is ensured by short-term and long-term incentive systems. Short-term incentives are based on the existing system of key performance indicators (KPIs). The amount paid to members of the Management Board in bonuses depends on their achievement of KPIs. The variable part of remuneration for Management Board members amounts to approximately half of the total yearly remuneration.

The KPIs used to determine rewards for senior management are related to NLMK's financial and operating performance and are intrinsically linked to shareholder value. They include operational performance, social responsibility, occupational safety, and organizational development indicators. KPIs for the CEO (Chairman of the Management Board) include annual financial indicators, as well as long-term indicators of strategy implementation, such as the Company's sustainable development targets.

Top executives, including heads of NLMK Group's main production sites, have KPIs related to reducing air emissions and CO₂ emissions, as well as increasing their share of recycled waste. In addition, energy efficiency KPIs are set for the relevant executives, including heads of sites and the Vice President for Energy and Environment. For top executives, KPI data is recorded as financial gains from implementing the corresponding operational efficiency projects.

The Company also has a long-term incentive (LTI) programme for members of the executive bodies and other senior executives of the Company. The current programme adopted in March 2019 covers the 2019-2023 strategic management cycle.

Long-term incentive programme payments are made to Management Board members depending on the Company's economic performance on the five-year horizon and the attainment of NLMK's strategic goals. If KPIs are achieved, all Management Board members, including the CEO, receive the first advance payment three years after the programme commences. The final payment net of the advance sum is made depending on performance after 5 years.

REMUNERATION TO MANAGEMENT BOARD MEMBERS¹, '000 RUB

Indicator	2018	2019	2020
Total payments, incl.:	524,553	535,032	530,830
Salary	205,195	238,764	235,295
Bonuses ²	312,510	295,455	295,455
Commission	-	-	-
Benefits	-	-	-
Reimbursed expenses	1,481	813	69
Other types of remuneration	5367	-	12

¹ Data for 2018 is represented in the actual amounts and may differ from previously published estimated liabilities by the amount of liabilities for achieving the Company's strategic objectives under the long-term incentive programme.

² The bonus amount for 2018 does not include a part of the amount paid in 2019 for the long-term incentive programme. Bonuses to members of the Management Board for 2019-2020 include obligations to pay bonuses based on a preliminary calculation reflecting their performance in the reporting year.

OPERATIONAL CONTROL AND RISK MANAGEMENT

NLMK pays special attention to the development of its risk management system in a bid to protect its assets and ensure timely response to external

and internal factors that may hinder the achievement of strategic and business goals. The goal of the Company's risk management and internal control system is to ensure that the Company successfully adapts to technological, economic, social, and any other changes.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

NLMK Group's approach to operational control is based on a clear segregation of authority and functions between the entities involved in its internal control and risk management system; it also provides for 'three lines of defence'. Control procedures are used in the Group's Russian and international operations and are an integral component of key corporate decision-making activities and processes. The main principles and approaches to the organization of risk management are enshrined in the Internal Control and Risk Management Policy developed in accordance with the recommendations of the Central Bank of the Russian Federation, professional standards, and best corporate practices, and approved by the Board of Directors.

RISK MANAGEMENT COMMITTEE

The Management Board's Risk Management Committee is a standing collegial body that ensures effective functioning of the internal control and risk management system, as well as the promotion of business ethics and anti-corruption principles. At least once a year the Committee reviews reports on changes in NLMK Group's risk profile, approves key risk management principles and approaches, and exercises overall control over the implementation of risk management measures and the strengthening of the internal control system [GRI 102-11](#).

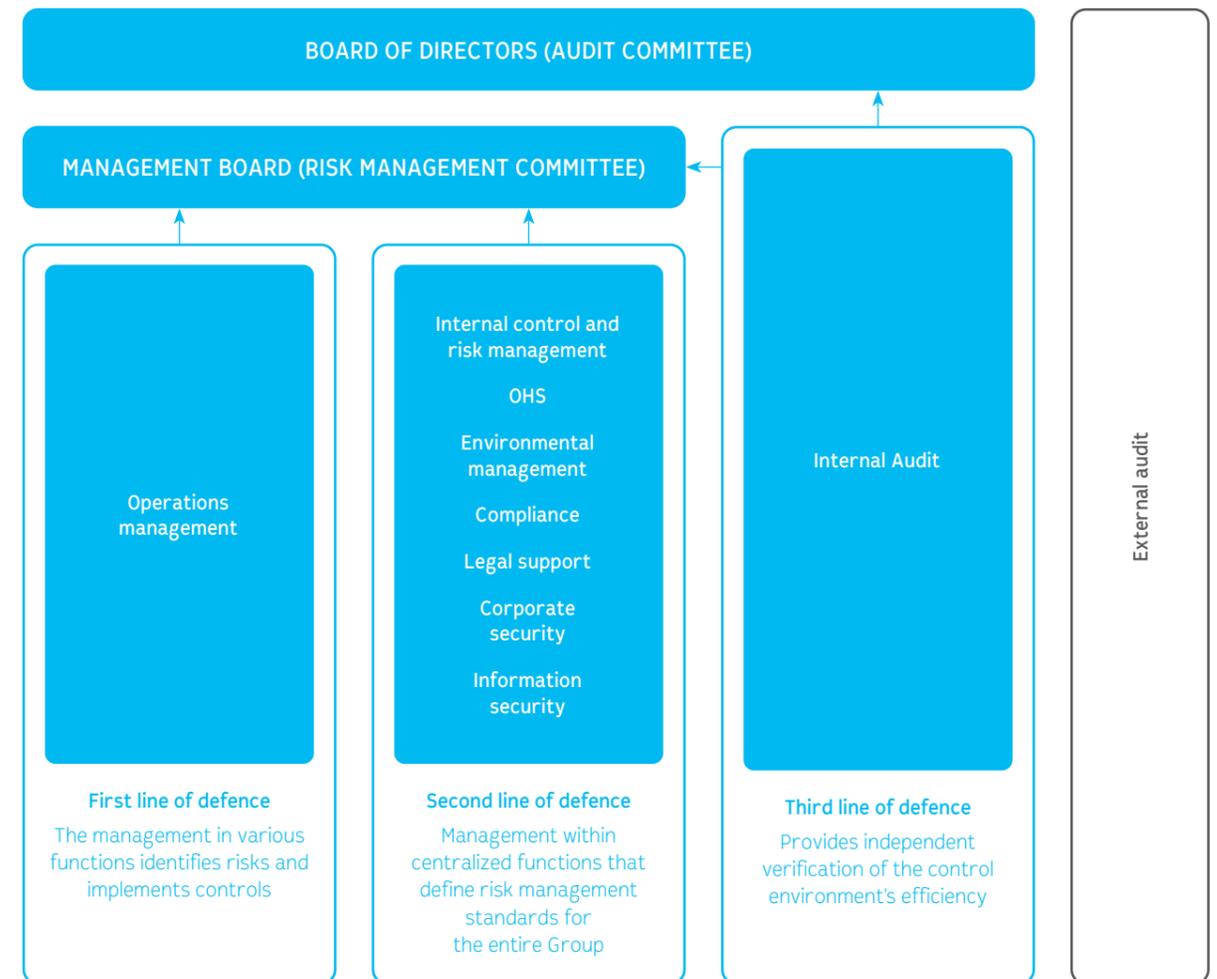
BOARD OF DIRECTORS' AUDIT COMMITTEE

The Audit Committee exercises general oversight over the risk management effectiveness and reviews the risk report, which includes an overview of the risk profile, a summary of significant changes in the profile, and the risk management efficiency analysis [GRI 102-30](#).

RISK MAP

The Company has developed a Risk Map to systematize its approach to identifying, analyzing, and monitoring risks. The Risk Map is regularly updated to reflect the strategy, changing operations, and external context. In 2020, the Risk Map was significantly expanded, pressured by external circumstances (due to the COVID-19 pandemic some risks (health, retirement of key competencies, supply continuity, IT) have increased), and in connection with the Group's heightened focus on internal measures to ensure business continuity, operational efficiency, security and comfort of employees, and protect its business reputation.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM



EXAMPLE OF THE THREE-LINE DEFENCE MODEL: MANAGING THE RISK OF EQUIPMENT FAILURE

First line: the operations staff of the first line is responsible for identifying deviations in the process parameters of the equipment, monitors the degree of wear of individual components, forms requests and sets the timing of scheduled repairs.

Second line: determines the criticality of equipment condition from the main production chain perspective, develops appropriate strategies for its maintenance, and controls the accuracy and completeness of the work performed.

Third line: the internal audit evaluates the efficiency of tools for identifying deviations in the processes of production, planning, and carrying out repairs.

RISK FACTORS

OCCUPATIONAL AND INDUSTRIAL SAFETY RISKS

Risks of industrial and fire safety, risks of emergency situations, occupational risks.

Why is this risk important?

NLMK Group is a manufacturing company. Our activities involve operating hazardous production facilities and using a large amount of mechanical equipment, which creates risks related to the health of employees and contractors, as well as the risks of accidents, fires, equipment breakdown, the decay of buildings and structure, floods, and other natural disasters.

Threats	Management
	<ul style="list-style-type: none"> Regular audits of the state of production facilities (observations, inspections, surveys) Ensuring safe working conditions and preserving the life and health of employees Ensuring the reliability of hazardous production facilities Carrying out industrial and fire safety trainings for employees, including the non-operations employees Investigating the causes of accidents/ incidents, analyzing the possibility of their recurrence at similar facilities Identifying relevant natural risk factors, accounting for seasonal factors for each production company Developing an action plan for the prevention and elimination of natural and man-made emergencies, ensuring annual plan updates, organizing employee training Implementing Cardinal Safety Rules (10 fundamental principles of safe production developed by the Company) for employees and contractors Developing corporate injury prevention programmes, including: LOTO (the procedure for the safe use of energy sources during equipment maintenance, repair, or cleaning), safety at height, eye protection, protection against cuts, protection against falling/slipping Verifying the qualification certificates of employees of contracting organizations, setting knowledge test following the introductory briefing Implementing pre-work hazard analysis and dynamic risk assessment Developing a response system for emergency medical care, medical evacuation, first aid, and resuscitation, including appropriate training of employees

HEALTH SAFETY RISKS

Why is this risk important?

Due to the specifics of the Company processes, the operations at the Group's sites is associated with the impact of harmful factors. The production operations can lead to the release of substances that pollute the air, water, and soil.

Taking into account the COVID-19 pandemic, there are additional risks for the health of employees, both related to the disease itself and to its consequences for the body.

Threats	Management
	<ul style="list-style-type: none"> Early diagnosis and prevention of diseases, development of a conscious attitude of employees to their health, voluntary medical insurance, insurance against accidents and critical illnesses, health resort treatment Ensuring the availability of high-quality food and dietary regime Promoting healthy lifestyle Upgrading corporate medical institutions (purchase of medical equipment, training of medical personnel) Organizing various forms of rehabilitation treatment for workers who have suffered from COVID-19 and viral pneumonia, on the basis of corporate medical facilities Implementing a set of measures to counteract the spread of COVID-19 at the Company's production facilities, including mass laboratory tests Voluntary vaccination against seasonal flu and pneumococcal infection in all regions where the Company operates Handing over medical diagnostic and therapeutic equipment to medical facilities in the regions where the Company operates Additional payments to medical workers' payroll and organizing catering for them

IT AND INFORMATION SECURITY RISKS

Disruption of business continuity due to unavailability of IT systems, data transmission network following technical and software failures, non-fulfillment of obligations by service providers, faulty or intentional actions of the Company's employees, actions of third parties.

Damage caused by unauthorized access of third parties to trade secrets.

Why is this risk important?

The Company's business processes and their efficiency directly depend on IT systems and the security of confidential information in all its forms.

Threats	Management
If cyber threats materialize, they can disrupt business and production processes, damage the environment, and tarnish the Company's business reputation.	<ul style="list-style-type: none"> Intrusion and anomaly detection, security analysis of IT resources, collection and correlation of information security events Conducting audits for compliance with the legal requirements in the field of personal data protection Testing the skills of IT system users for bogus phishing attacks

PERSONNEL-RELATED RISKS

Risks of loss of key competencies necessary for business processes.

Why is this risk important?

Human capital is just as important a resource for achieving the Company's strategic and operational goals as its production facilities.

Threats	Management
The loss of key competencies can lead to downtime, increased costs, and shifts in project deadlines.	<ul style="list-style-type: none"> Development of the workforce planning process by employee profile Setting up a talent pool for senior positions Tracking employee motivation and satisfaction levels Establishing relations with basic educational institutions to improve the quality of personnel training, incentivizing future graduates to join the Company Developing individual employee training and development plans

FINANCIAL RISKS

Risks associated with the Group's financial activities: liquidity risks, currency and price risks, tax risks, credit risks.

Why is this risk important?

The key factor determining the size of the Group's revenue are global steel prices. Since most of the Group's revenue is denominated in foreign currencies and most of expenses are denominated in rubles, the Group faces currency risk. In addition, some of the Group's products are sold with deferred payment, which creates credit risk. For the Group to meet its obligations to employees, customers, and suppliers, it should have sufficient financial reserves and a balanced cash flow.

Threats	Management
If financial risks materialize, the Group's financial performance may deteriorate, and it may not be able to fulfil its obligations to suppliers, contractors, and customers.	<ul style="list-style-type: none"> Creating a risk reserve of unencumbered cash Securing confirmed credit lines with first-class Russian and foreign financial institutions Natural hedging of price risk by currency risk, maintaining an optimal open currency position Using formula-based pricing, concluding long-term contracts Government relations and relations with expert communities Control of supply contracts with deferred payment, contracts for the purchase of goods/ services with advance payments Determining the credit limit based on internal scoring and external ratings Using risk transfer tools: bank guarantee, insurance limit, letters of credit, factoring Applying a portfolio approach to similar requirements, monitoring the portfolio limit

The Company also identifies the following risks:

- Environmental risks (see the *Environmental Protection and Climate Change sections for details*)
- Reputation risks and stakeholder engagement (including contractors) risks (see the *Stakeholder Engagement section for details*)
- Investment project management risks
- Equipment failure risks
- Inventory risks
- Operational efficiency risks
- Supply continuity risks
- Free trade restriction risks
- Corruption and fraud risks, compliance risks, and legal and contractual risks (see the *Compliance section for details*)

EMERGING RISKS

The Group pays special attention to monitoring emerging risks. These are risks, the impact and probability of which cannot be reliably and fully assessed based on statistics or other available information. Completely new risks or previously known risks in a rapidly changing context can be emerging risks.

Emerging risks tend to be external in nature. At the moment, we identify geopolitical, social, demographic, and climate risks, as well as the risks of rapid technological change. With their development, emerging risks can be reconsidered as current risks, which are managed according to the standard approaches and practices adopted in the Group. One example of such a risk is the risk of information security.

Since there is not enough information to assess the probability of emerging risk, the Group has chosen the following strategy: for the most clearly shaped risks, it conducts a scenario analysis of their impact on the Group's goals, and also increases the stability of the Group's business to any events, regardless of their nature.

2020 PERFORMANCE

The COVID-19 pandemic has significantly increased the likelihood of most of the key risks.

In line with the current internal control and risk management system, measures have been developed and are being implemented to reduce the impact of these risks on the Company's business continuity and financial performance.

The events that took place in 2020 confirmed the need to shift the Company's focus from managing individual risks to organizing business continuity and overall resource protection, regardless of the sources of threats.

RISK STRATEGY AND PLANS FOR 2021 AND THE MEDIUM TERM

NLMK has introduced the practice of regularly updating the internal control and risk management system. Three main areas of the Company's development for the next three years were approved in 2020:

1. Business continuity management

Systematic work on continuity management is one of NLMK's priorities in its risk minimization activities. In view of this approach, a project is underway to organize a Business Continuity Management System (BCMS) in accordance with the Business Continuity international standards and best international practices.

The Company is committed to preventing the negative impact of possible business interruptions due to external and internal factors, to ensure stability in crisis situations and to fulfill its obligations to stakeholders.

In 2021, the Company plans to complete the resource and process criticality analysis at the Group's key sites, and update its business continuity plans.

2. Process maturity

NLMK is consistently increasing the maturity level of its internal control and risk management system to ensure the achievement of project and process targets. This includes: improving existing control procedures by analyzing them, identifying areas for development, redesigning controls; eliminating redundancy; developing key risk indicators and defining their boundaries; developing approaches to joint risk modelling, stress testing, and scenario analysis.

In 2021, the Group plans to approve its risk appetite for key risks, develop a system of key risk indicators, and synchronize them with the goal-setting system.

3. Corporate culture of risk awareness

The Company is committed to creating a risk awareness culture that meets the principles of engagement, responsibility, and risk prevention. As part of this commitment, NLMK plans to develop educational solutions, conduct trainings, raise awareness of employees about the internal control and risk management system, as well as about communication channels for sharing risk-related information.

Risk management requires specific knowledge and often involves data processing and modelling. In order to cope with specific local tasks in business units, the Risk Lab competence centre is being created, which will develop innovative methods and tools for quantifying risk and making decisions in conditions of uncertainty.

COMPLIANCE

The Company is actively developing its compliance system, which aims to ensure that NLMK's operations comply with applicable legislation and internal documents. The functioning of the compliance system is ensured by the Compliance Division, established in 2020, as well as profile divisions.

The Compliance Division:

- Implements anti-corruption programmes and activities
- Implements antitrust risk management programmes
- Coordinates the implementation of other compliance procedures

ANTITRUST COMPLIANCE

NLMK Group continues to improve its antitrust compliance system, taking into account changes in the legislation and law enforcement development trends. The Company has introduced the practice of continuous monitoring of antitrust legislation, antitrust practices and the experience of other companies in preventing antitrust risks.

With a view to ensuring antitrust compliance, the Company has established a number of control procedures and produced educational and data analytics materials for employees. In 2020, all mandatory procedures enabling effective functioning of the programme were implemented. They included risk



monitoring, which did not reveal significant changes in the Company's antitrust risk map, and regular consultations on antitrust matters for employees. The antitrust compliance manager participated in the business processes most exposed to antitrust risks (shaping the trade and sales policy, concluding contracts, interacting with counterparties).

Employee training is a key element of the compliance system. In 2020, a pilot training on antitrust requirements was carried out for employees, and a map of the Company's key positions was developed for continuous training and testing. Part of the training was held online expanding the reach to more employees across different regions. NLMK Group regularly shares information about antitrust requirements with its employees using various formats to achieve maximum effect.

The Company's Antitrust Policy declares 'zero tolerance' to violations of the antitrust law. The Company continues to improve its antitrust risk prevention system, and in 2020, it was included in the Legal Support function.

INTERNAL AUDIT

Internal audit is a source of independent and reasonable guarantees to the Board of Directors and management and it is involved in improving the Group's performance by:

- Conducting objective audits in line with the risk-based approach
- Giving recommendations following the results of audits and knowledge sharing

The Group's internal audit function is built in line with legal requirements and the recommendations of professional standards and the Bank of Russia's Corporate Governance Code, and meets the requirements of best international practices.

Internal audit is a centralized function that fully encompasses the core activities of NLMK Group companies, including international companies. The unified management of the internal audit function allows for the use of uniform standard approaches to planning, auditing and reporting, and also ensures an effective exchange of information between specialists of the Internal Audit Service and with key stakeholders.

The Internal Audit Service performs the following key functions:

- Assessment of the internal control system
- Evaluation of the risk management system's effectiveness
- Assessment of corporate governance

In addition, the Internal Audit Service performs consulting activities by providing professional opinions to internal customers on certain matters concerning financial and business operations.

The Company's internal control and risk management system is evaluated taking into account the principles set forth in international standards for risk management and internal control, including ISO 31000:2018, COSO ERM:2017, and COSO 2013.

PRINCIPLES OF THE INTERNAL AUDIT SERVICE AND THEIR ENFORCEMENT

Principle of the Internal Audit Service	Tools and mechanisms for enforcing the principles
Independence and objectivity	Audit Director functionally reports to NLMK's Board of Directors Audit Director is appointed (dismissed) by a resolution of NLMK's Board of Directors Audit Director has the right of direct and free access to the Chairman of the Board of Directors, Chairman of the Audit Committee, and CEO (Chairman of the Management Board) to provide information on significant risks that have been identified Third parties are prohibited from interfering in the process and the results of the audit
Systematic and consistent approach	The Internal Audit Service is guided by a risk-based Audit Plan Resources are distributed between targeted (limited scope) and comprehensive audits of processes and subsidiaries in devising the Audit Plan The Internal Audit Service prepares recommendations taking into account the costs/value ratio. Priority is given to systemic measures Regular monitoring of the execution of post-audit recommendations
Efficient use of resources	Lead auditors are appointed from among the most qualified auditors Engagement of internal and external experts (consultants) Timely status updates to the Company's management about the requirements (limitations) for the resources needed to conduct audits
Professionalism and a professional approach to work	Internal auditors have special knowledge, skills, and expertise needed to carry out practical professional activity in the Company; continuous professional development and improvement of the said knowledge, skills, and other expertise through assessment, training, and sharing experience; continuous development of expertise in IT systems as the key source of information during audits
Continuous audit quality improvement	Annual internal and periodic external (once every five years) assessments of the internal audit function to determine whether the activities of the Internal Audit Service and auditors comply with the definition of internal audit, the International Standards or the Professional Practice of Internal Auditors, and the Code of Ethics of the Institute of Internal Auditors (IIA), with a view to further improve it. After its 2017 independent quality assessment, Deloitte provided NLMK with a positive opinion stating that the Internal Audit Service's activities are generally in line with International Standards for the Professional Practice of Internal Auditors and the IIA Code of Ethics.



The main internal document of NLMK Group governing the Internal Audit Service functions is the Regulations on the Internal Audit Service. The Regulations have been approved by the Board of Directors and are available on the Company's official website.

The Head of the Internal Audit Service, as part of their activities, submits reports to the Audit Committee on the audit results of the actual state, reliability, and effectiveness of the internal control and risk management system.

2020 PERFORMANCE

In 2020, the Internal Audit Service continued to implement the Internal Audit Development Strategy through to 2022 and approved by the Audit Committee.

A number of planned activities were carried out with the following key results:

- Evaluation of the effectiveness of the risk management system
- Assessment of the risk management system's effectiveness
- Assessment of the internal control system's effectiveness for end-to-end processes at NLMK Group: Maintenance, Procurement: Raw materials, Operational efficiency, Qualification, tender, and contract approval, etc.
- Local audits of process control efficiency

PLANS FOR 2021 AND THE MEDIUM TERM

- Assessing the reliability and functioning of risk management and internal control for NLMK Group's key business processes according to the Internal Audit Plan, including the study of end-to-end processes in the Company's international assets
- Improving compliance with the requirements of antitrust, anti-dumping, and anti-corruption legislation
- Assessment of corporate governance effectiveness

ANTI-CORRUPTION ACTIVITIES

NLMK Group is guided by high ethical standards, principles of business transparency, and zero tolerance to any form or manifestation of corruption in its day-to-day operations. The Company engages in targeted work to prevent and counteract corruption and fraud. The Company's management constantly devotes attention to timely detecting and responding to wrongdoings [GRI 102-16](#).

The Company has adopted the Code of Corporate Ethics and Anti-Corruption Policy. Whenever a new version of the Code of Corporate Ethics or Anti-Corruption Policy comes into effect, all employees of the Company review latest version and sign an acknowledgement form [GRI 102-16](#).

The Company also expects its business partners to adhere to basic values and principles of good business conduct. The Company's business partners familiarize themselves with the provisions of the Code of Corporate Ethics during the qualification and selection of a counterparty as well as the conclusion of a contract. The Group imposes a mandatory requirement on all business partners that an anti-corruption clause must be included in the contract, or an Agreement on Anti-corruption Terms must be signed [GRI 102-16](#).

The Audit Committee of the Board of Directors, the CEO (Chairman of the Management Board), and the Risk Management Committee of the Management Board all play a key role in establishing an anti-corruption system that functions efficiently. The Vice President for Risk Management is in charge of implementing anti-corruption programmes and countering corruption within the Company. The Compliance unit implements anti-corruption programmes and activities [GRI 102-16](#).



The main mechanisms and tools employed by the Company to combat corruption and fraud are [GRI 102-17](#), [GRI 205-2](#):

- The drafting, communication to all stakeholders, and implementation of internal corporate documents
- Informing and training employees about anti-corruption issues
- Efficient feedback mechanisms for collecting and analysing information, including an anti-corruption hotline and continuous informing of employees about available feedback channels
- The identification, assessment, and management of corruption and fraud risks within business processes and mitigating these risks
- The inclusion of the requirement to comply with the provisions of the Anti-corruption Policy and the Code of Ethics in the job descriptions of employees and agreements with counterparties

The Company has introduced a number of feedback mechanisms for collecting and analysing information about any instances of corruption, fraud, unethical or unfair behaviour, or other wrongdoing that could take place or have taken place. The most well-known mechanisms are the anti-corruption hotline and the e-mail for whistleblowers (including anonymous). Contacts are available *on the Company's website* [GRI 102-17](#), [GRI 205-2](#).

All requests are promptly analysed in accordance with the procedure in place at the Group, and corrective measures are taken if necessary. Any information that is corroborated about instances of corruption is anonymized and published on the corporate portal. This procedure serves to inform employees about the result of the inspections/investigations initiated by hotline reports and to remind employees that corruption is strictly prohibited (*Article 4 of the Anti-Corruption Policy*) [GRI 102-17](#), [GRI 205-2](#).

The anti-corruption and fraud system efficiency assessment is performed as part of audits by the Internal Audit Service.

Risks associated with corruption and fraud are identified, analysed, and assessed at all levels of management and at all the Group's companies [GRI 205-1](#).

Experts from the Compliance unit together with other departments are consistently working to identify the sources of fraud and corruption risks and prevent them from materializing [GRI 205-1](#).

The efficiency of NLMK Group's Code of Corporate Ethics is assessed as part of the Internal Audit Service's audits. In 2020, following the test of the conflict of interest declaration procedure among employees, investigations were conducted against 31 employees. As a result, one real conflict of interest situation and nine potential ones were identified. Corrective measures are taken for the identified shortcomings.

PREVENTION AND RESOLUTION OF CONFLICTS OF INTEREST

More than 3,000 employees of the Group working in the areas most exposed to the risks of fraud and corruption are required to undergo the conflict of interest declaration procedure annually. While other employees have the opportunity to declare conflict of interest via an electronic questionnaire at their own initiative. All situations with signs of a conflict of interest, declared by employees or identified by control services, are promptly analysed in accordance with the procedure adopted in the Group. If necessary, measures are taken to resolve them. As part of this procedure, employees are also required to confirm that they have reviewed the provisions of the Anti-Corruption Policy, Code of Corporate Ethics, and Regulations on the Prevention, Detection, and Settlement of a Conflict of Interest [GRI 205-2](#).

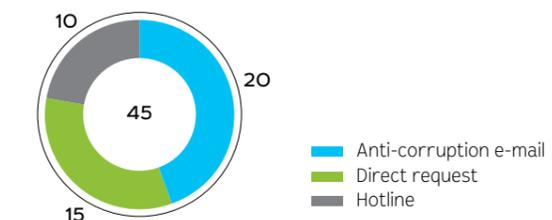
2020 PERFORMANCE

In 2020, more than 3,000 employees underwent the conflict of interest declaration procedure and confirmed that they had reviewed the provisions of the Code of Corporate Ethics, Anti-Corruption Policy, and Regulations on the Prevention, Detection, and Settlement of a Conflict of Interest. The rest employees were made aware of the provisions of these regulations when they were amended, by publishing the wording of the documents on NLMK's corporate portal. A total of 42 employees individually took a Conflict of Interest distance learning course (2,458 employees in total since the launch of the course) [GRI 205-2](#).

All the Group's business partners are informed about the principles of good conduct in the qualification process and when a contract is concluded. In 2020, 14,463 business partners were informed [GRI 205-2](#).

Each report about corrupt practices or intentions received through feedback channels is thoroughly checked in accordance with the Regulation on Conducting Official Investigations and Inspection [GRI 205-2](#), [GRI 205-3](#).

NUMBER OF OFFICIAL INSPECTIONS/INVESTIGATIONS INITIATED AFTER REPORTS VIA FEEDBACK CHANNELS IN 2020



Instances of corruption and fraud that were confirmed in 2020 included, among other things, the unfair behaviour of suppliers, the provision of false information, unethical behaviour as well as deliberate actions taken against property and resources for personal gain [GRI 205-2](#).

Based on the results of official inspections and investigations in 2020, the total share of confirmed claims was 36%, seven facts of fraudulent actions were revealed, five of which were committed with the participation of the Company's employees. Employment relationships were terminated with 140 employees [GRI 205-2](#), [GRI 205-3](#).

A total of 599 potential suppliers were rejected in the qualification of supplier counterparties in 2020 by the corporate security criteria [GRI 205-2](#).

During the year, no corruption-related legal proceedings were initiated against NLMK Group or its employees [GRI 206-1](#).

PLANS FOR 2021 AND THE MEDIUM TERM

The Company's plans for countering corruption and fraud and introducing good business practices include further developing all existing procedures and improving the efficiency of existing measures.

INDEPENDENT AUDITOR

The Company hires an independent audit organization to audit and confirm the accuracy of NLMK Group's IFRS (International Financial Reporting Standards) consolidated financial statements, and NLMK's RAS (Russian Accounting Standards) accounting (financial) statements. In April 2020, NLMK's Annual General Meeting of Shareholders approved PricewaterhouseCoopers Audit (PwC) as the Company's auditor.

The independent auditor is selected from among recognized independent auditors with an impeccable professional reputation. The main criteria for selecting an independent auditor are the qualifications of the audit organization, the quality of the services provided as well as compliance with the audit independence requirements. The candidate for an independent auditor is reviewed by the Audit Committee of the Board of Directors and the Board of Directors, and is approved by NLMK's Annual General Meeting of Shareholders.

PwC has been the auditor of the Group since 2003. The Board's Audit Committee, which is responsible for evaluating the efficiency of the current independent auditor, was satisfied with the quality of the services provided. In 2019 it recommended that the Board of Directors and the General Meeting of Shareholders re-appoint PwC as the Group's auditor for 2020–2022.

Compliance with the auditor's independence principle

In order to comply with the requirements for audit independence and ensure a high level of professionalism, PwC has several systems that ensure audit independence and maintain a high level of professionalism and the quality of the services provided. For example, PwC rotates key audit personnel on a regular basis (at least once every seven years) with the latest rotation in 2020.

In addition to providing audit services to confirm the reliability of financial statements, NLMK Group's companies may hire PwC and other PwC companies to provide consulting (non-audit) services. The management of NLMK Group and, in particular, the Audit Committee, performs the necessary procedures and are certain that these services do not affect the independence of the auditor and are not related to financial reporting. In 2020, the share of non-audit services in the total volume of services provided by PwC was at an acceptable level and did not exceed 29% of the total volume.

REMUNERATION OF INDEPENDENT AUDITOR

NLMK's Board of Directors has determined the value of remuneration for the provision of audit (review) services of NLMK's 2020 interim and annual IFRS consolidated financial statements as well as for the audit of the 2020 RAS statements in the amount of RUB 59,100,000 (VAT excluded).

REMUNERATION PAID TO NLMK GROUP'S INDEPENDENT AUDITOR FOR 2020, \$ '000 (VAT EXCLUDED)

Types of services	Remuneration
Audit and reviews	1,498.1
Non-audit services	624.3

INFORMATION FOR SHAREHOLDERS AND INVESTORS

ORDINARY SHARES

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

Exchange amounted to 7.52% of share capital as of 31 December 2020. The Company's depository bank is Deutsche Bank Trust Company Americas.

London Stock Exchange (London) Ticker Code	NLMK
Moscow Stock Exchange (Moscow) Ticker Code	NLMK
Bloomberg Ticker Code	NLMK LI ¹
Reuters Ticker Code	NLMKq.L ²

INDICES THAT INCLUDE NLMK SHARES

General indices

- RTS Index
- RTS Metals and Mining Index
- MOEX Russia Index
- MOEX Metals and Mining Index
- MOEX Broad Market Index
- MSCI Russia Index
- MSCI Emerging Markets
- Bloomberg World Index
- Bloomberg World Iron/Steel Index
- Bloomberg Europe Iron/Steel Index
- Bloomberg EMEA – World Index
- FTSE Russia IOB Index
- FTSE Emerging Markets Index

ESG indices

- STOXX Global Total Market Price Index
- STOXX All Europe Total Market Price Index
- STOXX BRIC 400 Price Index
- STOXX Global 3000 Price Index
- STOXX Emerging Markets 1500 Index
- Russian Depository Index USD
- S&P Emerging BMI
- S&P Global LargeMidCap
- S&P Global BMI Materials USD
- DAXglobal Russia+ Price Index EUR
- DAXglobal Steel EUR Price
- Dow Jones Emerging Markets Select Dividend Index USD
- MOEX RSPP Sustainability Vector Index
- MOEX RSPP Responsibility and Transparency Index
- MSCI Emerging Markets Choice ESG Screened 5% Issuer Capped Index
- FTSE Emerging Markets ESG Index
- FTSE4Good Emerging Total Return Index

SHAREHOLDER NUMBERS

In 2020, the number of shareholders increased by 73%, reaching 114,000 people. The number of online voting participants increased to 677 people by the end of the year (+57% yoy).

NUMBER OF NLMK SHAREHOLDERS AND ONLINE VOTING PARTICIPANTS

Indicator	As of 25.11.2019	As of 23.11.2020	Variance, %
Total shareholders	66,045	114,181	73
Online voting participants	431	677	57

¹ NLMK LI for GDS traded on the LSE; NLMK RX for shares traded on the MICEX platform of the Moscow Exchange
² NLMK LI for GDS traded on the LSE; NLMK.MM for shares traded on the MICEX platform of the Moscow Exchange

SHARE PRICE

NLMK GLOBAL DEPOSITARY SHARE PRICE ON THE LONDON STOCK EXCHANGE, \$

Indicator	2019	2020	Change, %
Start of year	22.9	23.0	1
End of year	23.0	27.7	20
Maximum	28.3	29.3	3
Minimum	19.3	12.3	-36
Average	23.4	21.0	-10

ORDINARY NLMK SHARE PRICE ON THE MOSCOW STOCK EXCHANGE, RUB

Indicator	2019	2020	Change, %
Start of year	157.4	143.7	-9
End of year	143.7	209.1	45
Maximum	183.2	223.8	22
Minimum	123.4	101.1	-18
Average	151.9	152.8	1

NLMK SHARE PRICES ON THE MOSCOW STOCK EXCHANGE AND LONDON STOCK EXCHANGE IN 2020



NLMK SHARE INDEX AND MOSCOW STOCK EXCHANGE INDEX IN 2020



MARKET CAPITALIZATION

In 2020, the Company's average market capitalization on the London Stock Exchange was \$14 bn (-7% yoy). At the end of 2020, NLMK share prices stood at \$2.8 per share (or \$27.74 per GDS), which is consistent with a capitalization of \$16.63 bn (+20% yoy).

TAXATION¹

Legal entities

Chapter 25 'Tax on Organizations' Profit' of the Russian Tax Code governs the tax treatment of organizations' revenues received as dividends on shares. Dividends paid to organizations that are Russian taxpayers are subject to a 0% or 13% income tax (clauses 3.1 and 3.2, Article 284 of the Russian Tax Code); foreign organizations are subject to a 15% income tax (clause 3.3, Article 284 of the Russian Tax Code) in line with international taxation agreements of the Russian Federation.

Individuals

The personal income tax rate for Russian residents is 13% for income under RUB 5 million and 15% for income over RUB 5 million in a calendar year (clause 1, Article 224 of the Russian Tax Code; Section 3, Article 2 of Federal Law dd. 23/10/2020 No. 372-FZ), and 15% for non-residents (clause 3.2, Article 224 of the Russian Tax Code).

DIVIDENDS

Dividend Policy

According to the current¹ dividend policy, dividends are determined as follows:

- If Net Debt/EBITDA is 1.0x or less: the payout amount shall be equivalent to or above 100% of the free cash flow, calculated based on the Company's IFRS consolidated financial statements for the reporting period

¹ Information on taxation is provided for general information purposes only. Potential and current investors should consult with their own advisors regarding the tax consequences of investing in the Company's shares, including GDS.

- If Net Debt/EBITDA exceeds 1.0x: the payout amount shall be equivalent to or above 50% of the free cash flow, calculated based on the Company's IFRS consolidated financial statements for the reporting period

Dividends are paid annually. If financially stable conditions are maintained, NLMK will strive to pay interim dividends on a quarterly basis. NLMK uses the normalized investment level of \$700 m per year to calculate the free cash flow for dividend payments if actual investments are above this level.

The amount to be paid as dividend for a specific period is approved by the Company shareholders in line with the Board of Directors' recommendations.

Dividends on GDS

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

CORPORATE DOCUMENTS

The Group's corporate documents, including the NLMK Charter, are available at www.nlmk.com.

FINANCIAL REPORTING AND DISCLOSURE

The Group posts announcements of financial results on the London Stock Exchange website via the regulatory news service (RNS) and on the Interfax Corporate Disclosure Centre website, and then publishes them on the Group's website in the form of press releases and distributes them to the media. The Company publishes its financial

results on a quarterly basis. The annual report is published in electronic form on the Group's website, www.nlmk.com, on the day of its official publication. The Company announces its publication in a special press release. A hard copy of the annual report is available upon request in the office of the Company.

EQUITY STRUCTURE

Stock share owned by governing bodies members is less than 0.01%.

EQUITY STRUCTURE AS OF 31 DECEMBER 2020, %



CONTACTS FOR SHAREHOLDERS

Registrar

The register of holders of NLMK securities is maintained by the Regional Independent Registrar Agency (RIR Agency). Registered address: 10b, 9 Maya St., Lipetsk, Russia, 398017 Telephone: +7 (4742) 44-30-95 Email: info@a-rnr.ru Website: <http://www.a-rnr.ru/>

Depository bank

Deutsche Bank Trust Company Americas

New York Headquarters

60 Wall St., New York, NY 10005 USA

London Office

Winchester House
1 Great Winchester St.
London EC2N 2DQ
UK

Contacts

London: +44 (20) 7547-6500
New York: +1 (212) 250-91-00
Moscow: +7 (495) 642-06-16
Email: adr@db.com

Corporate Secretary

Valery Loskutov
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Email: loskutov_va@nlmk.com

Corporate Finance and Investor Relations

Telephone: +7 (495) 504-05-04
Email: ir@nlmk.com

GRI 102-53

¹ As of 31 December 2020.

² The Company's beneficiary is Vladimir Lisin, according to the definition of 'beneficiary' in Russian legislation.

³ Including GDS traded on the London Stock Exchange (Deutsche Bank Trust Company Americas is NLMK's depository bank) and shares traded on the Moscow Exchange.