Leadership in sustainability
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Key highlights

- Corporate governance
- Health & Safety
- Environment
- Tailings dam management
- Social
- ESG Ratings
**LEADERSHIP IN SUSTAINABILITY - KEY HIGHLIGHTS**

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

Selected non-financial indicators for 2019 were independently verified

<table>
<thead>
<tr>
<th>Environment</th>
<th>Health &amp; Safety</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.94 t/t</strong></td>
<td><strong>56%</strong></td>
<td>Reduction in LTIFR since 2013</td>
</tr>
<tr>
<td>NLMK’s CO₂ specific emissions target by 2023</td>
<td><strong>97%</strong></td>
<td>More than 16K employees passed safety trainings in 2019</td>
</tr>
<tr>
<td><strong>4th</strong></td>
<td><strong>16k</strong></td>
<td>In 2019, 18,000 of training sessions were achieved at NLMK’s Corporate University</td>
</tr>
<tr>
<td>Every 4th tonne of steel is made of scrap</td>
<td><strong>53%</strong></td>
<td><strong>18k</strong></td>
</tr>
<tr>
<td>Reduction in air emissions intensity (per tonne of steel) 2000-2018</td>
<td><strong>92%</strong></td>
<td><strong>5.6%</strong></td>
</tr>
<tr>
<td>of generated waste is reused</td>
<td></td>
<td>Turnover rate</td>
</tr>
</tbody>
</table>
• Key highlights

• **Corporate governance**
  • Health & Safety
  • Environment
  • Tailings dam management
  • Social
  • ESG Ratings
NLMK ADHERES TO HIGH CORPORATE GOVERNANCE STANDARDS

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

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

Voting rights: “one share/one vote”, equitable treatment for all shareholders.

The company’s Board of Directors:
- Reputable board with superior track record.
- Directors are not over-boarded with mandates.
- Board performance is evaluated annually.

Remuneration system based on clear KPIs, including ESG targets.

### The Majority of the Board is Independent

<table>
<thead>
<tr>
<th>Year</th>
<th>Independent directors</th>
<th>Non-independent directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>2019</td>
<td>56%</td>
<td>44%</td>
</tr>
</tbody>
</table>

### The Majority of the Committees are Chaired by Independent Directors

<table>
<thead>
<tr>
<th>Year</th>
<th>Independent directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>33%</td>
</tr>
<tr>
<td>2019</td>
<td>67%</td>
</tr>
</tbody>
</table>

### Committees with a Majority of Independent Directors

<table>
<thead>
<tr>
<th>Year</th>
<th>Independent directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>33%</td>
</tr>
<tr>
<td>2019</td>
<td>67%</td>
</tr>
</tbody>
</table>
NLMK’s approach to sustainability management is governed by Sustainable Development Policy (SDP) approved by the Board in October 2019.

The Board’s activity covers every ESG aspect.

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

Sustainability risks assessment

Environmental targets and respective investment program:
- Emissions, including greenhouse gases
- Discharges and waste
- Resource utilization

Sustainability performance monitoring and reporting

Audit oversight of non-financial information

Corporate governance
Business ethics & countering corruption

HR, Remuneration & Social Policies Committee

Personnel and social issues:
- Employment and work
- Occupational health and safety
- Training and development
- Social policy
- Diversity and equal opportunities
- Non-discrimination
- Local communities

Integration of sustainability KPIs within the remuneration system
• Key highlights
• Corporate governance

• **Health & Safety**
  • Environment
  • Tailings dam management
  • Social
  • ESG Ratings
SAFETY IS A TOP PRIORITY FOR THE GROUP


OHSAS 18001:2077 certified; ISO 45001:2018 is in process

In 2019, about $100 m was invested in safety systems and equipment

“No blame” policy for incidents reporting

The company is signatory of “Vision Zero”*

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

Targets:
   - Zero fatalities
   - LTIFR of 0.5 (vs. 0.84 in 2018 as per WSA)

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

* http://visionzero.global
• Key highlights
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• **Environment**
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NLMK has reduced air emissions intensity by more than two times since 2000.

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

CO₂ emissions reduction was mainly achieved through improved energy intensity.

Joining worldsteel’s Step Up program to further improve CO₂ efficiency.

Targets:

- Reaching the EU BAT level for air emissions intensity.
- Reducing CO₂ emissions (Scope 1 & 2) to 1.94 t per tonne of steel by 2023.

*Adjusted for temporary production decrease at the Lipetsk site, based on 2018 Group’s steel output.
INCREASING ENERGY EFFICIENCY

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

Improved energy intensity was achieved via equipment upgrade and better processes

Higher share of captive electricity generation contributes to lower CO₂ emissions

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

In 2019, the use of electrical power generated from renewables accounted for 5.1% of total power consumption*

*The share of renewables in the total volume of electrical power generation is shown without transit flows; NLMK Group companies made no direct purchases from renewable energy suppliers
Strategy 2022 envisages construction of the 3rd captive power plant at NLMK Lipetsk:
- The power plant will run on by-product fuel gases
- Leveraging successful experience of by-product gases reuse
- Unique technology for Russia of utilizing basic oxygen furnace gas
- Positive environmental impact

In 2019, NLMK Group signed the contracts for the supply of the main equipment, and design of the plant is in progress.
NLMK targets to increase production of electrical steel (GO and NGO) at its Russian facilities for global markets to benefit from growing energy demand and shift to low carbon economies:

- +0.1 m t of high grade GO for more efficient power and distribution transformers
- +0.1 m t of premium grade NGO for electric vehicles and energy-efficient motors

TARGET ELECTRICAL STEELS SALES, m t

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.6</td>
<td>-</td>
</tr>
<tr>
<td>2019</td>
<td>0.5</td>
<td>+35%</td>
</tr>
<tr>
<td>2023</td>
<td>0.8</td>
<td>+35%</td>
</tr>
</tbody>
</table>

Photo source: World Economic Forum
NLMK’s Dansteel (Denmark) is a leading producer of steel plates used for wind energy equipment in Northern Europe.

**The wind energy market trends in the EU:**
- Steel consumption by the wind energy sector is expected to rise significantly in the EU driven by the *Clean Energy for All Europeans* legislative package.

**NLMK’s targets:**
- +0.2 m t production growth

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**TARGET PREMIUM PLATES SALES BY DANSTEEL, m t**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (m t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.1</td>
</tr>
<tr>
<td>2019</td>
<td>0.1</td>
</tr>
<tr>
<td>2023 Target</td>
<td>0.3</td>
</tr>
</tbody>
</table>
NLMK has substantially reduced water consumption in relative (per tonne of steel produced) and absolute terms.

The Group doesn’t operate in water-stressed areas.

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

NLMK’s target is to minimize water consumption.

**WATER CONSUMPTION & USE INTENSITY**

- Water consumption, m3:
  - 2015: 91 m3
  - 2016: 91 m3
  - 2017: 84 m3
  - 2018: 81 m3
  - 2019: 82 m3

- Specific consumptive water use, m3/t of steel:
  - 2015: 5.7 m3/t
  - 2016: 5.5 m3/t
  - 2017: 4.9 m3/t
  - 2018: 4.7 m3/t
  - 2019: 5.3 m3/t

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

**WATER REUSE IN TOTAL WATER CONSUMPTION**

- % of water reuse:
  - 2015: 96.3%
  - 2016: 96.3%
  - 2017: 96.4%
  - 2018: 96.5%
  - 2019: 96.6%
MINIMIZING WASTE GENERATION AND REUSING BY-PRODUCTS

NLMK targets lower waste generation and higher share of waste reuse in its operations to 96% by 2023

Briquetting plant launched in May 2019:

- All newly accumulated Fe containing waste will be reused for briquettes production at NLMK Lipetsk as feedstock in BOFs
- This project will help to achieve the Group’s Environmental Programme 2022 target of increasing waste utilization to 96%

![Waste Recycling Chart]

![Waste Generation Intensity Chart]
• Key highlights
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• Environment

• Tailings dam management
• Social
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NLMK’s tailings dam was put into operation in 1984

Tailings dam development plan was independently audited

Emergency preparedness is regularly assessed and response procedures are developed

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

Water recycling system is in place

NLMK responded to the Church of England Pensions Board request
- Key highlights
- Corporate governance
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NLMK Group employs 52.8 thousand people

Employee turnover rate increased in 2019 due to the implementation of the program to increase labor productivity.

Regular staff satisfaction surveys are conducted.

Feedback channels were developed and launched.

Group employees completed 52.9 training sessions in 2019.

![NLMK Group's Employee Turnover Rate Graph](image)

![Staff Breakdown by Gender & Category](image)

![No. of Trainings Completed by Employees](image)
Tools for community engagement:
- Assessment of existing social programmes
- Direct engagement via dedicated channels
- Public hearings
- Cooperation with regional governments
- “Steel tree” project - a grant competition for social and environmental public initiatives

DEVELOPING LOCAL COMMUNITIES & SUPPORTING EMPLOYEES

INVESTMENTS IN SOCIAL PROGRAMMES IN 2019

- Monetary support and benefits
- Medicine and health improvement
- Transport to/from work
- Local communities development
- Corporate meals
- Mass sports and cultural events
- Pensions co-financing

$88.2 m
Adhering to UN Global Compact principles on human rights and labor

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

Key developments 2019:

- NLMK Group joined the UN Global Compact
- Participated in the BHR Peer Learning Series hosted by the Office of the UN High Commissioner for Human Rights and the UN Working Group on Business and Human Rights
- Member of the Committee on Corporate Social Responsibility and Demographic Policies of the Russian Union of Industrialists and Entrepreneurs (RSPP)

### FUNDAMENTAL HUMAN RIGHTS PRINCIPLES AT NLMK

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

NLMK remained a constituent of the FTSE4Good Index following June 2019 review.

**FTSE Russell ESG Rating (max. 5)**

- **ESG Rating**: 3.9 (NLMK 2018), 3.3 (NLMK 2019), 3.9 (Industry average score)
- **Environment**: 2.5 (NLMK 2018), 2.1 (NLMK 2019), 2.1 (Industry average), 1.7 (Subsector average)
- **Social**: 2.3 (NLMK 2018), 1.7 (NLMK 2019), 2.3 (Industry average), 1.7 (Subsector average)
- **Governance**: 4.6 (NLMK 2018), 3.4 (NLMK 2019), 4 (Industry relative score)
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Director, IR, Capital Markets

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