

# CORPORATE GOVERNANCE

# Q1 2022

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Plate-dendritic structure  
of zinc-aluminum-magnesium coating

Scale 1 : 10,000

# Corporate governance



**22%**  
women

in the Board of Directors

## 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 by the Bank of Russia.

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:

- Sustainable development and long-term growth of return on equity investment
- 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
- Equal treatment of all shareholders, including non-Russians and minority shareholders
- Commitment to ensure reliable and effective registration of title to shares and guarantee the opportunity to alienate them freely and without encumbrances
- Compliance with existing laws, principles of the Corporate Governance Code recommended by the Bank of Russia, and international corporate governance standards
- Observing the rights of third parties, including creditors and NLMK employees, as required by the law, the Charter, and other regulatory documents
- 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
- 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
- Complying with business ethics in conducting operations

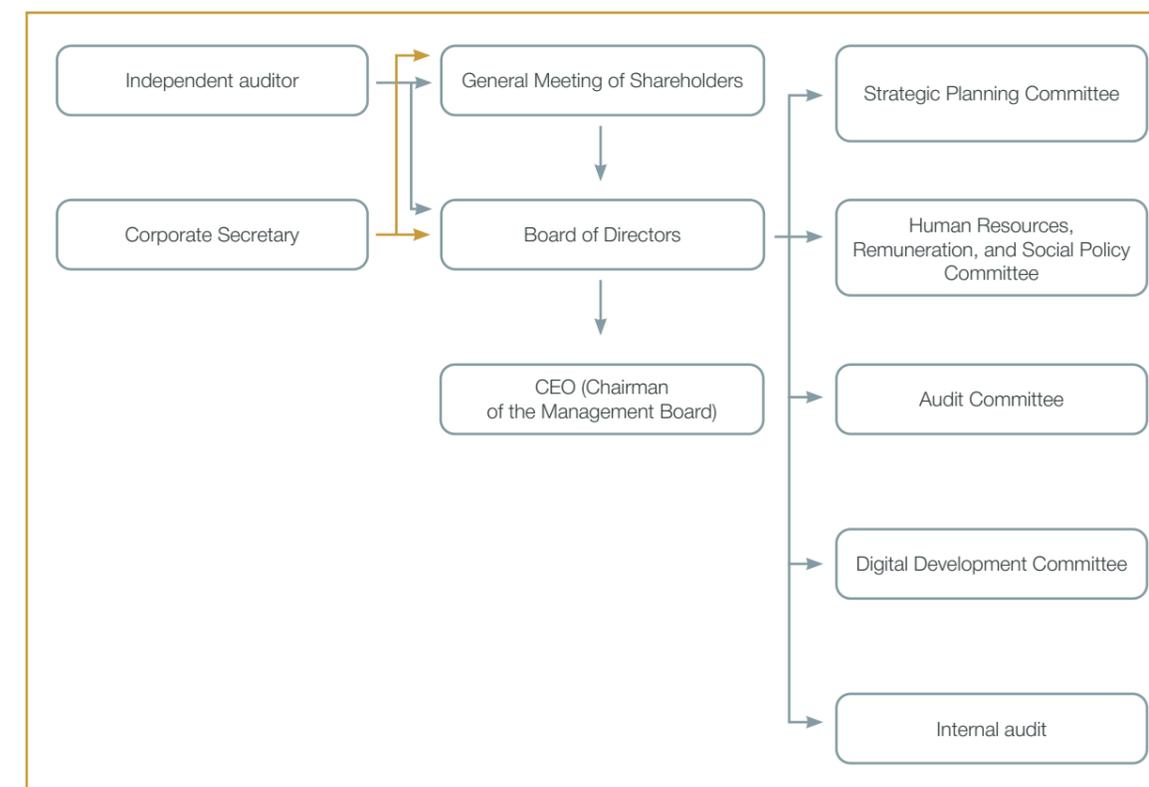
All documents regulating corporate governance practices and principles are available on NLMK Group's official website.

### 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
- Executive bodies: the CEO (Chairman of the Management Board) and the Management Board, which manage day-to-day activities of the company and ensure its efficient operation, while implementing the objectives set by the Board of Directors
- The Corporate Secretary, who handles interaction with shareholders, coordinates the company's activities that aim to protect shareholders' rights and interests, and supports the Board of Directors
- Internal audit, which oversees the company's financial economic activities

### NLMK's Corporate Governance Structure GRI 102-18



## Improving Corporate Governance practices in 2021

In 2021, 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:

- The company engaged an independent consulting firm, Spencer Stuart, to carry out an independent assessment of the Board of Directors' performance. The consultants issued recommendations to further increase the Board's efficiency (see the Results of the Board of Directors Performance Assessment section for more details)
- Jane Zavalishina was elected to the Board of Directors. She is a highly qualified expert in information technologies and innovation. The new structure of the Board of Directors is more diverse, balanced, and characterized by stronger digital competencies. Jane Zavalishina was appointed Chair of the newly created Digital Development Committee
- The company adopted new and revised existing company documents, which are approved by the General Meeting of Shareholders and the Board of Directors:
  - NLMK's control over the transactions and M&A activities of the Group companies was increased and the competencies of NLMK's governance bodies related to changes in the structure of NLMK's direct and indirect participation in other companies were expanded. These changes were reflected in the NLMK Charter and the Regulations on the Management Board
  - The Charter and the Regulations on the Board of Directors now offer more clarity on the role of the Board of Directors in succession planning, performance assessment of the Board of Directors and the CEO (Chairman of the Management Board), and approving the CEO's KPIs and the company's HR strategy. In addition, since the number of committees has increased, recommendations were specified on Board members' participation in committees
  - The Human Resources, Remuneration, and Social Policy Committee approved the revised version of the Induction course for newly elected Board members, developed the Board of Directors Succession Policy and recommended it to the Board of Directors for approval. The Policy is based on regulators' recommendations and best practices, which aim to support the balance of key competencies, experience, and diverse Board composition
  - The company approved the Regulations on Digital Development Committee; new versions of the Corporate Governance Code, the Regulations on Remuneration of Members of NLMK's Board of Directors, and Anti-Corruption Policy, which takes into account the latest regulatory requirements and anti-corruption compliance practices of NLMK Group

As at the end of 2021, NLMK complies with all principles of the Corporate Governance Code: 79 principles (91%) are fully observed and 7 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.

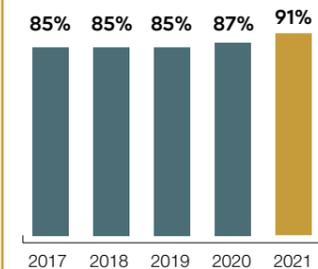
At meetings held in 2021, the company successfully employed an electronic voting service, which allows shareholders to vote regardless of where their shares are registered.

NLMK shareholders have ranked among top-3 most active users of the e-voting service (NSD). For the convenience of its shareholders, the company launched an additional service on the website of NLMK's registrar. The shareholders were able to use it at the Extraordinary General Meeting on 26 November 2021.

In accordance with Federal Law No. 17-FZ dd. 24 February 2021 and a resolution of the Board of Directors, the company's Annual General Meeting of Shareholders on 2021 performance was held by absentee ballot.

In 2021, the number of NLMK shareholders tripled, exceeding 373,000 by year-end.

### The share of Corporate Governance Code recommendations fully observed by the company



## 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 opportunity to participate in the company's profits distribution by receiving dividends on identical terms.

### 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 General Meeting of Shareholders procedure for preparing, convening, holding, and vote counting 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 provisions relating to:

- The option for the company's shareholders to participate in the meetings 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

Shareholders have two options for online voting: through the e-voting service of the National Settlement Depository and the online voting service on the website of NLMK's registrar, the Regional Independent Registrar Agency. These services are available to all company shareholders, regardless of whether they are the depository's clients or if their share rights are recorded in the register.

The notice about the General Meeting of Shareholders and the information 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 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 Corporate Governance Code recommended by the 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.

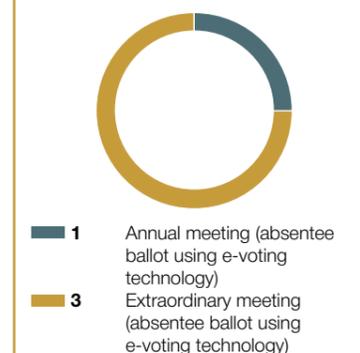
The company's independent registrar functions as the counting commission of the General Meeting of Shareholders.

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 NLMK's website.

### Activities in 2021

Four General Meetings of Shareholders were held in 2021.

#### NLMK's General Meetings of Shareholders held in 2021

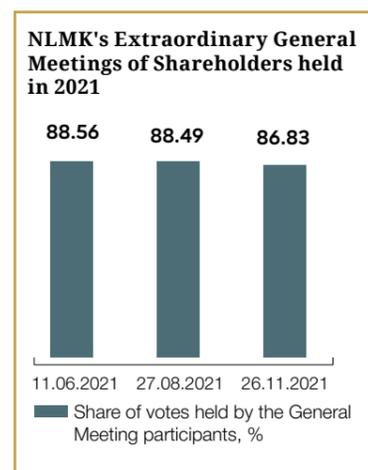


NLMK's Annual General Meeting of Shareholders on 2020 performance was held on 29 April 2020 by absentee ballot. It was attended by shareholders and shareholder representatives holding a total of 88.52% of NLMK's equity, which meets the quorum requirements. During the meeting, resolutions were passed on the issues envisaged by Item 1, Article 47 of the Federal Law "On Joint-Stock Companies". In addition, shareholders approved the payment of 2020 dividends in the amount of RUB 21.64 per share.

### PLANS FOR 2022 AND THE MEDIUM TERM

In 2022, NLMK will continue to analyse the best corporate governance practices and evaluate them in terms of their applicability to the company's activities. Particular attention will still be paid to the implementation of sustainability practices. As always, the company will analyse rankings, ratings 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. The Group will continue to analyse best practices, new approaches and tools for ensuring alternative ways of corporate meeting participation.

NLMK's 2021 Extraordinary General Meetings of Shareholders were held by absentee ballot.



## 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.

Board members are engaged in various business aspects, both within the operation of the Board and its committees and outside

At NLMK's Extraordinary General Meeting of Shareholders held on 11 June, shareholders passed a resolution to pay (declare) Q1 2021 dividends on ordinary shares in the amount of RUB 7.71 per ordinary share.

At NLMK's Extraordinary General Meeting of Shareholders held on 27 August, shareholders passed a resolution to pay (declare) H1 2021 dividends on ordinary shares in the amount of RUB 13.62 per common share, including out of retained earnings.

At NLMK's Extraordinary General Meeting of Shareholders held on 26 November, shareholders passed a resolution to pay (declare) 9M 2021 dividends on ordinary shares in the amount of RUB 13.33 per common share, including out of retained earnings.

of it. Directors ensure productive interaction and experience exchange with the management including at informal meetings. With the view to integrate long-term trends and challenges in the company's development strategy, working groups have been formed at the Board of Directors level.

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 the management, and make objective independent judgements and decisions that serve the interests of NLMK and its shareholders.

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

Members of the 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

At the meetings, shareholders also approved new versions of corporate documents (the NLMK Charter, the Regulations on the Board of Directors and the Regulations on Remuneration of Members of NLMK's Board of Directors), passed resolutions on the company's membership in the Wind Industry Association, the Association for the Development of Electric, Unmanned and Connected Transport and Infrastructure, and the European Foundation for Management Development Association.

Detailed information on the voting results and resolutions passed by the General Meetings of Shareholders in 2021 is available on the company's website.

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's 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 performance 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 competence 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.

### Chairman of the Board of Directors

**GRI 102-23**

The Chairman of the Board of Directors ensures the efficient functioning of the Board, arranges for the preparation of its 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 its activities and ensuring that its committees function efficiently.

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

In 2021, in line with best corporate governance practices, the Board of Directors elected its Deputy Chairman.

### 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 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 Board of Directors and the Corporate Governance Code recommended by the Bank of Russia.

### Composition of the Board of Directors

**GRI 102-22 GRI 405-1**

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 professional reputation in the business community, as well as extensive work experience in key executive positions in leading international companies of various sectors. In addition, many Board members have

occupied CEO positions at various companies, which enabled them to obtain competencies in all aspects of business operation, including knowledge and skills in steelmaking, mining, finance, investment, risk management, ESG.

Most Board members have substantial work experience in the boards of directors and supervisory boards of other 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 two women and citizens of various states, ensuring sociocultural and gender diversity.

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 2021, the Board of Directors elected at the Annual General Meeting of Shareholders on 29 April 2021 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. For instance, in 2021, Jane Zavalishina was elected into the Board.

# Members of NLMK Board of Directors as of 31 December 2021



**SERGEY KRAVCHENKO**  
Board member  
2 years of tenure



**VLADIMIR LISIN**  
Chairman of the Board of Directors  
25 years of tenure  
Non-executive director



**MARJAN OUDEMAN**  
Board member  
4 years of tenure



**OLEG BAGRIN**  
Deputy Chairman of the Board of Directors  
17 years of tenure  
Non-executive director



**STANISLAV SHEKSHNIA**  
Board member  
7 years of tenure



**THOMAS VERASZTO**  
Board member  
6 years of tenure



**JANE ZAVALISHINA**  
Board member  
1 year of tenure



**NIKOLAI GAGARIN**  
Board member  
20 years of tenure  
Non-executive director



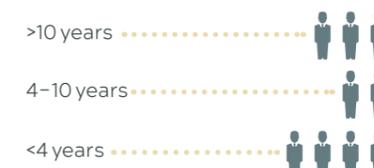
**JOACHIM LIMBERG**  
Board member  
3 years of tenure



Directors' expertise in the steel sector



Directors' length of tenure



Composition of the Board of Directors by director status



- ★ Independent director
- 🕒 The Strategic Planning Committee

- 🕒 The Audit Committee
- 🕒 The Digital Development Committee

- 👤 The Human Resources, Remuneration, and Social Policy Committee

**Composition of NLMK Board of Directors in 2021**

Composition of NLMK Board of Directors from 24.04.2020 until 29.04.2021		Composition of NLMK Board of Directors elected on 29.04.2021	
Board member	Position	Board member	Position
Vladimir Lisin	Chairman of the Board of Directors	Vladimir Lisin	Chairman of the Board of Directors
Oleg Bagrin	Board member	Oleg Bagrin	Deputy Chairman of the Board of Directors
Thomas Veraszto	Board member, Independent director	Thomas Veraszto	Board member, Independent director
Joachim Limberg	Board member, Independent director	Joachim Limberg	Board member, Independent director
Nikolai Gagarin	Board member	Nikolai Gagarin	Board member
Sergey Kravchenko	Board member, Independent director	Sergey Kravchenko	Board member, Independent director
Stanislav Shekshnia	Board member, Independent director	Stanislav Shekshnia	Board member, Independent director
Marjan Oudeman	Board member, Independent director	Marjan Oudeman	Board member, Independent director
Benedict Sciortino	Board member, Independent director	Jane Zavalishina	Board member, Independent director

**Key competencies of the NLMK Board of Directors** GRI 102-27

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

On 28 July 2021, Stanislav Shekshnia, who was previously not an NLMK shareholder, acquired 578 of the company's global depository shares (equivalent to 5,780 ordinary shares) making up 0.000096% of NLMK's charter capital. Other Board members are not NLMK shareholders.

**Board structure by gender**

**Age of Board members**


## 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

**Experience**

Vladimir 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.

**Education**

Vladimir 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

Deputy Chairman of the Board of Directors since 2021, 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 and Digital Development Committee

**Experience**

Oleg Bagrin has extensive experience in the governance bodies of major companies and funds, including executive positions in financial asset management and the banking sphere.

2005-2019 - Director, Chairman of the Board of Directors, Libra Capital Investment Company.

2007-2019 - member of the collegiate executive body and member of the Board of Directors, NLMK Pennsylvania LLC, Sharon Coating LLC, NLMK Indiana LLC.

2011-2018 - member of the Board of Managing Directors and the Board of Directors, NLMK International B.V.

2012-2015 - member of the Board of Directors, Freight One.

2012-2018 - CEO (Chairman of the Management Board), NLMK Group.

**Positions in other companies**

2015-2016, 2018-present - member of the Board of Directors, Freight One.

2018-present - Director and member of the Board of Directors, FLETCHER GROUP HOLDINGS LIMITED.

**Education**

State Academy of Management (Moscow), economist and analyst (1996).

State University of Management (Moscow), postgraduate degree in economics (2001).

Cambridge University, MBA (2005).

<sup>1</sup> The number in brackets indicates the number of Board members who sit on the committee.



## THOMAS VERASZTO

Independent director

Year of birth: 1962

Member of the Board of Directors since 2016, member of the Strategic Planning Committee, the Human Resources, Remuneration, and Social Policy Committee, and the Digital Development Committee

### Experience

Thomas 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.

Thomas Veraszto was a Partner and Managing Director with the Boston Consulting Group (BCG) in 2014-2015, serving primarily clients in the industrial goods sector on strategy, organizational development, and operational improvement. He continues to be a Senior Advisor for BCG in this area. In 2016, he served as an Advisor in ERG Sales.

2017-2019 – member of the Board of Directors in Segezha Group.

### Positions in other companies

2017-present – member of the Board of Directors, Steppe Agroholding.

2020-present – Chairman, Familia Privatstiftung.

2021-present – member of the Supervisory Board, Bank Saint Petersburg.

2021-present – member of the Board of Directors, UNITED MEDICAL GROUP CY PLC.

2021-present – member of the Board of Trustees, Andrei Sakharov Science Endowment Fund.

### Education

University of Graz, Ph.D. in law (1984), master's degree in philosophy (1985).

Bologna Centre of the School of Advanced International Studies, Johns Hopkins University, diploma (1988).



## NIKOLAI GAGARIN

Year of birth: 1950

Member of the Board of Directors since 2001, member of the Audit Committee

### Experience

In 2003, as a Managing Partner, Nikolai 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 is a multi-skilled specialist in various spheres of law and litigation. He has extensive experience in corporate law, foreign investment, taxation, finance, real estate, contract law, arbitration proceedings, civil litigation, natural resources law, environmental protection law, and industrial safety.

In the course of his career, he led and participated in multiple large projects, including the creation and development of financing structures for international holding companies and the successful organization of IPOs on the London Stock Exchange. He has many years of experience serving on governance bodies of major companies and actively participating in substantial projects, including mineral resource management and environmental projects. Nikolai Gagarin developed a methodology for economic analysis and fair value assessment, which was recognized by Russian arbitration courts as applicable in bankruptcy proceedings. He initiated several legislative reforms.

2007-2018 – Director, member of the Board of Directors, FLETCHER GROUP HOLDINGS LIMITED.

2002-2013 – member and Chairman of the Board of Directors, Chernomorneftegaz.

2004-2012 – member and Chairman of the Board of Directors, Tuapse Commercial Sea Port.

2009-2017 – member of the Board of Directors, Severneftegaz.

### Education

Lomonosov Moscow State University, degree in law (1982).



## SERGEY KRAVCHENKO

Independent director

Year of birth: 1960

Member of the Board of Directors since 2020, member of the Strategic Planning Committee, the Human Resources, Remuneration, and Social Policy Committee

### Experience

Sergey 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. He is leading the development of a major programme related to the production and procurement of parts and semi-products from Russian titanium, which resulted in the creation of joint ventures with VSMPO-AVISMA: two plants and a joint technical research centre in the Ural Region. In 1994-2002 he served for a year as the director of the International Cooperation and Business Development Programme in the Boeing Commercial Airplanes department in Seattle, WA, and as vice president for engineering and supplier management of Boeing Commercial Airplanes.

Before joining Boeing in 1992, Sergey 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 USA, Sweden, and South Korea. He has published more than 70 research papers and holds more than 20 patents in various areas of engineering.

He 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 2009 he was awarded the Businessman of the Year prize by the American Chamber of Commerce.

2007-2015 – member of the Board of Directors, American Chamber of Commerce in Russia.

2011-2015 – member of the Supervisory Board, Accenture.

Sergey Kravchenko has extensive experience managing major projects in R&D, HR, finance and investment, ESG and other key areas.

### Positions in other companies

2002-present – CEO, Boeing (Russia, Ukraine, CIS), Innovation Acceleration Leader, Boeing Global Services, Vice President, Boeing International, The Boeing Company.

2004-present – Council member, Youth Achievement interregional social organization.

2016-present – independent director, Chair of the Appointment and Remuneration Committee, Deputy Chair of the Strategic Development Committee, independent director in charge of ESG Strategy, TMK.

### Education

Moscow Polytechnic University, mechanical engineer (1982).

USSR Academy of Sciences, candidate of engineering sciences (1985).

Russian Academy of Sciences, doctor of engineering sciences (1991); professor (1992).



## MARJAN OUDEMAN

**Independent director**

Year of birth: 1958

Member of the Board of Directors since 2018, Chair of the Audit Committee and member of the Strategic Planning Committee

### Experience

Marjan Oudeman was the President of the Executive Board of Utrecht University (the Netherlands) from 2013 until June 2017.

From 2010 to 2013, Mrs Oudeman was a member of the Executive Committee of AkzoNobel, responsible for HR and Organizational Development.

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

Previously Mrs Oudeman was a member of the Executive Committee of steelmaking company Corus Group, Executive Director Corus Strip Products Division from 2007 to 2010. She also held positions of the CEO Corus Nederland BV, Managing Director Corus Strip Products IJmuiden from 2004 to 2007, and Managing Director Corus Packaging Plus from 2000 to 2004.

Before joining Corus, Marjan Oudeman worked for Hoogovens Group NV, holding various positions, including in management bodies, legal, treasury, corporate finance and controlling.

2005–2013 - Member of the Supervisory Board of NS Groep N.V.

2009–2013 - Member of the Supervisory Board of Stichting Comité Concertgebouw.

2010–2015 - Member of the Supervisory Board of ABN AMRO N.V.

2012–2018 - Member of the Board of Directors of Equinor ASA.

2017–2021 - Member of the Supervisory Board of Aalberts NV.

2008–2020 - Governor of Stichting Nationaal Fonds 4 en 5 Mei.

2012–2020 - Vice-Chairman of the Supervisory Board of Stichting Het Rijksmuseum.

2013–2018 - Member of the Supervisory Board of Het Concertgebouw N.V.

2014–2016 - Member of the Supervisory Board of Koninklijke Ten Cate B.V.

2013–2021 - Chairman of the Supervisory Board of Ronald McDonald Kinderfonds.

2018–2021 - Governor of Stichting Berenschot Beheer.

Along with membership in management bodies, Marjan Oudeman held positions of member and chairman of such bodies as risk and capital committee, audit committee, ESG committee in a number of companies.

### Positions in other companies

2014–now - Member of the Supervisory Board of Directors, SHV Holdings NV.

2015–now - Member of the Board of Directors, Solvay S.A.

2016–now - Chairman of the Supervisory Board, Advanced Research Center Chemical Building Blocks Consortium.

2018–now - Member of the Board, Directors of UPM-Kymmene Corporation.

2019–now - Member of the Board, Stichting Hoge Veluwe Fonds.

2021–now - Member of the Supervisory Board of Koninklijke Luchtvaart Maatschappij N.V. (KLM Royal Dutch Airlines).

### Education

Rijksuniversiteit Groningen, Master at Law (1982).

University of Rochester and University of Rotterdam, MBA (1990).



## STANISLAV SHEKSHNIA

**Independent director**

Year of birth: 1964

Member of the Board of Directors since 2015, Chairman of the Human Resources, Remuneration, and Social Policy Committee and member of the Audit Committee

### Experience

In 1991–2002, Stanislav Shekshnia was 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 served as Chairman of the Board at SUEK and Vimpelcom-R and as a Board member of a number of Russian and Ukrainian companies.

Stanislav Shekshnia was an independent director at DTEK BV, Ilim Timber Industry, Naftna Industrija Srbije (NIS), and Ener1.

In 2002, he co-founded Zest Leadership International Consultancy.

2007–2019 - Senior Partner, LEADERSHIP VECTOR (Talent Equity Consulting practice). He focused on leadership, leadership development, corporate governance, and business in emerging economies.

2010–2018 - member of the Board of Directors, head of the HR and Remuneration Committee, NIS a.d. Novi Sad.

2010–2012 - member of the Board of Directors, Ener1.

2011–2013 - member of the Strategy Committee of the Board of Directors, RUSNANO.

2015–2016 - member of the HR and Remuneration Committee of the Board of Directors, Stroytransgaz.

2015–2019 - member of the Board of Directors, Russian Fishery Company.

Experience on various committees, including the Audit and ESG Committee.

Stanislav Shekshnia also provides personal coaching to business owners and corporate executives.

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 11 books, numerous articles, executive commentaries, interviews, and case studies on entrepreneurship, leadership, people management, intercultural management, and business and management in Russia.

### Positions in other companies

2006–present - Affiliate Professor of Entrepreneurship at INSEAD Business School.

2018–present - Chairman of the Board of Directors, Samolet Group.

2019–present - Senior Consultant, Ward Howell.

### Education

Lomonosov Moscow State University, political economics (1988), Ph.D. in economics (1993).

Northeastern University in Boston School of Business, MBA (1992).



**JANE ZAVALISHINA**  
Independent director

Year of birth: 1977

Member of the Board of Directors since 2021, member of the Audit Committee and Chair of the Digital Development Committee

**Experience**

Throughout her career, Jane Zavalishina focused on applying innovative technologies to create new business models and transform traditional ones. In 2000, she joined Yandex as a product director, then became head of Yandex.Money, an e-payment system company, and of Yandex Data Factory, a department specializing in using machine learning technologies to boost business efficiency. In 2018, she co-founded the Mechanica AI startup in the Netherlands. The startup develops AI-based solutions for the industrial sector.

She is an active participant of numerous events in Europe, Asia, and the Middle East, where she speaks about data management, AI strategy and app development.

In 2016, Silicon Republic included Jane Zavalishina into the global Top 40 Women in Tech list in the Inspiring Leader category. In 2019, she was included in the Global Shakers' 30 STEM Women to Watch list. In 2016, 2017, and 2019, she was named one on the Inspiring Fifty – the 50 most inspiring women in the tech sector in the Netherlands.

2009–2017 – co-founder, Council member, Russian Electronic Money and Remittance Association (REMA).

2012–2017 – Chair of the Board of Directors, Yandex Money.

2014–2018 – CEO, Yandex Data Factory.

2018 – Vice President for Strategy, OnlinePay B.V.

2018–2021 – President and Director, MECHANICA AI B.V.

**Positions in other companies**

2016–present – member of Global Future Councils, World Economic Forum.

2017–present – professor at EXPONENTIAL EXPANSION B.V. (Singularity University Benelux, the Netherlands).

2018–present – member of the Consultation Council, Stichting SIDN fonds.

2019–present – member of the Consultation Council, MIH Fintech Holdings B.V., member of the Board of Directors, independent director, Finnovate LLP.

2020–present – member of the Investment Committee, BTS Digital Ventures Ltd., member of the Board of Directors, independent director, FINOM Payments B.V.

2021–present – Chair of the Board of Directors, independent director, FINOM Payments B.V.

2021–present – member of the Board of Directors, SFI.

**Education**

Lomonosov Moscow State University, degree in psychology (1994–1998).



**JOACHIM LIMBERG**  
Independent director

Year of birth: 1954

Member of the Board of Directors since 2019, member of the Strategic Planning Committee and the Audit Committee

**Experience**

Mr Limberg has more than 40 years of experience in the metals sector. He 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, Joachim Limberg joined thyssenkrupp Group, where he held several management positions till 2018.

2009–2018 – Chairman of the Management Board of the Materials Services Business Area, CEO, Chairman of the Executive Board of thyssenkrupp Materials Services GmbH.

2014–2020 – Member, Deputy Chairman of the Board of Bundesvereinigung Logistik (BVL) e.V.

1989–2015 – Vice-chairman, member of the Board of Directors of POLARPUTKI OY.

He has extensive experience in the fields of strategy, finance and investments, ESG and other key areas.

**Positions in other companies**

2019–now – Senior Industry Expert, Triton Beratungsgesellschaft GmbH,

2020–now – Member of the Board of: HYDAC Fluidtechnik GmbH, HYDAC Filtertechnik GmbH, HYDAC Technology GmbH, BENTELER International AG.

2021–now – Deputy Chairman of the Supervisory Board, Muller - Die lila Logistik SE.

**Education**

Open University of Hagen, DIPLOM-ÖKONOM (Dipl.-Ök.) (1985); professional exporter.

**Board of Directors' activity in 2021**

In 2021, NLMK's Board of Directors held nine meetings, seven of which were held by absentee ballot. A total of 31 items were considered at the meetings.

**Main issues examined by the Group's Board of Directors in 2021**

Questions	Resolutions	Stakeholders
Strategy and priority areas	Approval of NLMK Group Consolidated Budget for 2022	<ul style="list-style-type: none"> <li>Investors and shareholders</li> <li>Consumers</li> <li>Suppliers</li> <li>Government authorities</li> <li>Employees</li> <li>Local communities</li> </ul>
Appointments and remuneration	Considering proposed additions to the agenda of the NLMK Annual General Meeting of Shareholders on the company's 2020 results and proposals on nominating candidates to NLMK's governing bodies (to the Board of Directors and the position of CEO (Chairman of the Management Board))  Recommendations to the NLMK Annual General Meeting of Shareholders on the company's 2020 results regarding adoption of the resolution on remuneration to members of the NLMK Board of Directors  Election of the Chairman and Deputy Chairman of the NLMK Board of Directors  Formation of NLMK Board of Directors committees (including the formation of the new Digital Development Committee and approval of its Regulations)  Recognition of the independent status of nominees to NLMK's Board of Directors  Performance assessment of the NLMK Board of Directors  Reports on the performance of the NLMK Board of Directors Committees and Corporate Secretary	<ul style="list-style-type: none"> <li>Investors and shareholders</li> <li>Government authorities</li> <li>Employees</li> </ul>

Questions	Resolutions	Stakeholders
Corporate governance	Convocation of the NLMK General Meetings of Shareholders	<ul style="list-style-type: none"> <li>Investors and shareholders</li> <li>Government authorities</li> <li>Employees</li> </ul>
	Providing recommendations to the NLMK Annual General Meeting of Shareholders regarding profit distribution (dividend payment)	
	NLMK's participation in associations (recommendations to the General Meeting of Shareholders regarding NLMK's membership in associations: <ul style="list-style-type: none"> <li>Russian Association of Wind Power Industry</li> <li>Association for the Development of Electric, Autonomous, and Connected Transport and Infrastructure</li> <li>European Foundation for Management Development</li> </ul>	
	Approving NLMK's 2020 report on interested-party transactions	
	Approving NLMK's 2020 Draft Annual Report	
	Recommendations to the company's Annual General Meeting of Shareholders regarding approval of NLMK's auditor	
	Approving the remuneration of NLMK's auditor	
	Approving the meeting schedule for NLMK's Board of Directors	
	Approving NLMK's corporate documents (Regulations on the Digital Development Committee, as well as new versions of the Anti-Corruption Policy and the Corporate Governance Code)	
	Including matters of approving new versions of the Charter and corporate documents into the agenda of NLMK's General Meetings of Shareholders (Regulations on the Board of Directors, Regulations on the Management Board, Regulations on Remuneration for Members of the NLMK Board of Directors)	
	Approving NLMK's Management Board composition	
	Approving NLMK Management Board members occupying additional positions in governance bodies of other organizations	
	Approving an interested-party transaction	
Financial reporting	Approving the company's annual accounting (financial) statements for 2020, as well as NLMK's IFRS 2020 annual consolidated financial statements	<ul style="list-style-type: none"> <li>Investors and shareholders</li> <li>Consumers</li> <li>Suppliers</li> <li>Government authorities</li> <li>Employees</li> <li>Local communities</li> </ul>

Board member in the reporting year	Independent director	Participation in Board meetings <sup>1</sup>	Audit Committee	Human Resources, Remuneration, and Social Policy Committee	Strategic Planning Committee	Digital Development Committee
Jane Zavalishina <sup>1</sup>		+ 5 (5)	2 (2)		5 (5)	2 (2)
Marjan Oudeman		+ 9 (9)	5 (5)		5 (5)	
Joachim Limberg		+ 9 (9)	5 (5)		5 (5)	
Sergey Kravchenko		+ 9 (9)		8 (8)	5 (5)	

### Sustainability agenda management at the Board of Directors level

GRI 102-26 | GRI 102-29

Sustainability management is integrated into NLMK Group's corporate governance system and is carried out at all NLMK companies, including international ones. Sustainability issues consistently feature on the agenda of NLMK Group's leadership. The Board of Directors, the Board's committees, CEO (Chairman of the Management Board), and the Management Board determine strategic growth priorities and ensure overall sustainability management.

Vice presidents of functional units are responsible for identifying specific tasks and initiatives to manage the social, economic, and environmental aspects of the Group's activities and monitor their implementation. Departments responsible for developing approaches and implementing measures in matters concerning sustainability report to these vice presidents.

The Group's functional departments and teams are directly responsible for executing the tasks assigned to them and for the local management of sustainability issues at the Group's companies.

The detection, monitoring, and management of sustainability risks is an integral part of the corporate

risk management system (see the Operational Control and Risk Management section for more details).

The following working groups have been formed at the Board of Directors level:

- Climate Change Management (J. Limberg, M. Oudeman, J. Zavalishina, B. Sciortino, S. Shekshnia, S. Chebotarev (Vice-president, Energy and Environment), led by T. Veraszto)
- Development of the R&D Area (M. Oudeman, J. Zavalishina, G. Fedorishin (CEO (Chairman of the Management Board)), I. Spitsberg (Vice-president, Technology Development), led by S. Kravchenko)

#### 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 Board meetings <sup>1</sup>	Audit Committee	Human Resources, Remuneration, and Social Policy Committee	Strategic Planning Committee	Digital Development Committee
Oleg Bagrin		9 (9)		8 (8)	5 (5)	2 (2)
Thomas Veraszto	+	9 (9)		8 (8)	5 (5)	2 (2)
Nikolai Gagarin		9 (9)	5 (5)			
Vladimir Lisin <sup>2</sup>		9 (9)		3 <sup>2</sup> (3)	5 (5)	
Benedict Sciortino	+	4 (4)	3 (3)		5 (5)	
Stanislav Shekshnia	+	9 (9)	5 (5)	8 (8)		

#### Sustainability management at the Board of Directors level

Board Committee	Key aspect of sustainability
Strategic Planning Committee	Sustainability risk assessment  Environment: <ul style="list-style-type: none"> <li>Air emissions</li> <li>Discharges and waste</li> <li>Use of resources</li> <li>Biodiversity</li> <li>Climate change</li> </ul>
Human Resources, Remuneration, and Social Policy Committee	Integration of ESG KPIs in the remuneration system.  Social and employment: <ul style="list-style-type: none"> <li>Operational health and safety</li> <li>Training and development</li> <li>Social policy</li> <li>Diversity and equal opportunities</li> <li>Non-discrimination</li> <li>Local communities</li> </ul>

<sup>1</sup> 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.

<sup>2</sup> Vladimir Lisin was a member of the Human Resources, Remuneration, and Social Policy Committee until 29 April 2021.

<sup>1</sup> Jane Zavalishina was elected to the Board of Directors at NLMK's Annual General Meeting of Shareholders. She was elected to the Audit Committee and the Digital Development Committee at the 29 April 2021 Board meeting.

Board Committee	Key aspect of sustainability
Audit Committee	Performance monitoring and sustainability reporting GRI 102-32
Board of Directors; Human Resources, Remuneration, and Social Policy Committee, Audit Committee	Corporate governance: <ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Business ethics</li> <li>• Anti-corruption</li> </ul>

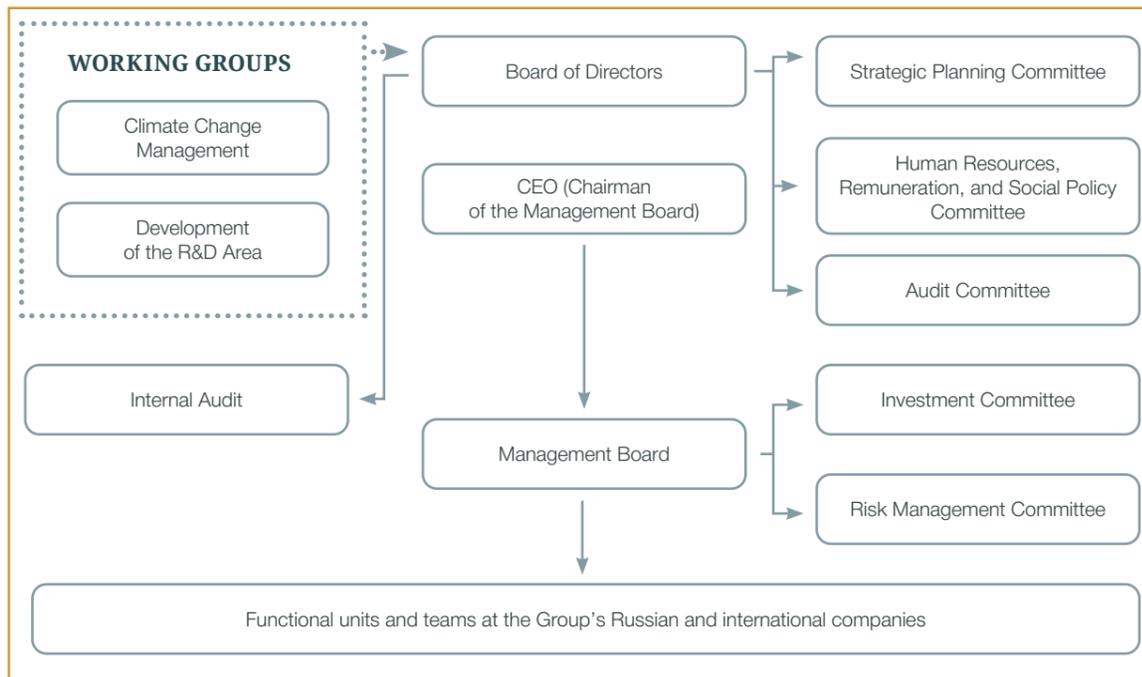
The main purposes of the assessment are to determine the efficiency of the Board's performance as a collective governing body and enhance its role in achieving the company's goal of successful development. The assessment helps to determine the focus and changes in the performance of the Board of Directors 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.

In line with 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, but also assesses the work of its committees, as well as Board and committee Chairs. The assessment includes an analysis of the Board's composition and qualifications, its agenda, meeting efficiency, and interaction with the management and the Corporate Secretary.

**Organizational structure for managing sustainability issues at NLMK** GRI 102-20



**Board of Directors succession planning**

GRI 102-24

Considering the significance of succession and performance assessment the Human Resources, Remuneration, and Social Policy Committee developed the Succession Policy and recommended that the Board of Directors approve it. This document reflects the recommendations of the Bank of Russia, as well as the principles of the Corporate Governance Code, the research results of leading international consultants, and the best experience of global companies with advanced corporate governance practices.

- Thus, the Succession Policy of the company's Board of Directors includes such aspects as:
- Principles of the Board of Directors formation, ensuring diverse, competent and efficient composition
  - Succession goals
  - Components (stages) of the Succession Policy
  - Approaches and tools for performance assessment

The Succession Policy is expected to be approved by the Board of Directors in 2022.

The efficient application of approaches and processes aimed at ensuring the Board of Directors succession planning determines the development of the Board's structure. In 2021, the composition of the company's Board

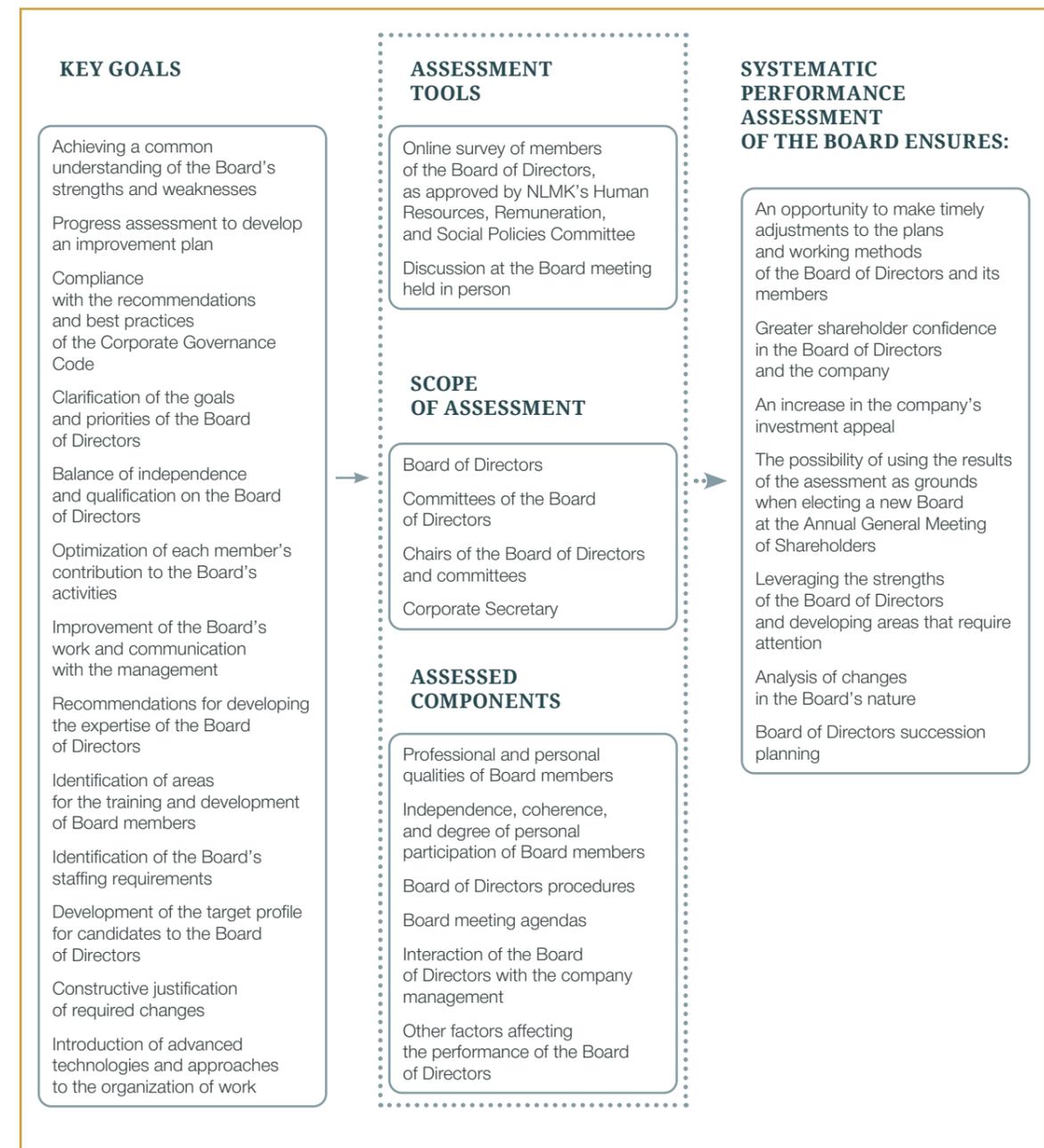
of Directors was updated, enhancing the Board's expertise in several areas and making it more balanced and diverse.

**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 assessment market capitalization.

The Board of Directors' performance assessment is an effective tool for improving the corporate governance system, each component of which is related to the work of the governing body.





## Results of the Board of Directors performance assessment

Guided by current trends and recommendations of normative documents, at the end of 2020 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, internal documents, practices of the Board and its committees, and a benchmark against the advanced corporate governance practices of international companies.

As a result of the assessment, the consultant highlighted several indicators that are at a higher level than in global peer companies. These indicators include the active participation of Board members in the governing body's operation, their engagement in making all key decisions, and meeting attendance. The consultant pointed out the diverse nature of the Board of Directors, the multifaceted experience of its members, and the efficiency of interaction with the management. Other strong suits included the high share of independent directors, efficient execution of their functions, and the reliable process of selecting independent directors, who successfully integrate into the Board.

The consultant emphasized the active participation of the Chairman of the Board of Directors in interaction within the Board and with the management, as well as open opinion exchange as part of transparent and efficient corporate procedures. The assessment noted the high quality of the Corporate Secretary's work and the work of committees that perform their functions to the full extent and are an effective forum for discussing key matters.

The consultant also recommended several areas for improvement, such as the further development of certain competencies and the integration of advanced practices into the work of the Board and its committees.

The results of the performance assessment and recommendations on further improving corporate governance practices and the work of the Board, its committees, and individual members were reviewed at the in-person Board meeting in March 2021. In line with the recommendations, several measures were taken, including the creation of working groups as well as a set of measures for succession planning. The company plans to further implement the consultant's recommendations and the Board members' suggestions consolidated during the assessment in 2022.

Additionally, as part of enhancing the Board's succession planning and assessment, the Human Resources, Remuneration, and Social Policy Committee improved its approaches to the internal assessment of the Board of Directors.

### Induction course programme for newly elected members of NLMK's Board of Directors and the onboarding process

In line with best corporate governance practices, the Human Resources, Remuneration, and Social Policy Committee developed and approved an induction course for newly elected members of NLMK's Board of Directors to ensure the efficient functioning of the Board and support succession planning.

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, 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 Group's core facilities, processes, and products. Other Board members and representatives of the company management are actively engaged in integrating newly elected Board members into the work of the company's governing bodies and its operations.

In 2021, the Human Resources, Remuneration, and Social Policy Committee approved a new version of the induction course programme. It integrated, among other things, the practice of assigning a mentor from the current Board members to every newcomer to accelerate and streamline the integration of new members.

### 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 and put the company's interests above their own under all circumstances in case there is a potential conflict of interest (including an interest in the Group making a transaction)
- 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 2021 (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
- Digital Development Committee

In 2021, the Group established a Digital Development Committee under the Board of Directors.

The structure of committees is built based on the most important areas of the Board's activities. Their composition is formed to ensure the most efficient use of the committee members' expertise and professional experience.

The committees of the Board of Directors report to the Board 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 three out of four 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 and climate impact, including greenhouse gas emissions, and reviews and approves the appropriate investment programme.

### Strategic Planning Committee composition as of 31 December 2021

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 did not change in 2021.

Committee members from 24 April 2020 to 29 April 2021		Committee members as of 29 April 2021	
Board member	Position	Board member	Position
Oleg Bagrin	Chair of the Committee	Oleg Bagrin	Chair of the Committee
Thomas Veraszto	Committee member	Thomas Veraszto	Committee member
Helmut Wieser	Committee member	Helmut Wieser	Committee member
Joachim Limberg	Committee member	Joachim Limberg	Committee member
Vladimir Lisin	Committee member	Vladimir Lisin	Committee member
Marjan Oudeman	Committee member	Marjan Oudeman	Committee member
Karen Sarkisov	Committee member	Karen Sarkisov	Committee member
Grigory Fedorishin	Committee member	Grigory Fedorishin	Committee member
Benedict Sciortino	Committee member	Benedict Sciortino	Committee member
Sergey Kravchenko	Committee member	Sergey Kravchenko	Committee member
Sergey Filatov	Committee member	Sergey Filatov	Committee member

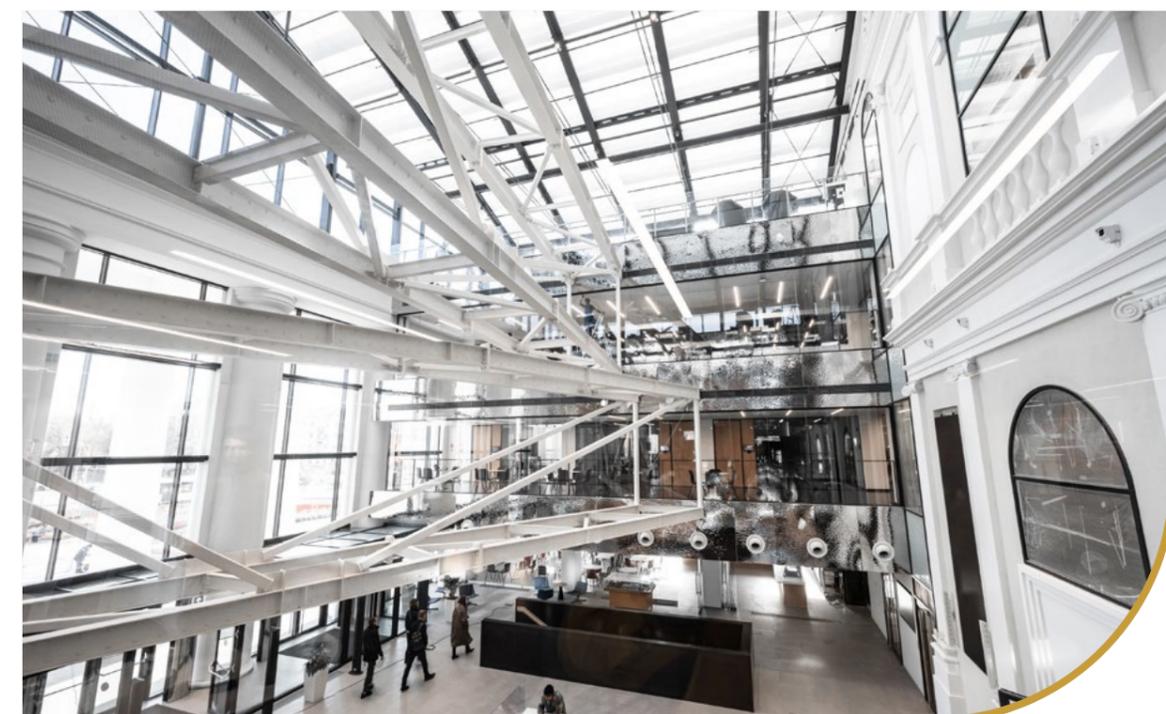
Committee members from 24 April 2020 to 29 April 2021		Committee members as of 29 April 2021	
Committee member	Position	Committee member	Position
Marjan Oudeman	Chair of the Committee	Marjan Oudeman	Chair of the Committee
Joachim Limberg	Committee member	Joachim Limberg	Committee member
Nikolai Gagarin	Committee member	Nikolai Gagarin	Committee member
Stanislav Shekshnia	Committee member	Stanislav Shekshnia	Committee member
Benedict Sciortino	Committee member	Jane Zavalishina	Committee member

NLMK Audit Director Elena Sidorova was appointed Secretary of the Committee.

### Audit Committee's activities in 2021

In 2021, the 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
- External and internal audits, including of 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



### Committee's activities in 2021

In 2021, the Committee held five meetings. The Committee reviewed and passed resolutions on the following issues:

- Implementation of the current (Strategy 2022) and planning of the next (Strategy 2030) stage of the company's strategic development
- Long-term Environmental and Climate Programmes of the company, including NLMK Group's CO<sub>2</sub> emissions reduction targets for 2030 and 2050
- Status of NLMK Group's investment programme and 2022 investment budget
- Strategic Planning Committee schedule for 2022

### Plans for 2022

In 2022, the Strategic Planning Committee plans to actively work on development areas and key projects for the new strategic cycle beyond 2023. The Committee will also control the implementation of its instructions and the progress of NLMK Group's investment programme.

### Audit Committee

The Audit Committee's main purpose is to draft and submit recommendations to the Board of Directors in order to ensure its effective involvement in the supervision of the company's financial and business activities, including matters related to:

- Conducting an annual independent external audit of NLMK's accounting (financial) statements, the quality of the auditor's services, and their compliance with the requirements of auditor independence
- The independent assessor's evaluation of property in cases stipulated by Russian legislation and in other cases
- The company's sustainable development disclosure. [GRI 102-32](#) Since 2019, one of the Audit Committee's responsibilities is monitoring results and considering reports related to sustainable development, including matters of environment and occupational health and safety [GRI 102-29](#)

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

### Audit Committee composition as of 31 December 2021

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 2021.

### Risk management and internal control

The Audit Committee exercises control over the reliability and efficient functioning of the risk management and 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 auditor, and the Group's other bodies responsible for fulfilling the risk management, oversight, and compliance functions. The Audit Committee holds regular meeting with the teams of the independent auditor, the Audit Director, and other Company management.

### Internal Audit

The Audit Committee is responsible for monitoring the operation and evaluating the efficiency of the internal audit function. The Committee ensures this by discussing significant matters with the Audit Director, approving the annual internal audit plan, and reviewing reports on conducted audits, which contain the main conclusions and recommendations, as well as the report on the activities of the Audit Department. The Audit Committee, which assessed the effectiveness of the internal audit, was satisfied with the quality of the services provided by it.

Reports on monitoring the execution of the Internal Auditor's recommendations are submitted

to the Committee 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 they deem to be important, and meets with the external auditors as required.

The Audit Department undergoes regular quality self-assessment, and independent external 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 has satisfied itself that such services do not impair auditor's independence and do not relate to financial statements preparation. In 2021, the share of non-audit services was at an acceptable level of no more than 39% 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 such review, the Committee evaluated the work of the external auditor positively.

### 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 governing bodies and other key employees
- Remuneration of the company's governing bodies and other key employees
- Social policy of the company

### Human Resources, Remuneration, and Social Policy Committee composition as of 31 December 2021

The Audit 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 2021.



**Marjan Oudeman,**

Chair of the Audit Committee

“ Global challenges and developments driven by amongst other climate change, technology developments, digitization and corona, impact our lives, customer requirements, expectations of stakeholders and therefore the business environment for the company.

In today's dynamic and challenging world, business success and continuity is served by a responsive organization and effective risk management. The Audit Committee seeks to serve the interest of the company and its stakeholders by challenging and supporting management in running an effective and efficient risk management system, in ensuring an integer control environment and in ensuring compliance.

The Audit Committee is evaluating its own activities on an annual basis to ensure the effectiveness of its role within the company in this changing world and where the scope not only lies on financials but also on non-financials.”

#### Human Resources, Remuneration, and Social Policy Committee composition in 2021

Committee members from 24 April 2020 to 29 April 2021		Committee members as of 29 April 2021	
Committee member	Position	Committee member	Position
Stanislav Shekshnia	Chair of the Committee	Stanislav Shekshnia	Chair of the Committee
Vladimir Lisin	Committee member	Thomas Veraszto	Committee member
Thomas Veraszto	Committee member	Oleg Bagrin	Committee member
Oleg Bagrin	Committee member	Sergey Kravchenko	Committee member
Sergey Kravchenko	Committee member		

### Committee's activities in 2021

The Human Resources, Remuneration and Social Policy Committee held eight meetings in 2021, including three in the form of absentee voting. The Committee reviewed and passed resolutions on the following issues:

- Progress against target KPIs by the NLMK Group CEO (Chairman of the Management Board) and approval of 2021 target project KPIs
- Eligibility of nominees proposed for independent directors to be voted on at the NLMK Annual General Meeting of Shareholders on the company's 2020 results

- Professional background of nominees to the NLMK Board of Directors to be voted on 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
- Labour productivity improvement
- Status of the succession pool for the position of CEO (Chairman of the Management Board)
- Approving the Regulations on the NLMK Corporate University Academic Council
- Succession planning for the Board of Directors
- Developing competencies for implementation of the next stage of the company's strategic development

Approving the programme of the induction course for newly elected members of the NLMK Board of Directors.

In 2021, the Committee continued to analyse and evaluate the implementation of the company's HR Strategy and the performance of key executives. The Committee considered the implementation status of the labour productivity improvement programme and matters of professional competence development. The Committee continued its systematic succession planning efforts for the position of CEO (Chairman of the Management Board). Several documents were approved and recommendations were provided to the Board of Directors, including those related to its succession.



**Stanislav Shekshnia,**

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

“ In 2021, 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.

As always, active efforts were ongoing to implement Committee instructions, oversee their execution, and systematically work on related matters.

Particular attention was paid to succession planning for the CEO and the Board of Directors. The Committee regularly included such matters in Committee meeting agendas, actively discussed them, developed several internal documents, and updated certain approaches and processes.

One important outcome is the independent assessment of the Board conducted by the Spencer Stuart consulting firm, which has an impeccable reputation and international expertise in corporate governance. The consultant helped us highlight the strong suits in the operation of the Board of Directors and identify areas where its practices can be developed and improved. These conclusions will enable an increase in the Board's efficiency and the overall quality of corporate governance. Several actions to implement the consultant's recommendations have already been undertaken.

The Committee members' strong engagement in the consideration of agenda items, their profound expertise and wide-ranging experience in all areas of the Committee's activities, and the efficient collaboration with the management ensured the deep elaboration of all matters under consideration, facilitating the adoption of high-quality resolutions and instructions, continuous control over their execution, and the integration of best practices into the company's operation.”

### Digital Development Committee

In 2021, the Digital Development Committee was created under the company's Board of Directors. Its operation will facilitate the efficient implementation of the company's strategy and boost its competitiveness amid the active integration of digital technologies.

The main purpose of the Digital Development Committee is the preliminary consideration and presentation of recommendations to the NLMK Board of Directors on the following matters:

- IT systems development and process digitalization strategy
- Control over the organization of IT and information security management processes, including the protection of personal data

- Control over the processes of monitoring and proper response to changes in the development of information technologies, including the consideration of potential opportunities to apply them at NLMK

#### Digital Development Committee composition as of 31 December 2021

The Committee is chaired by an independent director; 2 out of 4 Committee members are also independent directors. The Committee includes an independent director with experience and knowledge in innovative technologies and digital solutions for business.

#### Digital Transformation Committee Members in 2021.

Committee members as of 29 April 2021	
Committee member	Position
Jane Zavalishina	Chair of the Committee
Thomas Veraszto	Committee member
Oleg Bagrin	Committee member
Grigory Fedorishin	Committee member

### Digital Development Committee's activities in 2021

In 2021, the Digital Development Committee held two in-person meetings.



**Jane Zavalishina,**

Chair of the Digital Development Committee

“ Over the past decade, digitalization has become a key trend and significantly altered many industries and business sectors. The active application of new digital technologies and approaches in the company is already opening new opportunities for end-to-end planning and boosting operational efficiency, substantially changing the format of the company's interaction with clients, and providing tools to increase safety and reduce the environmental impact.

Already in this strategic cycle, over 10% of NLMK's operational efficiency growth was achieved using digital tools: from relatively simple ones, such as online data visualization for process management, to complex sets of mathematical models that optimize entire production stages. The acceleration of these changes reflects the key features of digital solutions: compared to traditional technologies, they are more easily replicable and their development is faster.

The creation of the Digital Development Committee in 2021 reflects the strategic significance that the company attaches to these changes: both new opportunities to create long-term competitive advantages and new risks that need to be managed. That is why the Committee's key priorities for 2022 include the determination of IT and digitalization development vectors in the new strategy cycle beyond 2023, as well as an analysis and update of technical policies and processes that ensure the reliable and safe application of digital technologies.”

## Corporate Secretary

NLMK's Corporate Secretary ensures 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 recommended by the Bank of Russia. 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 registering 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

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

#### Experience

For more than twenty years, he has been a member of the governing bodies of a number of Russian companies. Valery Loskutov has been with NLMK since 1998 and has served as NLMK's Corporate Secretary since 2005. He was Secretary of the Human Resources Remuneration, and Social Policy Committee from 2017 to 2021.

Valery 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 XIII Director of the Year national award in the Corporate Governance Director/Corporate Secretary category.

Valery 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, where he maintains a leading position as one of the top 50 corporate governance directors.

## 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 resolutions 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 website.

**GRI 102-26**

## Composition of the Management Board

NLMK Group's Management Board consisted of eight members as of 31 December 2021. The current composition was approved by the Board of Directors at a meeting held on 22 July 2021.

### Composition of the Management Board

Members of the Management Board as of 31.12.2021		Members of the Management Board until 22.07.2021	
Member of the Management Board	Position	Member of the Management Board	Position
Grigory Fedorishin	CEO (Chairman of the Management Board), member of the Strategic Planning Committee, member of the Digital Development Committee	Grigory Fedorishin	CEO (Chairman of the Management Board), member of the Strategic Planning Committee, member of the Digital Development Committee
Mikhail Arkhipov	Member of the Management Board, Vice President for HR and Management System	Mikhail Arkhipov	Member of the Management Board, Vice President for HR and Management System
Tatyana Averchenkova	Member of the Management Board, Managing Director of NLMK Lipetsk	Tatyana Averchenkova	Member of the Management Board, Managing Director of NLMK Lipetsk
Ilya Guschin	Member of the Management Board, Vice President for Sales	Ilya Guschin	Member of the Management Board, Vice President for Sales
Ben de Vos	Member of the Management Board, Vice President for International Operations	Ben de Vos	Member of the Management Board, Vice President for International Operations
Shamil Kurmashov	Member of the Management Board, Vice President for Finance	Shamil Kurmashov	Member of the Management Board, Vice President for Finance
Sergey Likharev	Member of the Management Board, Vice President for Logistics	Sergey Likharev	Member of the Management Board, Vice President for Logistics
Sergey Chebotarev	Member of the Management Board, Vice President for Energy and Environment	Evgeny Ovcharov <sup>1</sup>	Member of the Management Board, Vice President for Risk Management
		Sergey Chebotarev	Member of the Management Board, Vice President for Energy and Environment

## Biographies of members of the Management Board



### GRIGORY FEDORISHIN

Year of birth: 1979. Member of the Strategic Planning Committee and the Digital Development Committee. CEO (Chairman of the Management Board) since March 2018.

#### Experience

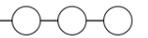
Grigory Fedorishin was Senior Vice President and Deputy Chairman of the Management Board from March 2017 until March 2018, and Vice President for Finance (CFO) from 2013 until 2017. In 2016, he also headed NLMK Group's Russia Long Products Division.

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, an 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.

#### Education

Grigory Fedorishin graduated from the State Finance Academy in Moscow. He holds an MBA from INSEAD business school in France and Singapore. He is member of the Certified Financial Analysts (CFA) association.

<sup>1</sup> Member of the Management Board until 22 July 2021.


**TATYANA AVERCHENKOVA**

Year of birth: 1979. Managing Director, NLMK Lipetsk. Member of the Management Board since 2017.

**Experience**

Tatyana Averchenkova has been with NLMK since 2001. She served as Director for Controlling and held various senior management positions in the Strategy Department. From 2016 to 2021, she held the position of Vice President for Operational Efficiency. In 2021 she was appointed Managing Director of NLMK Lipetsk.

**Education**

Tatyana Averchenkova graduated from Lipetsk State Technical University with a major in economics and management.


**ILYA GUSCHIN**

Year of birth: 1976. Vice President, Sales. Member of the Management Board since 2014.

**Experience**

Ilya 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.

**Education**

Ilya Guschin graduated from the Faculty of Economics at Lomonosov Moscow State University. He holds a Ph.D. in economics.


**BEN DE VOS**

Year of birth: 1967. Vice President, International Operations. Member of the Management Board since 2016.

**Experience**

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.

Ben 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.

**Education**

Ben 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.


**SERGEY LIKHAREV**

Year of birth: 1964. Vice President, Logistics. Member of the Management Board since 2014.

**Experience**

Sergey 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.

**Education**

Sergey Likharev holds a Ph.D. in physics and mathematics and an MBA from Cornell University, USA. From 1990 to 1993, he worked as a researcher at Lomonosov Moscow State University.


**MIKHAIL ARKHIPOV**

Year of birth: 1982. Vice President, HR and Management System. Member of the Management Board since 2018.

Secretary of the Human Resources, Remuneration and Social Policy Committee since 2021.

**Experience**

He 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.

**Education**

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


**SERGEY CHEBOTAREV**

Year of birth: 1980. Vice President, Energy and Environment. Member of the Management Board since 2018.

**Experience**

Sergey 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.

**Education**

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



**SHAMIL KURMASHOV**

Year of birth: 1978. Vice President, Finance. Member of the Management Board since 2019.

**Experience**

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.

**Education**

Shamil 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).

**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) are stipulated by existing Russian legislation 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 Company's CEO (Chairman of the Management Board) since 12 March 2018.

**Activities of the Management Board in 2021**

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 2021, the Management Board held 46 meetings, including 18 by absentee ballot. The following issues were considered at these meetings:

- Achievement of the Group's targets and status of the development programme on occupational health and safety
- Execution of NLMK Group's budget
- Implementation of the strategy regarding operational efficiency, investment programme, and sales portfolio management
- HR and Social Strategy implementation
- Development programmes for functional areas
- Individual development areas and projects for the next strategic cycle (Strategy 2030)
- The Group's participation in and withdrawal from other companies
- Recommendations to the governance bodies of subsidiaries

NLMK Management Board members had no conflict of interest in 2021.

Grigory Fedorishin owns 17,839 of the company's global depository shares (equivalent to 178,390 ordinary shares) making up 0.00298% of NLMK's

charter capital. Other members of the Management Board are not NLMK shareholders.

The company has no particular share ownership requirements for the CEO (Chairman of the Management Board) and other Management Board members.

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.**

**Approach to remuneration and reimbursement paid to members of the Board of Directors**

GRI 102-35 GRI 102-36

The company's remuneration policy with regards 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. The Regulations on Remuneration of Members of the Board of Directors, which were 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, benefits, and privileges offered to them.

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. It consists of the 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 meetings over the reporting period.

Members of the Board of Directors are also paid remuneration for chairing the Board, as well as for being a member or Chair of one or more Board committees.

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.

**Participation in Management Board meetings in 2021**

Member of the Management Board	Number of meetings, in which member of the Management Board participated
Grigory Fedorishin	46 (46)
Tatyana Averchenkova	46 (46)
Ilya Guschin <sup>1</sup>	43 (46)
Barend de Vos	46 (46)
Sergey Likharev	46 (46)
Evgeny Ovcharov <sup>2</sup>	10 (46)
Mikhail Arkhipov	46 (46)
Sergey Chebotarev	46 (46)
Shamil Kurmashov	46 (46)

<sup>1</sup> Left the company in December 2021.  
<sup>2</sup> Member of the Management Board until 22 July 2021.

**Remuneration for members of the NLMK Board of Directors**

Remuneration category	Remuneration amount
Basic remuneration	\$160,000
Additional remuneration to the Chair 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 for working on each committee
Additional remuneration to the Chair of any committee of the Board of Directors (who participated in over half of its meetings)	Up to 40% of the basic remuneration for working on each committee

Remuneration is paid based on a resolution of NLMK's General Meeting of Shareholders. Regulations on the Remuneration for 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

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

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 2020, which was held on 29 April 2021, resolved to pay remuneration to members of NLMK Board of Directors in the amount of \$1,952,000.

## Approach to remuneration and reimbursement paid to members of the Management Board 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,

environment and energy efficiency, 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. For example, the weight of the LTIFR indicator is 10% of the annual CEO's compensation.

Top executives, including heads of NLMK Group's main production sites, have KPIs related to reducing air emissions and CO<sub>2</sub> emissions, as well as increasing the 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 investment and operational efficiency projects. The KPIs of all top managers include injury reduction and occupational safety targets. Also, when calculating the management's performance, satisfaction and engagement indicators of employees in relevant departments are taken into account.

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 cycle. The programme covers more than 70 NLMK executives, including the CEO and members of the Management Board.

Long-term incentive programme payments are made to Management Board members depending on the achievement of the company's strategic goal on the five-year horizon. 50% of the bonus depends on achieving the structural effect of the company's strategy and 50% – on achieving the company's EBITDA target over a five-year horizon.

The actual values of indicators for NLMK's executive compensation programmes are confirmed by the company's consolidated IFRS financial statements and are agreed at the Board of Directors level or by CEO.

### Remuneration paid to members of the Board of Directors<sup>1</sup>, '000 RUB

Indicator	2018	2019	2020	2021
Total payments	152,482	179,066	169,522	<b>167,478</b>
Remuneration	145,564	170,693	167,846	<b>164,551</b>
• Including: basic remuneration	92,259	108,186	106,381	<b>106,932</b>
• Bonuses	53,305	62,507	61,465	<b>57,619</b>
• Salary	–	–	–	–
• Commission	–	–	–	–
Benefits	–	–	–	–
Reimbursed expenses	6,918	8,373	1,676	<b>2,927</b>
Other types of remuneration	–	–	–	–

### Individual amount of remuneration paid to Board members<sup>2</sup>, '000 RUB

Board member	2018	2019	2020	2021
Vladimir Lisin	20,705	24,041	23,640	–
Stanislav Shekshnia	17,427	21,655	19,503	<b>19,613</b>
Oleg Bagrin	19,293	21,948	19,503	<b>19,613</b>
Nikolai Gagarin	12,982	15,026	14,775	<b>14,859</b>
Karen Sarkisov	15,633	18,031	17,730	–
Thomas Veraszto	16,309	19,248	17,730	<b>17,830</b>
Helmut Wieser	16,423	400	–	–
Marjan Oudeman	15,881	20,848	19,503	<b>19,573</b>
Benedict Sciortino	17,446	18,935	17,730	<b>17,830</b>
Franz Struzl	383	–	–	–
Joachim Limberg	–	18,934	17,730	<b>17,830</b>
Sergey Kravchenko	–	–	–	<b>17,830</b>
Jane Zavalishina	–	–	–	<b>19,573</b>

<sup>1</sup> Data for 2018–2019 are represented in actual amounts. Remuneration to members of the Board of Directors for 2021 is determined based on preliminary calculations in accordance with the Regulations on Remuneration for Members of NLMK's Board of Directors.

<sup>2</sup> Data for 2018 are represented in actual amounts. Remuneration to members of the Board of Directors for 2019–2021 is determined based on preliminary calculations in accordance with the Regulations on Remuneration for Members of NLMK's Board of Directors. The amounts may differ from previously published numbers due to the reporting of accrued payments based on yearly performance, including reimbursement.

### Remuneration paid to Management Board members<sup>1</sup>, '000 RUB.

Indicator	2018	2019	2020	2021
Total payments	1,554,239	535,032	526,703	<b>2,063,188</b>
• Including: salary	205,195	238,764	235,295	<b>293,709</b>
• Bonuses	312,510	295,455	291,408	<b>285,479</b>
• LTI programme bonuses	1,029,686	–	–	<b>1,484,000</b>
• Commission	–	–	–	–
• Benefits	–	–	–	–
• Reimbursed expenses	1,481	813	69	<b>309</b>
• Other types of remuneration	5,367	–	12	<b>336,097</b>

<sup>1</sup> 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.

# Compliance and corporate ethics

## NLMK Group Code of Corporate Ethics

The company believes that by communicating honestly and openly with business partners and the public, adhering to best practices in corporate governance and norms of business

ethics, and maintaining its corporate culture, NLMK Group reinforces its business reputation and position on the global steel market. With this in view, NLMK Group not only observes the applicable legislative provisions, but also establishes and adheres to additional ethical principles and rules of business practice.

The Code of Corporate Ethics approved by the Board of Directors in 2018 is available on the company's official website.

The Code enshrines the following key values of NLMK Group.

## NLMK Group's basic ethical values GRI 102-16

<b>Human rights</b>	NLMK Group acknowledges the inviolability of human rights, prohibits human rights violations, and builds up its decision-making system in line with the NLMK Group Human Rights Policy
<b>Compliance with legislation</b>	NLMK Group and its employees meet the requirements of Russian and other applicable legislation, industrial and corporate regulations, standards, and procedures
<b>Transparency and honesty</b>	NLMK Group honours its obligations before counterparties and employees, maintains its reputation as a reliable business partner, and ensures the transparency of its transactions and operations
<b>Efficiency</b>	NLMK Group strives for continuous improvement of the efficiency of its business, e.g. by improving the corporate governance system, streamlining production processes, and introducing innovative technologies
<b>Mutual respect and professionalism</b>	The wellbeing of NLMK Group's employees is one of the company's basic values, with their competence, trust, friendliness, cooperation, and team spirit enabling the Group to reach its objectives and ensure its sustainable development
<b>Safety and corporate citizenship</b>	NLMK Group ensures that all its production processes comply with occupational health and safety requirements, adheres to corporate social responsibility principles with regard to its employees and the population of the regions where the company operates, and takes environmental protection measures

All company employees read the Code when joining the company and take regular training on its provisions.

In 2021, NLMK Group developed an online course on the Code and the Anti-Corruption Policy, which was taken by over 10,000 company employees. Over 2,800 company employees underwent in-person training dedicated to the Code's requirements. Knowing and complying with the requirements of the Code is an obligation for all company employees, which is included into all job descriptions as a standard requirement. Additionally, in 2021, questions assessing knowledge of the Code were included in the evaluation of employees' professional competencies, which is conducted once every three years. GRI 205-2

The company expects adherence to basic values and principles of good business conduct not only from its employees, but also from its business partners. The company's business partners familiarize themselves with the provisions of the Code during qualification, selection, and contract conclusion. In addition, the Group requires its business partners to sign the anti-corruption provisions adopted in the company. GRI 102-16

In 2021, the company held a forum for basic contractors, where 30 representatives of 17 basic contractors underwent in-person training dedicated to the company's anti-corruption requirements. At the strategic supplier conference organized by the Procurement function, 200 supplier representatives underwent training in two languages, English and Russian.

## Compliance system

In 2021, the company was actively developing its compliance system, which aims to ensure that NLMK's operations comply with applicable legislation and internal documents.

In 2021, the compliance system covered the following areas:

- Anti-corruption compliance
- Antitrust compliance

- Personal data protection
- Insider compliance
- Intellectual property risk management

Established in 2020, the Compliance Unit implements an anti-corruption and antitrust compliance programmes and coordinates the introduction and operation of the compliance system as a whole.

Compliance related to personal data protection, insider trading, and intellectual property risk management is curated by the corresponding functions. Each of them implements its own system of measures for managing the corresponding compliance risks.

Regardless of the area, NLMK Group's compliance system places particular importance on measures for developing a corporate culture of strong business ethics, both within the company and in relations with other stakeholders. As part of these efforts in 2021, an array of previous whistleblower channels merged into NLMK Group's compliance hotline.

## NLMK Group's independent compliance hotline. Key changes in 2021 GRI 102-17

1. Wider scope: NLMK's compliance hotline accepts reports of not only corruption or fraud whistleblowers,

but also potential violations of the antitrust and insider trading legislation, other legal or corporate requirements, and the company's business ethics norms.

2. Independence and confidentiality: all reports are accepted and processed by the Compliance Unit, which ensures whistleblower confidentiality and protection from harassment in the workplace. In 2021, as an additional effort to ensure independence and confidentiality, Ernst & Young was engaged as the independent operator of the compliance hotline.
3. Wider coverage. The number of whistleblower channels increased and they are now accessible by third parties. A short guide on the compliance hotline is available on the company's website.
4. Each whistleblowing report is carefully looked into in line with the Regulations on Official Inspections and Investigations. All inspections on whistleblowing are carried out in the company's unified online system for investigations. Information about investigation results is communicated to the whistleblower.

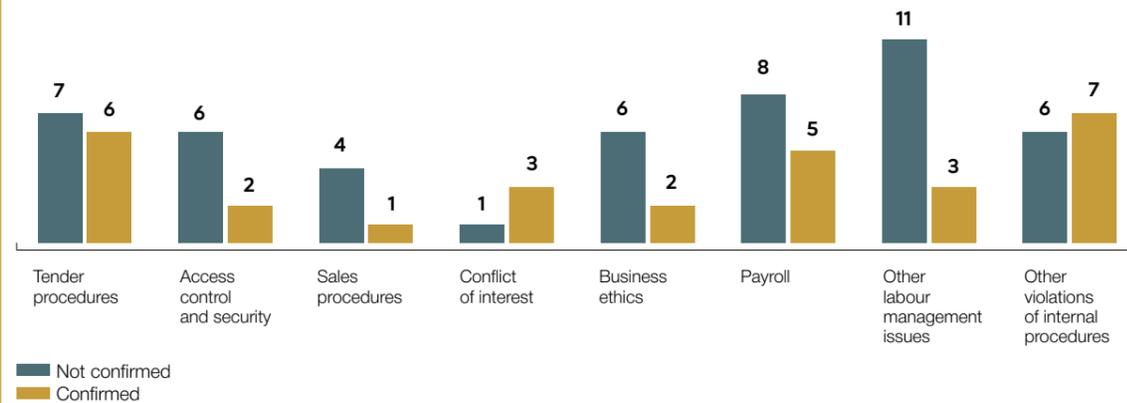
In October 2021, as a result of the Transparency International R research titled Hotlines for reporting corruption in the commercial sector: 100 Russian companies with the largest revenue, NLMK Group's compliance hotline was awarded the maximum score.

## Compliance hotline statistics

### Whistleblowing by reason



**Confirmed and not confirmed cases**



Number of reports per 100 employees	0.02
Share of anonymous reports	39%
Share of reports on labour rights/business ethics	33%
Share of confirmed cases	34%
New reports under investigation as on 12.01.2022	7

the company's units in the anti-corruption system is stipulated in the Appendix to the Anti-Corruption Policy.

The Audit Committee of the Board of Directors, the CEO (Chairman of the Management Board) and the Risk Management Committee of the Management Board (RMC) all play a key role in establishing an anti-corruption system that functions efficiently.

In 2021, the Audit Committee considered and took note of the results of the anti-corruption compliance audit conducted by the Audit Department. In addition, the Audit Committee regularly considers the results of due diligence of specific processes, including the assessment of corruption and fraud risks.

The RMC reviews issues related to the identification and assessment of corruption risks, as well as the approval and control of the effectiveness of corruption risk management measures. In 2021, the RMC approved the overall development strategy of the NLMK Group compliance system, including anti-corruption compliance.

The CEO (Chairman of the Management Board) assigns the person responsible for anti-corruption efforts in the company and is in charge of the overall control over anti-corruption measures. The Compliance Unit established in the Legal Department is in charge of implementing anti-corruption programmes. [GRI 102-16](#)

The Compliance Unit is in charge of implementing the company's compliance system development strategy, including anti-corruption compliance. At the same time, the Compliance Unit collaborates with related structural units responsible for security, HR management, risk management, and internal audit.



NLMK Group has become a highly efficient leader in the Russian steel industry. Our commitment to the highest standards of governance as well as zero tolerance for any form of corruption and fraud, is a part of this leadership and a fundamental principle for our company and myself personally. We firmly believe that NLMK Group employees and our counterparties in Russia and abroad must unconditionally support the 'zero tolerance for corruption' principle. Our non-tolerance for corruption is one of the values that unite the NLMK team and our partners, and drive the company's sustainable development."

**Grigory Fedorishin**

CEO (Chairman of the Management Board)

**Whistleblowing report procedure**

Each relevant report to the compliance hotline is registered in the compliance IT system within one working day, and the whistleblower is notified. Having analyzed the case, no later than three business days the compliance department sends it to the relevant departments for verification. The investigation lasts for up to 30 days, however it can be extended if there is a justified reason. The Compliance Unit logs the investigation results in the IT system and monitors the implementation of corrective measures, where applicable. The investigation results are communicated to the whistleblower. If the results are not ready within the 30-day period, an interim status report is sent to the whistleblower.

The company strictly adheres to non-retaliation principles: anyone who has reported a violation in good faith is protected from any form of pressure, harassment, discrimination.

The Compliance Unit is also responsible for maintaining the confidentiality of whistleblowers' identity.

**Anti-corruption practice (compliance)**

In its day-to-day operations, NLMK Group is guided by high ethical standards and the principles of business transparency and zero tolerance to any form or manifestation of corruption, as well as the stipulations of international and regional documents, such as the United Nations Convention against Corruption. The company engages in targeted work to prevent and counteract corruption and fraud. The company's management constantly devotes attention to detecting and responding to wrongdoings in a timely manner. [GRI 102-16](#)

NLMK Group's anti-corruption compliance programme is aimed at the prevention and timely detection of corruption by integrating and developing:

- The internal control system
- The corporate culture of zero tolerance for corruption
- The effective use of whistleblowing mechanisms for reporting instances of corruption

In 2021, the NLMK Board of Directors approved the new version of the Anti-Corruption Policy. It includes a ban on political spending and any other participation of the company in political activities.

The new Policy was presented to employees through the company's communication channels, including publications on the corporate portal with quotes of top management, as well as videos on NLMK TV.

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](#) The distribution of responsibilities and powers between

**Internal control and procedures for managing conflicts of interest**

Corruption and fraud risks at the level of specific processes are managed as part of the overall internal control system in the company, which includes checks at the hiring stage, third party due diligence, including in procurement, effectuating payments, in processes related to event organization and hospitality expenses, and other processes.

Third-party anti-corruption due diligence is part of the contractor and supplier qualification procedure. All partners of the company that have undergone qualification confirm that they have read and will abide by the Code and the Anti-Corruption Policy. In 2021, qualification procedures included

screening of 2,473 potential company counterparties, and in 22% of cases the counterparty was declined because of detected risks. In 2021, the contract approval process was supplemented with compliance control to ensure that company contracts contain anti-corruption clause.

**Managing conflicts of interest**

In 2021, NLMK Group approved a new version of its Regulations on Preventing, Disclosing, and Managing Conflicts of Interest. In line with this version, during their probation period new company employees sign a statement indicating if they have a conflict of interest or not. In addition, 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. All other employees are required to file a conflict of interest statement if a conflict of interest emerges (self-declaration).

Since June 2021, all three types of conflict of interest declaration (when hiring, annual, and self-declaration) are digitalized in SAP SF. As part of these conflict of interest declaration procedures, employees also confirm that they have read the NLMK Group Code of Corporate Ethics, Anti-Corruption Policy, and Regulations on preventing, disclosing, and managing conflicts of interests (hereinafter the certification procedure of internal document compliance). [GRI 205-2](#)

In 2021, 1,623 employees underwent the conflict of interest declaration procedure and the certification procedure of internal document compliance.

As a result, 28 cases of actual conflict of interest and 39 cases of potential conflict of interest were detected.

As at the year-end, 24 out of 28 cases of actual conflict of interest were settled; for the rest, settlement is in progress. All cases of potential conflict of interest are being monitored.

## Reports of corruption and fraud

The Group encourages employees to use the whistleblower channels of the compliance hotline and other company feedback channels for good-faith reports of corruption and fraud. One of the principles of the company's Anti-Corruption Policy is the non-retaliation clause: no employee will be punished for refusing to participate in corruption and/or for reporting corruption in good faith. Anyone who reports a violation in good faith will be protected against any form of pressure, harassment, and discrimination.

In 2021, the compliance hotline received 46 reports related to the risk of theft and internal fraud. Investigations have been made into all violation reports. In 14 cases the information was confirmed fully or partially, in eight cases the investigation was still in progress as at the year-end. For all detected violations, settlement measures have been taken, including contracts with two individual contractors were terminated, five employees were brought to disciplinary responsibility, penalties were imposed on one contractor, and one incident was transferred to law enforcement agencies. **GRI 205-3**

## Integrating an anti-corruption culture

The company dedicates particular attention to integrating a culture of zero tolerance for corruption via a programme for training and informing employees about NLMK Group's behaviour standards, including management example ("tone at the top"). In 2021, the company management made six communications

about anti-corruption and countering fraud, including the addresses of the CEO, the Vice President for HR and Management System, the Vice President for Operational Efficiency, and the Legal Director. Information about the company's behaviour standards is communicated to employees via the following channels:

- The welcome email that every new employee receives
- Publications in blogs and the feed on the internal portal
- Publications in the NLMK Company magazine
- Presentations by compliance representatives as part of strategy sessions for the company functional areas.

In 2021, over 30 publications on compliance and anti-corruption were made through corporate communication channels.

In addition to informing, the company also has a programme for training employees in anti-corruption requirements. In 2021, over 2,800 employees underwent in-person training in anti-corruption requirements. The online course was taken by over 10,000 employees. Additionally, in 2021, the online course on conflict of interest was updated and taken by 88 employees.

In addition to integrating a culture of compliance in the Group, NLMK is also taking steps to inform and train its partners in the anti-corruption requirements that the company abides by.

## Efficiency assessment and audit

The Compliance Unit regularly assesses the efficiency of the anti-corruption compliance programme and provides information to the person responsible for anti-corruption efforts. Reports on the overall operation of the compliance system are presented to the company CEO annually.

The anti-corruption and fraud system efficiency is assessed during internal audits. In 2021, the Audit Department audited anti-corruption compliance.

Its results were reviewed by the RMC and the company's Audit Committee of the Board of Directors. As a result of the audit, risks of corruption and fraud emerging in certain processes were reassessed, and the RMC drafted and approved a new list of areas with a risk of corruption and fraud.

In 2021, the company's anti-corruption compliance system was also audited by external experts as part of the Group's participation in the RUIE Anti-Corruption Rating. As a result of the audit, NLMK Group was rated A2 – Companies with a high level of anti-corruption efforts.

In addition, in 2021, the NLMK Group anti-corruption compliance programme received the Russian Compliance Award in the Best Anti-Corruption Compliance Programme nomination.

During the year, no corruption-related legal proceedings were initiated against NLMK Group or its employees.

**GRI 206-1**

## Antitrust compliance

**GRI 206-1**

In 2021, keeping in mind the stricter regulatory environment and law enforcement practice, the company paid particular attention to developing the system for internal compliance with antitrust legislation, focusing mainly on developing the compliance corporate culture.

Key changes in 2021:

- New versions of the Antitrust Compliance Policy and the Regulations on antitrust risk management were approved
- In-person training programme on antitrust requirements was introduced and taken by over 200 structural unit employees; an online course on antitrust compliance was developed and taken by over 600 structural unit employees
- Four videos on antitrust compliance were broadcast on NLMK TV
- Potential violations of antitrust requirements were included into the scope of the independent

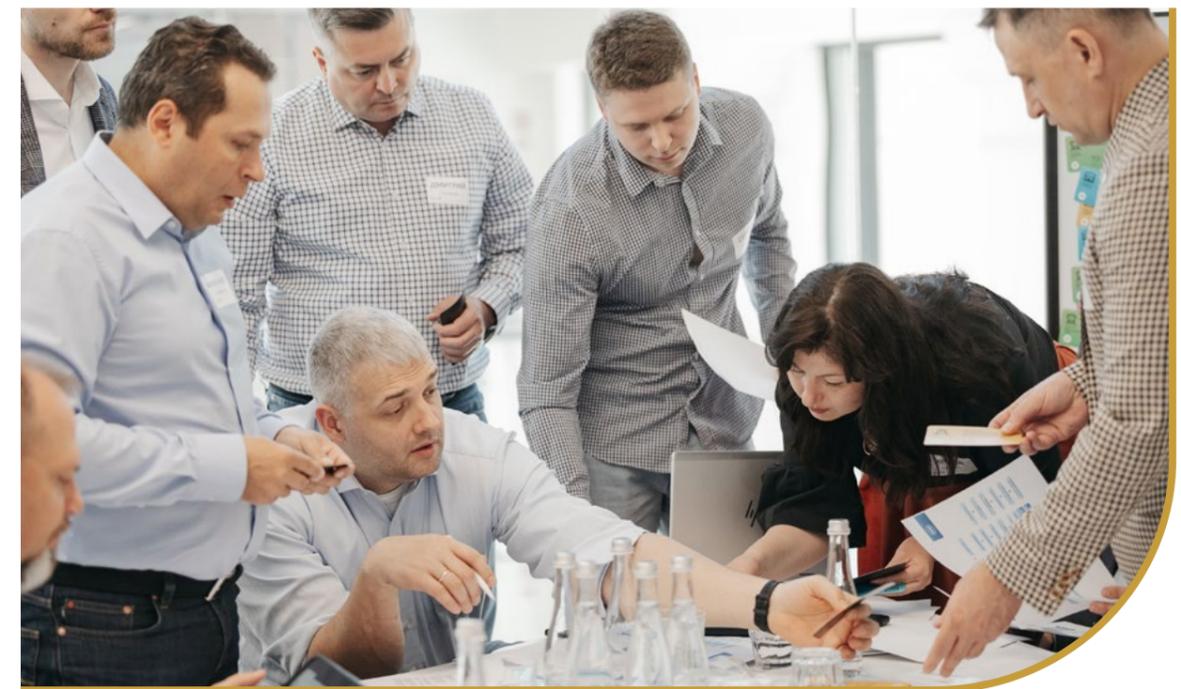
compliance hotline, the hotline coverage was extended to third parties, including partners

- A road map has been developed to reduce the risks antitrust legislation violations

## Plans for 2022 and the medium term

In 2022, the company plans to continue developing its compliance system, including compliance programmes for specific areas. The planned actions include:

- Updating the company's Corporate Ethics Code, further training and informing all employees about the Group's ethical standards
- Introducing new training and communication programmes in corporate ethics and specific compliance areas
- Preparing for certifying the compliance system according to the new ISO 37301:2021 standard.



# Operational control and risk management

As a major international steel producer, NLMK is exposed to a variety of risks that could have a negative impact on the Group's business and our stakeholders if they materialize. In order to safeguard its shareholder value and sustainable development, the company employs the latest operational control and risk management practices and methods. 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' and four levels of management. Control procedures are used in the Group's Russian and international subsidiaries and are an integral component of the key corporate decision-making activities and processes.

## Internal Control and Risk Management System

The Internal Control and Risk Management System employed by NLMK is designed to ensure reasonable certainty that the Group's strategic and operational goals will be achieved, to create and protect value for the Group, and to ensure sustainable development by rapidly identifying, assessing, and effectively

managing risks and opportunities. The NLMK Board of Directors, which determines the principles and approaches to the organization of the risk management system and regularly reviews reports on the status of the company's risks, plays a key role in the risk management process. The Internal Control and Risk Management Department functions as a separate structural unit within NLMK. Its goals and objectives include

analysing risks associated with key business processes, ensuring that risk management processes are effective, implementing monitoring procedures, and developing a corporate culture of risk awareness.

### Division of internal control and risk management functions among corporate governance system participants

Participant	Key functions
<b>Level 1</b>	
Board of Directors	<ul style="list-style-type: none"> <li>Specifies the principles for and approaches to the organization of the internal control system</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>Monitors the reliability and effectiveness of the Internal Control and Risk Management System</li> <li>Monitors procedures to ensure the Group's compliance with legislative and trade exchange requirements, and with corporate ethical standards, rules, and procedures</li> <li>Analyses and assesses the implementation of NLMK's conflict of interest management policy</li> <li>Oversees compliance with policies and operational controls over environmental and social risks, as well as occupational health and safety risks <a href="#">GRI 102-30</a></li> </ul>

Participant	Key functions
<b>Level 2</b>	
Management Board	<ul style="list-style-type: none"> <li>Determines the risk management strategy and approves critical risk management measures</li> <li>Ensures the effective functioning of the Internal Control and Risk Management System</li> </ul>
Risk Management Committee (Management Board)	<ul style="list-style-type: none"> <li>Approves the principles, strategy, and regulatory instruments for risk management processes and the internal control system</li> <li>Regularly reviews the company's Risk Map (a list of salient risks, indicating their weight and trends for a certain period) and ensures the overall monitoring of the implementation of risk management measures</li> <li>Approves and performs the general monitoring of risk management measures</li> <li>Regularly reviews the results of an analysis and assessment of the internal control system; approves and ensures the general monitoring of actions to enhance the system</li> <li>Approves and monitors adherence to corporate ethics and business culture norms within the Group</li> <li>Ensures the overall organization of activities to enforce the Code of Corporate Ethics and Anti-Corruption Policy</li> <li>Regularly reviews reports on compliance with business ethics and anti-corruption principles</li> <li>Coordinates the work of subdivisions participating in the risk management process and internal control system</li> </ul>
Investment Committee	<ul style="list-style-type: none"> <li>Overall control over risk magnitude, as well as selection of risk management measures for investment projects, their implementation and inclusion into the budget</li> </ul>
<b>Level 3</b>	
<ul style="list-style-type: none"> <li>Internal Control and Risk Management Department</li> <li>OHS (see the OHS section for more details)</li> <li>Environment and Climate (see the Environment and Climate Change sections for more details)</li> <li>Legal Support</li> <li>Compliance (see the Compliance section for more details)</li> <li>Corporate Security</li> <li>Financial Controlling</li> <li>Information Security (see the Cybersecurity section for more details)</li> </ul>	<ul style="list-style-type: none"> <li>Assesses and regularly monitors the level of risks taken and assesses the efficiency of management activities</li> <li>Coordinates and provides methodological support for the risk management process</li> <li>Drafts regulatory and methodological documents concerning risk management and internal control</li> <li>Records and processes incidents associated with deviations in the internal control system; plans and monitors corrective measures</li> <li>Systematically looks into the risk coverage by the internal control system in cooperation with line managers; plans and monitors the implementation of corrective measures</li> <li>Builds a system for effective internal communication about risks</li> <li>Increases the company's resilience to business interruptions</li> <li>Ensures effective response and business recovery after interruptions</li> <li>Ensures compliance of NLMK operations with relevant legislation and internal documents</li> <li>Promotes and assesses the effectiveness of measures to counteract corruption and fraud implemented in accordance with the Group's anti-corruption policy</li> <li>Creates a risk-awareness culture</li> </ul>
<b>Level 4</b>	
Risk owners (business units)	<ul style="list-style-type: none"> <li>Identify risks</li> <li>Implement risk management measures</li> <li>Monitor key risk indicators (KRIs)</li> </ul>
Audit Department (Internal Audit Service)	<ul style="list-style-type: none"> <li>Assesses the reliability and effectiveness of internal control and risk management and evaluates the corporate governance system with a view to providing independent and objective guarantees and consultations to the Board and the CEO</li> <li>Provides advice and recommendations, promotes knowledge sharing</li> </ul>

## Our approach to risk management

Risk management is a continuous process that aims to reduce risk to an acceptable level and prevent events that could have a negative impact on NLMK achieving its business goals. The Group is committed to effectively and proactively managing risks and opportunities on a day-to-day basis and to the ongoing development of a risk-awareness culture.

NLMK's risk management system was developed to take into account the challenges posed by the external environment and in accordance with the principles set forth in international risk management standards, including ISO 31000:2018 and COSO ERM:2017. NLMK's key internal document focused on risk management is the *Internal Control and Risk Management Policy* approved by the Board of Directors. Internal documents have also been drafted to manage individual risk categories that are important to the Group.

The Risk Management Committee of the Management Board is an important link in the risk management process. During its meetings, it conducts a detailed review of changes in the company's risk profile, issues related to the functioning of the risk management system, and methodological approaches to risk management. The Management Board and Board of Directors review the map of significant risks to which NLMK is exposed on an annual basis and take into account information on current and emerging risks in decision-making.

**GRI 102-11**

NLMK's functional units work on identifying and responding to risks that are relevant to their operations with methodological support from the Internal Control and Risk Management Department. The Department monitors the effectiveness of the measures used to manage risks as part of an analysis of management reporting from risk-owning functional units. This includes operational data at the business process level on current and planned KRI

values, the status of risk management measures, and risks that have materialized.

NLMK is committed to the continuous development of its corporate risk management culture, which aims to identify and respond to risks in a timely and effective manner. With this aim in mind, the management regularly emphasizes the importance of risk management in internal corporate communications. Systematic training in managing individual risk categories and integrating risk management into the Group's daily activities also help to develop a risk-awareness corporate culture.

Assessing the probability and impact of risks is one of the most crucial factors in making informed management decisions. To this end, NLMK utilizes modern risk analysis practices and tools. By applying specially developed methods for assessing individual risk categories, anticipated losses and the probability of risk materialization can be determined with a very high degree of precision, and effective risk management measures can be developed.

The majority of significant risks to which NLMK is exposed are assessed on a quantitative basis, which leads to better-informed management decisions. The Group assesses salient risks using scenario analysis models and stress testing.

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 was created in 2020, which will develop innovative methods and tools for quantifying risk and making decisions in conditions of uncertainty. This will contribute to the continuous improvement of risk management methods.

The company regularly monitors the effectiveness of its risk management system and implements measures to improve it. Internal audit plays a key role in the assessment of the risk management system. In 2021, the internal audit assessed the Group's

risk management system. According to the audit report, the NLMK Internal Control and Risk Management System has reached maturity, is generally aligned with best practices and facilitates more effective decision-making. The internal audit developed additional recommendations to further improve the system's operation.

## Risk Map

The company has developed a Risk Map to rationalize its approach to identifying, analysing, and monitoring risks and drawn up a list of salient (critical) risks. This list covers both financial and non-financial risks which according to the Group's estimations, are highly likely to materialize or may have a big impact on the company's operations. Analysing critical risks and monitoring the implementation of risk control measures remain a top priority for the NLMK Group management team. The Risk Map is regularly updated to reflect the strategy, operational changes, and external context.

In 2021, the major changes in the Risk Map were related to external factors: supply continuity risks increased, while environmental and climate risks were triggered by the climate agenda. The company developed a list of measures to ensure business continuity, analysed the climate risk profile, and formulated its Climate Programme. The Group continues to pay special attention to occupational safety, employee wellbeing, and information security.

## Salient risks **GRI 102-15**

### 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. The company's 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 structures, floods, and other natural disasters.

Potential risk factors	Current risk management measures
<ul style="list-style-type: none"> <li>Design errors</li> <li>Operational mistakes/unsafe operations</li> <li>Poor quality of servicing</li> <li>Untimely servicing</li> <li>Hidden defects</li> </ul>	<ul style="list-style-type: none"> <li>In-depth survey of buildings and structures and development of relevant repair programmes</li> <li>Industrial safety expert review process</li> <li>Fire safety programme based on the results of an external fire risk assessment</li> <li>A new format of fire work permit, including risk assessment and control at all stages of work</li> <li>Internal cross-audits on fire safety</li> <li>Regular audits of the state of production facilities (observations, inspections, surveys)</li> <li>Updated cardinal safety rules for employees and contractors</li> <li>New injury prevention programmes, including LOTO (the procedure for using energy sources for the safety of workers during maintenance, repair or cleaning of equipment), safety at height, eye protection, etc.</li> <li>Pre-work hazard analysis and dynamic risk assessment</li> <li>A response system for emergency medical care, medical evacuation, first aid, and resuscitation, including employee training</li> <li>Electronic work permits for hazardous operations</li> <li>Mobile app for risk registration</li> </ul>

### Health & safety risks

Risks of occupational diseases, epidemiological risks

#### Why is this risk important?

Due to the specifics of the company processes, the operations at the Group's sites are associated with the impact of harmful factors.

The ongoing COVID-19 pandemic brought about additional risks for the health of employees, both related to the disease itself and to its consequences for the body

Potential risk factors	Current risk management measures
<ul style="list-style-type: none"> <li>Harmful working conditions</li> <li>Poor quality of mandatory medical check-ups, emergency medical aid, first-aid training</li> <li>Seasonal epidemiological risks</li> <li>Epidemiological risks related to COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Ensuring the availability of high-quality food and dietary regime</li> <li>Upgrading corporate medical institutions (purchase of medical equipment, training of medical personnel)</li> <li>Various forms of rehabilitation treatment for workers who have suffered from COVID-19 and viral pneumonia, at corporate medical facilities</li> <li>A set of measures to contain the spread of COVID-19 at the company's production facilities, including mass laboratory tests</li> <li>Voluntary vaccination against seasonal flu and pneumococcal infection in all regions where the company operates</li> <li>Handing over medical diagnostic and therapeutic equipment to medical facilities in the regions where the company operates</li> <li>Additional payments to medical workers' payroll, organizing catering for them</li> <li>Training sessions for workers to teach them the latest first-aid algorithms</li> <li>Using high-quality personal protective equipment</li> </ul>

**Environmental risks**  
Risks associated with events caused by NLMK Group's operations which may have negative effects on the environment.  
Risks associated with the impact of the environmental situation on the activities of the Group's enterprises<sup>1</sup>.

**Why is this risk important?**  
The materialization of environmental risks may result in serious negative consequences in terms of the Group's financial performance, reputation, and operational efficiency, and business continuity.  
A responsible attitude towards the environment and the efficient use of natural resources are the key principles of NLMK's Sustainable Development Policy. The company objectively assesses environmental risks and is committed to minimizing them. It allocates significant resources to various environmental programmes and the implementation of innovative technologies.  
Environmental protection is a top priority of NLMK Group's activities (see the Environmental Protection section for more details).

Potential risk factors	Current risk management measures
<ul style="list-style-type: none"> <li>Lack of environmental compliance of current processes</li> <li>Changes in environmental laws</li> <li>Availability of natural resources for continuous operation</li> </ul>	<ul style="list-style-type: none"> <li>Making sure that engineering and design are duly aligned with environmental requirements and reduce environmental impact</li> <li>Developing, implementing and annually updating the Environmental Programme, which encompasses projects to reduce emissions, waste, negative impacts on water, land and biodiversity</li> <li>Monitoring and maintaining the operability of environmental protection equipment through regular periodic maintenance, scheduled repairs and overhauls</li> <li>Collaborating with government authorities by taking part in associations and offering comments on draft documents on environmental protection</li> <li>Monitoring the availability of natural resources, regular assessment of the state of reserves and soil conditions in the locations of the Group's production facilities</li> </ul>

**Climate risks**  
Risks associated with the physical effects of climate change and the transition to a low-carbon economy

**Why is this risk important?**  
Climate change is one of the most serious problems of the modern world, affecting society, economy and safety. Climate risks can be conditionally divided into:  

- Physical risks associated with natural phenomena arising from climate change, the likelihood of which increases with global warming
- Transition risks associated with the transition to a low-carbon economy. The greenhouse gas emissions are the main driver of climate change. According to various estimates, steel industry accounts for 7% to 9% of global greenhouse gas emissions

 NLMK Group takes climate change issues very seriously and consistently reduces the carbon footprint of its products (see the Climate Change section for more details)

Potential risk factors	Current risk management measures
<p><b>Physical risks:</b></p> <ul style="list-style-type: none"> <li>Extreme risks (extreme weather events)</li> <li>Chronic risks (long-term climate change)</li> </ul> <p><b>Transition risks:</b></p> <ul style="list-style-type: none"> <li>Policy risks</li> <li>Market risks</li> <li>Reputation risks</li> <li>Technology risks</li> </ul>	<ul style="list-style-type: none"> <li>Making sure that engineering and design are duly aligned with climate change specifics</li> <li>Developing the Climate Programme and implementing investment and operational projects to reduce CO<sub>2</sub> emissions</li> <li>Collaborating with government authorities by taking part in associations and working groups and offering comments on draft documents on transitioning to low-carbon economy</li> </ul>

**Water-related risks**  
Risks associated with water availability and quality

**Why is this risk important?**  
Water is an important resource used in production processes. Although NLMK Group's enterprises are not located in water-deficient regions, the company strives to reduce water consumption and makes every effort to reduce the volume of water intake and increase water reuse rate. The company regularly monitors and assesses the risks of water supply in all regions, where it operates (see the Environmental Protection section for more details).

Potential risk factors	Current risk management measures
<ul style="list-style-type: none"> <li>Water scarcity</li> <li>Floods</li> <li>Droughts</li> <li>Water pollution</li> </ul>	<ul style="list-style-type: none"> <li>Regular monitoring of the quality of water bodies (upstream and downstream of the company facilities) and groundwater (via monitoring wells)</li> <li>Closed water-loop systems, which not only minimize the consumption of fresh water, but also include "buffer" tanks for regular water supply to production units</li> <li>Wastewater reuse measures</li> <li>Availability of emergency response plans, plans for localization and elimination of water-related accidents</li> </ul>

**IT and information security risks**  
Disruption of business continuity due to unavailability of IT systems, data transmission network following technical and software failures, non-fulfilment 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.

Potential risk factors	Current risk management measures
<ul style="list-style-type: none"> <li>Targeted external attacks and viruses</li> <li>Human error</li> <li>Deliberate actions of employees</li> <li>Physical loss of infrastructure and equipment (due to accidents or natural disasters)</li> </ul>	<ul style="list-style-type: none"> <li>Integrated information security system development programme</li> <li>Improvement of information security processes</li> <li>External audits for compliance with the legal requirements in the field of personal data protection and external testing of information security system stability</li> <li>Information security incident response plans (DRP, BCP)</li> </ul>

**Currency and price risks**  
Risks associated with financial losses as a result of adverse changes in prices for finished products and raw materials, as well as exchange rates

**Why is this risk important?**  
The key factor determining the size of the Group's revenue is global steel prices. Since most of the Group's revenue is denominated in foreign currencies and most of expenses are denominated in Russian rubles, NLMK faces currency risks. The correlation between steel prices and the ruble exchange rate creates a "natural hedging" effect, where one risk is partially offset with the other.

Potential risk factors	Current risk management measures
<ul style="list-style-type: none"> <li>Lower prices on finished products</li> <li>Increase in raw material prices</li> <li>Volatile supply timeframes</li> <li>Currency exchange rate variations affecting financial results</li> </ul>	<ul style="list-style-type: none"> <li>"Natural hedging" of price risk by currency risk, maintaining an optimal open currency position</li> <li>Using formula-based pricing, concluding long-term contracts</li> <li>Hedging using derivative financial instruments (if necessary)</li> <li>Hedge accounting according to IFRS standards</li> </ul>

<sup>1</sup> In this risk group, in particular, the risks of water availability and its quality are separately assessed (see the Water-Related Risks section for more details)

The company also considers the following risks:

- Reputational risks and risks related to stakeholder engagement (see the Dialogue with Stakeholders section for more details)
- Risks related to skills depreciation
- Equipment failure risks
- Inventory risks
- Supply continuity risks
- Liquidity risks
- Tax risks
- Credit risks
- Interest risks
- Compliance risks (see the Compliance section for more details)

## 2021 performance<sup>1</sup>

In 2021 the company continued to improve its Internal Control and Risk Management System and develop its approaches to risk management and risk culture. The following key projects focus on the ESG agenda and emerging risks:

- Assessing Climate Risks and Opportunities. The project included an analysis of climate pathways and a financial assessment of the potential impact of climate risks and opportunities (joint project with Carbon Trust – see the Climate Change section for more details)
- Conducting an environmental audit of the Group’s mining enterprises
- Developing an expanded programme of liability insurance, including insurance for environmental risks

- Developing Environmental Programme (see the Environmental Protection section for more details) and Climate Programme (see the Climate Change section for more details)

## Risk strategy and plans for 2022 and the medium term

NLMK has introduced the practice of regularly updating its Internal Control and Risk Management strategy. In 2021, three key areas for further development of the Internal Control and Risk Management System were approved for the next two years.

## 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 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, ensuring stability in crisis situations, and fulfilling its obligations to stakeholders.

In 2022, the Group plans to expand the project to include international assets, carry on with employee training in continuity management.

## 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 the following processes: improving existing control procedures by analysing 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.

## Corporate culture of risk awareness

The company is working on building a risk awareness culture that meets the principles of engagement, responsibility, and risk prevention. As part of this commitment, NLMK plans to develop of additional training 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.

## Internal Audit

Internal audit is a source of independent and reasonable guarantees to the Board of Directors and management. Its objective is to improve 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 is built in line with legal requirements and the recommendations of professional standards, the Bank of Russia’s Corporate Governance Code, and best international practices.

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

The internal audit performs the following functions:

- Evaluation of the internal control system
- Evaluation of the risk management system
- Evaluation of corporate governance

In addition, internal audit performs consulting activities by providing independent opinions to internal customers on certain matters concerning financial and business operations.

NLMK’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 internal audit and their enforcement

Principles	Tools and mechanisms for enforcing the principles
Independence and objectivity	<p>The Audit Director functionally reports to NLMK’s Board of Directors</p> <p>The Audit Director is appointed (dismissed) by resolution of NLMK’s Board of Directors</p> <p>The 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</p> <p>Third parties are prohibited from interfering in the process and the results of the audit</p>
Systematic and consistent approach	<p>The internal audit is guided by a risk-based Audit Plan</p> <p>Resources are distributed between targeted (limited scope) and comprehensive audits of processes when the Audit Plan is devised</p> <p>The internal audit prepares recommendations taking into account the costs/value ratio. Priority is given to systemic measures</p> <p>Regular monitoring of the execution of post-audit recommendations</p>

<sup>1</sup> 1 Events after the reporting date: In February 2022, situation in Ukraine escalated, which negatively impacted commodity and financial markets, and increased volatility, particularly with regard to foreign exchange rates. Since then, the circumstances have been deteriorating and the situation remains highly unstable. There is increased volatility in the financial and commodity markets. There is an expectation of further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the economy in general, but the full nature and possible effects of these are unknown.

Principles	Tools and mechanisms for enforcing the principles
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; they continuously develop and improve the said knowledge, skills, and other expertise through assessment, training, and sharing experience; they also continuously develop their expertise in IT systems as they are 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 to determine whether the internal audit activities 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 the function's performance.  Following the 2017 independent quality assessment, Deloitte provided NLMK with a positive opinion stating that the internal audit's activities are generally in line with International Standards for the Professional Practice of Internal Auditors and the IIA Code of Ethics

## 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 2021, 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.

The main internal document of NLMK Group governing the internal audit is the Regulations on the Audit Department. The Regulations have been approved by the Board of Directors and are available on the company's official website.

The head of internal audit submits reports to the Audit Committee on the audit results of the effectiveness of the internal control and risk management system.

### 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.

### 2021 PERFORMANCE

In 2021, the internal audit continued to implement the Internal Audit Development Strategy through to 2022, approved by the Audit Committee.

The following planned activities were carried out:

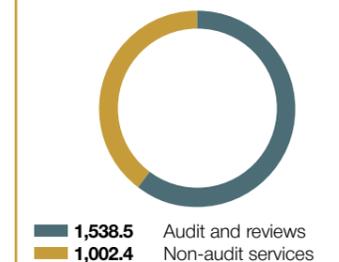
- Maturity assessment of the top risk management system, assessment of anti-trust risk management and management of the risk of free trade restrictions/geopolitical risks
- Assessment of anti-corruption compliance, including the execution of the Anti-corruption Policy, the Regulations on Preventing, Disclosing and Managing Conflicts of Interests, the operation of the hotline
- Efficiency assessment of the internal control system for end-to-end processes at NLMK Group: system of qualification, tenders, and contract approval, the Repairs process in the company's Russian assets
- Local audits of process control efficiency

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 2021, the share of non-audit services in the total volume of services provided by PwC was at an acceptable level and did not exceed 39% 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 2021 interim and annual IFRS consolidated financial statements as well as for the audit of the 2021 RAS statements in the amount of RUB 59.1 million (VAT excluded).

Remuneration paid to the independent auditor for 2021, \$ '000 (VAT excluded)



### Plans for 2022 and the medium term

Assessing the reliability of risk management and internal control for NLMK Group's key business processes according to the Internal Audit Plan, including the testing of end-to-end processes in the company's international assets.

Efficiency assessment of certain corporate governance elements.

# 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 5.98% of the share capital as of 31 December 2021. 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 <sup>1</sup>
Reuters Ticker Code	NLMKq.L <sup>2</sup>

## Share price

### NLMK Global Depository Share price on the London Stock Exchange, \$

Indicator	2020	2021	Variance, %
Start of year	23.0	<b>27.7</b>	20
End of year	27.7	<b>29.5</b>	6
Maximum	29.3	<b>37.8</b>	29
Minimum	12.3	<b>26.9</b>	118
Average	21.1	<b>31.6</b>	50

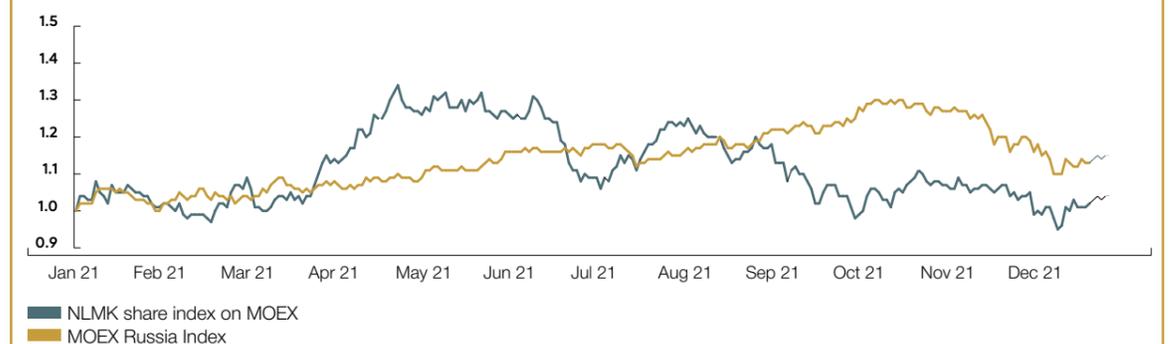
### Ordinary NLMK share price on the Moscow Stock Exchange, RUB

Indicator	2020	2021	Variance, %
Start of year	143.7	<b>209.1</b>	45
End of year	209.1	<b>217.6</b>	4
Maximum	223.8	<b>279.6</b>	25
Minimum	101.1	<b>197.8</b>	96
Average	152.5	<b>233.2</b>	53

### NLMK share prices on the Moscow Stock Exchange and London Stock Exchange in 2021



### NLMK share index and Moscow Stock Exchange index in 2021



## Number of shareholders

In 2021, the number of shareholders tripled, reaching 373,000 people. The number of online voting participants increased to 1,500 people by the end of the year (+2.2x year-on-year).

### Number of NLMK shareholders and online voting participants

Indicator	As of 23.11.2020	As of 01.11.2021	Variance, %
Total shareholders	114,181	373,150	+3.3x
Online voting participants	677	1,482	+2.2x

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

## Market capitalization

In 2021, the company's average market capitalization on the London Stock Exchange was \$19 billion (+50% year-on-year). At the end of 2021, NLMK share price stood at \$2.95 per share (or \$29.52 per GDS), which is consistent with a capitalization of \$17.7 billion (+6% year-on-year). **GRI 102-7**

## Taxation<sup>1</sup>

### 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 No. 372-FZ dd. 23 October 2020), and 15% for non-residents (clause 3.2, Article 224 of the Russian Tax Code).

## Dividends

### Dividend Policy

According to the current<sup>2</sup> 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
- 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 million 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 Russian 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

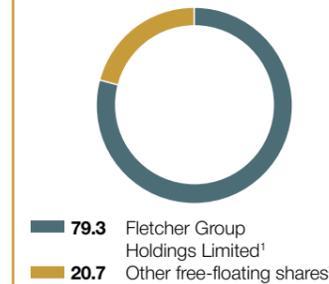
The Group's corporate documents, including the NLMK Charter, are available [www.nlmk.com](http://www.nlmk.com).

## 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](http://www.nlmk.com), on the day of its official publication. The company announces its publication in a special press release. A hard copy of the annual report is available upon request in the office of the shareholder register.

## Equity structure

### Equity structure as at 31 December 2021, % **GRI 102-5**



Stock share owned by governing bodies members is

less than **0.01%**

## 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-mr.ru](mailto:info@a-mr.ru)  
 Website: <http://www.a-mr.ru/>

### Depository bank

Deutsche Bank Trust Company Americas

### New York Headquarters

1 Columbus Circle, New York, NY 10019, USA

### London Office

Winchester House  
 1 Great Winchester St., London, EC2N 2DQ, United Kingdom

### Contacts

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

### Corporate Secretary

Valery Loskutov  
 Telephone: +7 (4742) 44-49-89  
 Email: [loskutov\\_va@nlmk.com](mailto:loskutov_va@nlmk.com)

### Corporate Finance and Investor Relations

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

**GRI 102-53**

<sup>1</sup> 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 shares, including GDS.

<sup>2</sup> As of 31 December 2021.

<sup>1</sup> The company's beneficiary is Vladimir Lisin, according to the definition of 'beneficiary' in Russian legislation.

<sup>2</sup> 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.

# WOMEN'S VIEW ON MANAGEMENT



**Chair of the Digital Development Committee**

Jane Zavalishina was elected to NLMK Group Board of Directors as Independent Director at the Annual General Meeting of Shareholders. At the first Board meeting after AGM a new Board Committee on Digital Development was created, the first among Russian steel companies. Jane Zavalishina was appointed Chair of the newly created committee.

The committee will contribute to the effective implementation of the company's strategy and increase its competitiveness against the background of the trend towards active introduction of digital technologies in the industry.

Jane is the President and co-founder of Mechanical AI B.V., as well as a teaching professor at Singularity University Benelux. During her career, Jane was focused on the application of innovative technologies to create new and transform traditional businesses.



**Managing Director of the Lipetsk site**

In 2021, Tatiana Averchenkova was appointed to the position of Managing Director of NLMK Lipetsk. Earlier Tatiana held the position of Vice President for Operational Efficiency of NLMK Group. Tatiana has been working at NLMK Group since 2001. She was Director of Controlling and held leadership positions in the Strategy Department.

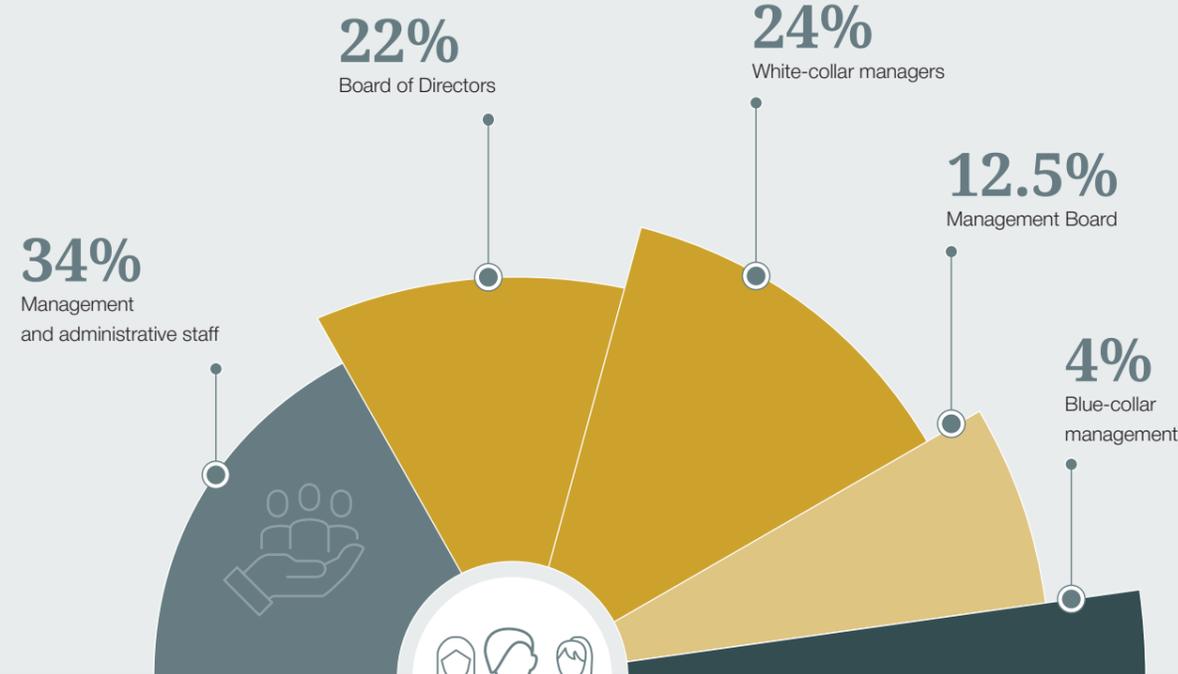
Since 2016, Tatiana was Vice President for Operational Efficiency. Under her leadership NLMK Production System was created, which has become one of the main tools for implementing NLMK Group's strategy. Tatiana is a member of the Management Board of NLMK Group.



**Vice President for Technology Development**

In 2021, the position of Vice President for Technology Development was created in NLMK Group. Irina Spitsberg was appointed to this position. Irina is engaged in the development and implementation of a long-term strategy for the development of new products and new production technologies.

She heads the company's international team of engineers and scientists in Russia and Europe. Irina's tasks include consolidation of existing research and development portfolios, identification of longterm promising areas of technology development and their management.



**25%**  
Share of women  
Among NLMK Group employees