



Novolipetsk Steel

Social report

2006



Contents

3	Message from NLMK's President
7	Scope of the Report
11	Strategy and development
15	Company's Profile
17	group structure
19	corporate governance
23	risk management
27	calendar of events
31	Interaction with stakeholders
45	Social policy
46	Personnel policies
47	motivation and remuneration
56	professional training and development
62	corporate culture development
64	occupational health and safety
70	Environmental protection and resource saving
71	nature protection
78	resource saving
82	Social and economic development of the region
82	tax payments and city social programmes
83	young generation policy
85	veterans care and youth patriotic spirit
86	support of sport culture and physical training
88	support to rural communities
89	Company's charity
95	2007 objectives
98	Appendix 1. Key performance indicators of the Company's for 5 years
101	Appendix 2. GRI index
107	Feedback Form



Message from NLMK's President

Dear reader,

Due to the tremendous efforts of thousands of our employees and their long-standing experience gained over many decades, we have become one of the most successful and effective steel companies in Russia and worldwide. This is our first Social Report compiled in line with Global Reporting Initiative (GRI). In it we outline our business and CSR principles, our performance, as well as the economic and environmental aspects of the Company's activity.

Today, NLMK produces more than 9 million tonnes of steel per year and is to a considerable degree self-sufficient in raw materials.

We have established a vertically integrated group structure focused on the growth of shareholder value and increasing the Company's attractiveness as an investment by acquiring strategically important assets. Participation in the joint venture with Duferco Group (Duferco) enables us to manufacture high value added products on rolling capacities in West European countries and in the USA.

In order to improve the quality of our products and introduce a modern high-technology production, we developed the Technical Upgrading Programme, which is currently being implemented. In 2006 we successfully completed Stage I of the Programme, with over RUR50 billion being invested in its implementation. In Stage II of the Programme we are planning to upgrade existing production capacities and commission a number of new production facilities and, in doing so, considerably reduce the negative impact of production on the environment. Capex for Stage II until 2012 will exceed RUR100 billion.

In recent years the Company has drastically reduced its harmful impact on the environment. Our environment management system complies with ISO 14000:2004 requirements. In future we plan to increase investment in nature protection measures. By 2011 this will enable us to reach the highest environmental standards in the industry.

The high quality of our products is a key element of our success. Complying with the requirements of ISO 9000:2000 and ISO/TS 16949:2002 international standards, we go out of our way to satisfy customer needs. The high quality of NLMK's products has been recognised internationally and confirmed by leading certification agencies.

In 2007 we passed the final certification audit for compliance with OHSAS 18001 standard "Occupational Health and Safety Management System".

We are also a town-forming enterprise and are responsible for people's welfare in the city and in the region. We closely cooperate with local authorities and are actively involved in improving living conditions in Lipetsk.

In 2005 the Government of the Russian Federation assigned the title of "The most well-furnished city in Russia" to the city of Lipetsk where NLMK is located. We are proud of this fact.

We believe that the Company has achieved significant success, first and foremost due to its highly professional and loyal employees. Social partnership principles govern relations between the Company's management, employees and the NLMKs primary trade union organisation - the Mining and Metal Trade Union of Russia. Measures aimed at improving the remuneration system, attract and develop young employees, ensure comfortable and safe working environment will enable NLMK further to retain its position as the most attractive employer in the region.

In 2006 the Company for the fourth time was awarded the Diploma of the Government of the Russian Federation for its victory in the All-Russian Competition "Russian organisation of high social effectiveness" in the "Metallurgy" industry nomination. We are determined to continue our social activities and will follow our principles thus significantly contributing to the development of society.

We hope that this Report will help develop a dialogue between the Company and its stakeholders, identify and discuss the challenges we face while developing the Company as a reliable social partner for its employees and society as a whole.

Alexey Lapshin
President
(Chairman of the Management Board)



Blast furnace No. 6

Irina Zatonskikh

Form 5A, School No. 70, City of Lipetsk

Scope of the Report

This is the first in an annual cycle of reports produced by Novolipetsk Steel Open Joint-Stock Company in accordance with the G3 Guidelines on sustainable development reporting— Global Reporting Initiative (GRI). The information disclosed in this Social Report on principles, goals and results achieved by the Company in the field of social responsibility is aimed at informing the Company's stakeholders and complies with the GRI C level.

The Company identified the stakeholders deemed to be the potential readers of the Report, based on its long experience of cooperation with shareholders, investors, business partners (consumers and suppliers), employees, trade union organisations, regional authorities, municipal bodies and public organisations and educational institutions.

The information presented in this Report relates to the year 2006.

To identify the materiality of the information included in this Report, we considered the results of stakeholders' monitoring assessments of the Company's impact on the environment, economy and society in the region.

The Company provides detailed information in the Report on its social responsibility policy, environmental protection and occupational safety. The information on the Company's financial performance is not exhaustive in this Report.

You may follow the link to get complete information in the form of consolidated US GAAP financial statements:

www.nlmk.ru/about/figures/financial/year

The information on performance indicators relates only to NLMK registered in the Lipetsk Region territory and does not cover subsidiary companies. Further reports will contain information on subsidiary companies located both in Russian Federation and abroad.

The Company hopes that the information presented in the Report will help readers to learn more about NLMK's social policy and will enhance public trust and mutually beneficial cooperation.

In order to develop a constructive dialogue with all the stakeholders, the Company invites every reader to put forward their opinion on the Company's social activity. To facilitate this process, the requisite information on contacts and feedback forms has been placed in the Report.

Please send your opinions and proposals on the form and contents of the Report as well as questions on the data to you to the following address:

[Novolipetsk Steel Open Joint-Stock Company \(NLMK OJSC\) – 2 Metallurgov pl., Lipetsk, 398040, Russia.](#)

The reliability of information presented in the Report as well as its consistency with the data presented in other companies' reports has been confirmed by the stakeholders.



Lipetsk steel

Lera Makarenko

Form 5C, School No. 48, city of Lipetsk

Strategy and Development

Social Mission

The Company's social mission is to achieve goals of sustainable development which meet the long-term economic interests of business, contribute to community social welfare, environment conservation and the observance of human rights within its territory of operation.

NLMK's Strategic Goals in Social Responsibility

The combined efforts of the Company, its employees and civil society are aimed at achieving the following strategic goals:

- Create a favourable and predictable social, political and economic environment for the enterprise's employees and local community.
- Mitigate reputational and market risks and avoid strategic errors which could create undesirable conflicts for business.
- Form customer loyalty to Company's products. Develop new types of products in line with customer's expectations.
- Comply with international environmental protection standards. Focus on advanced technologies.
- Enhance community and public bodies' loyalty to the Company.
- Arrange team-building for the employees to enhance the loyalty of personnel and eliminate internal conflicts and labour disputes.
- Improve its competitive position in the market for qualified human resources.
- Create safe social environment at production sites for each Company's employee.
- Enhance the Company's social responsibility and efficiency of remuneration system, sustainable welfare growth and social security for the employees.
- Search for talented managers and specialists and retain them in the Company. Create an environment for the professional and cultural development of employees.

- Prevent violations of applicable labour and human rights legislation.
- Reduce business development costs, ensure transparent interaction with public authorities fighting corruption.



Steel-maker

Pavel Frolov

Form 5B, School No. 36, city of Lipetsk

Company's Profile

NLMK is one of the biggest steel companies in Russia and worldwide

NLMK is an integrated steel producer. The production capacities comprise sintering, coke-chemical, blast furnace, steel-making productions, hot and cold rolling production, complex power plant and robust maintenance facilities.

The Company is situated in Lipetsk, in the central part of Russia, within 1,500 km of key Russian consumers and close to major transport routes.

The Company specialises in the production of a broad assortment of flat rolled products. NLMK produces about 13% of Russian steel, a considerable proportion of flat rolled products, including galvanised steel and pre-painted steel. The Company ranks first in Russia in manufacturing cold-rolled products and it is one of the biggest European manufacturers of electrical steels and covers 20% of the world transformer rolled product market.

Full name of the Company in the Russian language:

Открытое акционерное общество «Новолипецкий металлургический комбинат»

Short name of the Company in the Russian language:

ОАО «НЛМК»

Full name of the Company in the English language:

Novolipetsk Steel OJSC

Short name of the Company in the English language:

NLMK

The Company is entitled to use the НЛМК and NLMK trademarks registered under an order established by legislation of the Russian Federation.

Main types of products

- **Pig iron**
The Company consumes the greater part of pig iron output for steel-making.
- **Slabs**
The Company manufactures slabs which are processed into other forms of finished products. In 2006 we processed 57.6% of slabs at our facilities.
- **Hot-rolled steel**
It is used in shipbuilding, construction, oil and gas pipelines and high pressure vessels.
- **Cold-rolled products**
It is used in automobiles, tractors and combine bodies, as well as in metal structures, stamped goods, casings for household appliances, roofing and facing materials.
- **Hot-dip galvanised steel**
It is used in the manufacture of roll-formed sections, building structures, car parts, casings and components for household appliances.
- **Pre-painted steel**
It is used in building structures, instrument casings, household appliances, roofing tiles and other goods. It has high atmospheric corrosion resistance, decorative qualities and a combination of strength and plasticity.
- **Transformer steel**
It is used in the manufacture of a variety of transformer cores and motors.
- **Dynamo steel**
It is used for the production of motor stators and rotors, generators of various capacity, ballast transformers and other electrical equipment.

Group Structure

The NLMK Group consists of raw material and rolling mill assets, plus transportation enterprises which make the Company's infrastructure independent.



Main subsidiary companies:

Name of Company	Location
OJSC Altai-koks	Town of Zarinsk, Altai Region, Russia
OJSC Stoilenskiy GOK	Town of Stariy Oskol, Belgorod Region, Russia
OJSC Studenovskaya joint stock mining company	City of Lipetsk, Russia
OJSC Dolomite	Town of Dankov, Lipetsk Region, Russia
DanSteel A/S*	Frederiksvaerk, Denmark
VIZ-Stal	City of Yekaterinburg, Russia
Independent Transport Company LLC	City of Moscow, Russia
OJSC Tuapse Commercial Sea Port	Town of Tuapse, Krasnodar Region, Russia
NLMK Trade House LLC	City of Moscow, Russia
NLMK International B.V.	Amsterdam, the Netherlands

*At the moment of Social Report publication, DanSteel A/S was a part of NLMK International B.V.

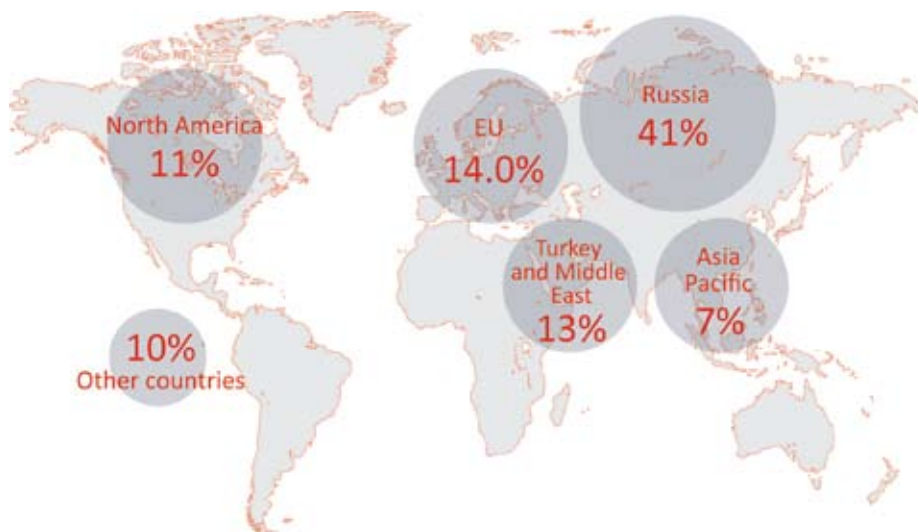
In 2006 NLMK and Duferco Group (Duferco) established a joint venture comprising a number of steel-making and rolling assets as well as service centres located in Europe and USA. This JV forms part of the Strategy of sustainable growth for 2007-2011 aimed at increasing production of high value-added products and strengthening the Company's positions in international markets.

Sales markets

The Company's sales policy seeks to fully satisfy demand, develop long-term relationships with customers based on high quality of products, competitive prices, timeliness of deliveries and stable supplies.

In 2006 NLMK's products were exported to 58 countries in Europe (including CIS countries), America, Asia, Africa, Middle East. The Company supplies a considerable part of its products to the Russian market.

Sales by regions in 2006



Corporate Governance

NLMK's corporate governance model provides a clear distribution of functions of the Company's strategic and operating management between shareholder representative bodies and the Company's management. The distribution of powers and activities defines those in charge of decision-taking and implementation at all management levels.

The Company's corporate governance is carried out under the Law of the Russian Federation "On joint-stock companies", other regulatory acts governing the activity of joint-stock companies in the Russian Federation, NLMK's Charter, Corporate Governance Code and NLMK's internal documents. The Company follows international practice of good corporate governance to protect the rights and interests of its shareholders and investors.

Corporate Governance principles set forth in NLMK's Corporate Governance Code

Company

- Seeks to ensure effective and transparent devices for providing rights and interests of shareholders stipulated in the applicable legislation, the Charter and other documents of the Company;
- Regards the increase of the market value of the Company's shares as one of its main objectives;
- Provides the policy of equal treatment of all shareholders, either minor or major, Russian or foreign;
- Seeks to provide the realization of shareholders' rights to participate in the administration of the Company by means of shareholders' participation in the work of meetings, voting on the issues included in the agenda, prompt receipt of information on activities of the Company, its administration, control and auditing bodies;
- Seeks to provide the compliance with the applicable legislation and international Corporate Governance standards.

The Company adheres to the following:

- The policy of observance of third parties' rights, including creditors and employees of the Company, stipulated in the applicable legislation, Charter and other documents of the Company;
- The unified corporate policy in respect of the Company's subsidiary companies, associates and other legal entities in which the Company is the founder, a participant or a member;
- The Policy of information openness and transparency;
- The policy of observance of business ethics in conducting its business.

Board of Directors

The NLMK Board of Directors outlines the strategic directions of the Company's development and performs the general administration of the Company's activity.

The Board of Directors guarantees that the Company's activity is carried out in accordance with the Charter, Corporate Governance Code and resolutions of the General Meeting of Shareholders. The Board of Directors consists of nine people. Members of the Board of Directors are elected by the General Meeting of Shareholders for a period of one year. The Chairman of the Board of Directors of the Company is elected by members of the Board of Directors by a majority vote in respect of the total number of members of the Board of Directors. The Chairman of the Board of Directors is Dr Vladimir Lisin. Four out of nine members of the Board of Directors are independent directors.

Supervising the Company's activity and evaluating the performance and development, the Board of Directors uses information provided by the Board's committees, e.g. Strategic Planning Committee, Audit Committee, Personnel Remuneration and Social Policy Committee.

Strategic Planning Committee

The committee develops and submits to the Board of Directors recommendations on priority guidelines for the Company and its development strategies, including long-term measures to enhance the Company's efficiency, increase in assets, profitability and attractiveness for investment.

Audit Committee

This committee develops and submits to the Board of Directors recommendations on the efficient control of financial and economic activities of the Company, including annual independent external auditing of financial statements.

Personnel, Remuneration and Social Policy Committee

It drafts recommendations on human resources policy. It also deals with the social issues of the Company, environmental safety and cooperation with NLMK's primary trade union organisation (the Mining and Metal Trade Union of Russia), state and local authorities.

President and Management Board

The sole executive body of the Company is the President (Chairman of the Management Board). The collegial executive body of the Company is the Management Board.

The President (Chairman of the Management Board) performs the operating management of the Company, ensures implementation of decisions of the General Meeting of Shareholders and the Board of Directors. At present, the President (the Chairman of the Management Board) is Mr. Alexei Lapshin.

The Management Board consists of nine managers including the President. The composition of the Management Board is approved by the Board of Directors as advised by the President (the Chairman of the Management Board).

The Company's operating management of social and environmental responsibility is performed by the Management Board, its composition being approved by the Board of Directors based on recommendations of Personnel, Remunerations and Social Policy Committee. The President (the Chairman of the Management Board) and Vice Presidents (members of the Management Board) pay considerable attention to the development of social responsibility in their business lines.

Risk Management

The Company's performance is influenced by various internal and external factors. Taking into account the possible negative impacts, the Company has established an effective risk management system.

Industrial Risks

Breakdowns of industrial equipment can cause reductions of production volumes. The Company is working to improve the technologies it employs as well as enhancing the reliability of equipment and mechanisms operated.

Interruptions in raw material supplies can also negatively impact the production performance.

The Company's vertically integrated structure allows it to mitigate risks related to raw materials supply.

The NLMK Group structure includes OJSC Stoilenskiy GOK, located in the Belgorod Region. This is the third biggest Russian iron ore producer by the extraction volume and almost fully covers the Company's needs of iron-ore concentrate.

At the beginning of 2006, NLMK acquired about 94% of shares of OJSC Altai-koks. It enables the Company to fully cover its own needs for blast furnace coke and become a participant in the Russian coke market.

To mitigate a risk of disruption in raw material supply, NLMK has formed reserve stocks of raw materials to ensure continuous manufacturing process. Independent Transportation Company LLC, the Company's subsidiary, arranges, plans and controls traffic flows as well as their optimization, which is an additional tool to manage risks of untimely delivery.

NLMK enters into raw materials supply agreements only with reliable partners, which ensures regular supplies as well as high quality of the resources purchased.

Industry Risks

Cyclical character of the steel industry

To reduce the impact of the price cycle typical of the steel-making industry, the Company seeks to expand its product range, diversify metal product deliveries, both by territory and by customers' industry. These measures reduce the Company's dependence on negative price variations for certain types of products, minimise possible losses from deterioration of the situation in a certain industry, in one or several geographical segments.

We regularly monitor current state and potential growth of various market segments, that allows us to respond quickly to negative variations and compensate possible losses, quickly redirecting metal products to other customers.

Protectionist trade restrictions on export of metal products

NLMK's products exported to European Union countries, Canada, the USA fall within the quota arrangement system, which hinders the Company's presence in profitable sales markets. To mitigate such risks, the Company supplies products to various countries worldwide.

Financial Risks

The Company's activity is exposed to currency risks as export sales account for the considerable part of revenue whereas the greater part of raw materials is purchased on domestic market. Taking into account the situation on world financial markets during the previous years, the Company's export programme takes into account possible (forecast) exchange rate fluctuations for basic currencies. We take appropriate actions to diversify currency structure of revenue from export, perform transactions on currency risk hedging (forward and option contracts are signed).

The risk of impairment of the Company's assets is mitigated by placing free funds in deposits. To reduce the currency risk, the funds are deposited both in foreign currencies and in Russian roubles.

The liquidity risk as applied to the Company is closely connected with cash inflows relating to settlement for enterprise's products. To mitigate this risk, a clear schedule of cash in- and outflows has been drawn up to manage financial resources.

Risks related to Company's Operations

At present (and during the last three years), the Company is not involved in any litigation worth more than 5% of the book value of Company's assets.

The risk of termination of the licenses to carry out the Company's core activity is extremely low.

Environmental Risks

The environmental risk is the probability of the occurrence of civil responsibility for damaging the environment, which may be caused by construction of production facilities or maintenance. To reduce environmental risks, we regularly monitor emissions and their chemical composition, discharges of waste water, take efficient measures to reduce the level of environmental impact by upgrading existing process equipment and commissioning new environmentally friendly process equipment.

Membership of National and International Organisations

NLMK is a member of the Russian Union of Industrialists and Entrepreneurs (RUIE) as well as a member of the RUIE's regional division in the Lipetsk Region. The Union has its own representatives in legislative power bodies at all levels, which enables the Company to take part in law-making activities, influence decision-making in the sphere of economic development in the region, conduct an open dialogue with the authorities and so steadily reduce risks.

NLMK is a member of the International Iron and Steel Institute (IISI), which is the biggest world non-profit association of steel companies providing in aggregate more than 75% of the world steel production. Membership in this authoritative organisation enables the Company to more effectively protect the interests of Russian steel-makers in the world community of steel-makers and develop business with the account of common industrial trends and strategic objectives. Within the framework of membership in the International Iron and Steel Institute, the Company takes an active part in the educational project Steeluniversity.org, an e-learning portal.

Calendar of Events

(March 2006 – March 2007)

March 2006

NLMK was ranked first in the rating of “Best Russian companies” compiled by the Global Finance (New York). It was the winner among Russian steel sector companies.

June 2006

NLMK passed a re-certification audit of the Quality Management System for compliance with ISO 9001:2000 international standard as well as a supervision audit of the quality assurance system for the manufacture of hot-rolled products from carbon steel grades for compliance with the requirements of Directive EC-97/23/EG and German Technical Regulations – AD 2000 W.

NLMK won the annual competition “Best environmental project of the enterprise” held by the Federal Service for Ecological, Technological and Nuclear Supervision and the Production Ecology Journal.

August 2006

NLMK successfully passed the second supervision audit of the Company’s Quality Management System for compliance with the requirements of ISO/TS 16949:2002 international standard.

October 2006

NLMK’s human resources service was among the top three participants in the annual All-Russia competition held by the International Forum “Global Experience and Russian Economy”.

February 2007

NLMK was awarded the Diploma of the Government of the Russian Federation for victory in the VI All-Russia Competition “Russian enterprise of high social effectiveness” in the “Metals” industry nomination. The Jury of the competition held annually by the Ministry for Economic Development and Trade and Ministry of Labour of Russia evaluated the social activity of more than 980 organisations from 77 constituent regions of the Russian Federation. It is the fourth time NLMK has taken part in this competition and the fourth time the efficiency of social programmes implemented by the Company’s progress in social protection of its employees have got the highest assessment. This high award is further proof of NLMK’s important role in the social and economic life and development of the region.

March 2007

NLMK has also been a prize winner of the competition “Top 100 Russian organisations. Ecology and ecological management”, the final ceremony was held in St. Petersburg from 27th February to 2nd March 2007. The First Vice President – Head of Steel Division, Vladimir Nastich, has been granted an award “Ecologist of the Year – 2006”.



Working shift

Vladislav Foksha

Form 5A, School No. 69, City of Lipetsk

Interaction with Stakeholders

As with all major companies, NLMK's business interacts with a number of stakeholders. The approaches to interaction disclosed in the Report are based on the Company's extensive experience of cooperation with Company's employees, shareholders and the investment community, consumers and raw material suppliers, local authorities, trade unions, supervising agencies, public organizations and the local community, including potential employees. By developing a system of interaction with stakeholders, the Company aims to improve its dialogue in order to more quickly identify problems and find consistent solutions.

Shareholders and Investment Community

The Company is systematically implementing a programme for developing relations with the Company's shareholders and the investment community. The implementation of this programme is aimed at providing operational, reliable, complete and consistent information about the Company, its strategy, goals, performance and competitive advantages in line with applicable legislation and best practices.

The Company pays considerable attention to its relations with individuals holding NLMK's shares.

NLMK's shares are held by approximately 4.5 thousand of the Company's employees as well as five thousand Lipetsk Region residents (the Company's employees and their family members form the major part of them).

It is extremely important for shareholders to have full and reliable information about the Company's activity, dividends accrued and payable, general meetings and to receive replies to their queries. The Corporate Secretary of the Company and the Share Capital Department are in charge of shareholders rights and interests protection.

The Investor Relations department is responsible for interaction with the investment community, financial analysts and brokers, who influence decisions of existing and potential shareholders.

The Investor Relations department discloses information about the Company's activity, its annual and interim financial and production results, development strategy and plans for further operations and other important events. It also arranges meetings and events for institutional investors as well as for investment bank analysts. For more detailed information about the Company's investor relations activity, please, follow the link:

www.nlmk.ru/investor_centre

Raw Materials Suppliers and Consumers

NLMK conducts its business in line with the following principles:

- openness;
- commitment and integrity;
- responsibility.

The Company's activity is regulated by Quality Management Systems standards, compliance being regularly checked by supervision audits performed by independent organisations.

In order to arrange the procurement and sales activity, a list of suppliers and customers has been drawn up and is regularly updated. The Company forms the list of suppliers and customers with the focus on public reputation of potential partners, their obligations to the state and contractors and compliance with business ethics. In the course of studying potential suppliers, the ecological assessment of material resources being purchased is performed.

This mutually beneficial cooperation underlies our interaction with business partners. Long-term relations make suppliers and customers confident of further efficient cooperation with NLMK.

The Company constantly tracks customer satisfaction levels with its steel products.

The automotive business is a major customer of NLMK's products.

In 2006 NLMK and AvtoVAZ conducted a coordination council on the quality and types of metal products. After this meeting, the parties stated that they were satisfied with the results of joint activity. Following the decisions made, the cooperation programme for implementation of the interdepartmental project to improve the quality and development of new steel products types for the automotive industry for the period from 2006 until 2010 was agreed and approved.

We conducted customer surveys to assess their level of satisfaction with the quality of steel products, organisation of customer support and timing of deliveries. The calculation showed the average level of satisfaction with the quality of NLMK's operations at 8.1 points of 10, which corresponds to a good mark.

In 2006 the Company conducted research of potential requirements of transformer steel customers for the period until 2015. As a result, the Company's plans for this type of product manufacturing have been adjusted in accordance with potential requirements of customers.

The Company's employees and NLMK's primary trade union organisation - the Mining and Metal Trade Union of Russia

The Company's main competitive advantage is experienced highly qualified personnel. Management aims to establish and support comfortable social climate and atmosphere of mutual respect in working groups. Relations with employees are based on social partnership, with open dialogue being an integral element.

The most efficient tool for interaction is employees' meetings with managers and chairmen of trade union committees in structural units, where production problems, conflicts and other issues are solved.

To obtain fair information from employees, the Company has set up and successfully operates Helpline – 06. The helpline receives employees' requests and proposals by phone and communicates them to those managers and chairmen of trade union committees of structural units, who are in charge of the questions asked and controls the response. No call to the helpline 06 remains unnoticed. The most common and important questions are replied in the newsletter which is distributed among all employees.

Due to cooperation with the mass media, Segodnya i Zavtra (Today and Tomorrow) trade union newspaper and Kompaniya NLMK corporate magazine being among them, the information about Company's operations is communicated to employees on a timely basis.

Jointly with the trade union, the social and psychological analysis and forecasting service conducts regular surveys of employees on various topics.

In 2006, 5181 employees from 43 structural NLMK's units took part in the survey.

In this survey employees expressed their opinions including comments on unsatisfactory compensation level, uneven bonus distribution, inconsistent interaction of departments within the structural unit, inefficient labour organisation, poor communication of product quality requirements and overall situation in the structural unit and in the Company as a whole.

As a result:

- additional indicators have been elaborated for awarding bonuses to employees;
- measures have been elaborated and approved to improve the working environment and reduce hazards at workplaces (ventilation systems with industrial air-conditioners have been upgraded, shower cabins, shift meeting rooms and canteens renovated);
- The plan for 2007 is to install information stands in 12 structural units with product quality policy, regulations on employees motivation to work without rejects, directives for corresponding structural units to hold employees liable for rejects, etc.

In almost all structural units the management conducted an additional analysis of relations in working groups and developed measures to further improve the social climate.

The Company does not restrict the rights of employees to establish organisations representing their interests to shareholders.

More than 33,000 of NLMK's employees are members of the NLMK's primary trade union organization - the Mining and Metals Trade Union of Russia.

Social partnership is the basis for long-term mutually beneficial cooperation of employees, trade unions and the Company acting as the Employer. The current interaction mechanisms enable us to solve arising conflicts and controversies. To this end, a Collective Agreement is entered into at NLMK. It regulates social and labour relations in the Company, establishes mutual obligations between an employee and the Employer on labour conditions issues. The Collective Agreement ensures both obligatory compliance with the labour legislation, and provision of additional benefits. The fulfilment of accepted obligations is controlled by the parity commission consisting of representatives of the administration and the trade union committee.

The trade union organisation takes an active part in the Company's activity and is absolutely free to fulfill its obligations to trade union members.

43 employees of the NLMK's primary trade union organisation are chairmen of structural units' trade union committees.

To solve various matters, committees on labour disputes, social insurance, labour protection, employment, housing policy, youth policy, qualifications and assessment are operating; their members include representatives of the trade unions.

As a result of continuous dialogue between the Company's and trade unions' representatives, they reach agreements on compensation and management structure optimisation, OHS issues and the introduction of socially targeted benefits for employees.

In 2006 the Labour Dispute Commission (LDC) conducted 38 meetings, with 89 applications from NLMK employees considered on various issues including the following:

- 56 applications from participants of non-governmental pension fund (NGPF) Sotsialnoye Razvitie (the Social Development) on transferring savings from the NLMK's joint pension account to an individual account;
- 33 applications on remuneration, bonus and disciplinary matters, etc.

To avoid possible conflicts, the Company must agree its internal regulatory documents related to the rights of employees and labour legislation with the trade union organisation.

NLMK's specialists, jointly with the trade union committee, have prepared proposals to review typical industry norms for workwear distribution. Most of NLMK's proposals were taken into account, and new norms were approved by the Minister of Healthcare and Social Development of the Russian Federation, which solved almost all issues on workwear distribution among employees.

To ensure social welfare of the employees who are trade union members, the trade union organisation offers material aid; grants monetary loans (including those for housing purchase); acquires recreation and medical treatment tours and offers them on favourable conditions; provides free legal advice; finances a trade union library, sport, educational and entertainment events and is engaged in charity events.

Regional Authorities and Municipal Bodies

Being the main taxpayer and the biggest enterprise in the region, the Company makes a great contribution to its social and economic development.

The Company's specialists take an active part in the legislative activity of the city and the region.

Many deputies of the Lipetsk City Council are Company employees.

NLMK's employees take part in the elaboration and implementation of long-term programmes as members of City Council's permanent committees:

- on social issues;
- on economy, budget, municipal property and investment and industrial policy;
- on education, culture, sport, family and youth policy;
- on ecology and healthcare;
- on legal issues, local authorities and deputy ethics;
- on housing and public utilities, town planning and land use.

Supervising Agencies

The Company strictly follows the requirements of applicable legislation of the Russian Federation in the operation of hazardous production facilities.

Representatives of supervising agencies have unimpeded access to all production facilities; full information within their competence is provided at their request.

The Company duly performs all prescriptions of supervising agencies.

In 2006, on matters of ecology and implementation of measures aimed at reducing the negative environmental impact, NLMK received 141 requests from state agencies and public organisations such as Rostekhnadzor for Lipetsk Region, Rospotrebnadzor for Lipetsk Region, Rosprirodnadzor for Lipetsk Region, Water Department for Lipetsk Region of the Don Basin Administration, Administration of Lipetsk Region, Administration of the City of Lipetsk, Nature Protection Prosecutor's Office for Lipetsk Region, Lipetsk Centre for Hydrometeorology and Monitoring of the Environment State Institution, All-Russia Nature Protection Society. The Company provided reasonable replies to all the requests.

In 2006 the Department for Technological and Ecological Supervision of Rostekhnadzor for the Lipetsk Region conducted 10 audits of nature protection activity in NLMK's structural units, 139 measures were advised for implementation, 97 of them have been implemented, the deadlines for 32 of them have not yet expired, and letters for 10 of them were sent to discontinue supervision.

The Local Department of Rospotrebnadzor for the Lipetsk Region conducted 12 audits of nature protection activity, prescribed 54 measures for implementation, 29 of them have been implemented, the deadline for 23 of them has not yet expired, and letters for 2 measures were sent to discontinue supervision.

The Administration of Rosprirodnadzor for Lipetsk Region conducted 1 audit; the recommendation was to implement 2 measures. Both measures were implemented in full.

In 2006 the State Labour Inspectorate of the Lipetsk Region inspected 14 of NLMK's structural units on their compliance with OHS legislation. Following the inspection 36 measures were advised for implementation. All recommended measures were implemented in full.

Local Community and Public Organisations

Due to their professional level and broad experience in solving economic problems, NLMK employees are often elected as deputies in legislative and representative authorities. Involvement in social programmes including construction of housing and roads in the city enables the Company to ensure decent living standards for its employees and citizens of Lipetsk on the whole.

The social welfare charity fund Miloserdie (the Mercy) set up by the Company not only provides targeted aid to low-income families but also pays considerable attention to education, science, culture and art, nature and animal protection.

To solve important issues in the Lipetsk Region (housing and public utilities, educational, ecological and pension), the Company actively collaborates with public organisations.

NLMK's employees actively participate in the activity of the Lipetsk City Public Chamber. Proposals prepared by the Chamber concerning the engineering and social infrastructure of the City of Lipetsk are put forward to public hearings and then are sent for consideration to the Lipetsk City Administration and City Council of Deputies.

NLMK is a member of the regional division of the Russian Union of Industrialists and Entrepreneurs (RUIE). The Company takes an active part in all events held by the Lipetsk Regional Union of Industrialists and Entrepreneurs (LR UIE).

NLMK assists the regional division of RUIE with legal issues, scientific expert reviews, arranging public events, circulation of informational materials and mass media relations.

The Company regularly invites leaders of RUIE member-organisations to take part in training arranged for NLMK's managers.

In 2006 28 representatives of RUIE's regional division attended workshops and training arranged by NLMK.

Educational Institutions

Understanding that the Company's future is dependent on the quality of professional training of its personnel, NLMK collaborates with educational institutions of the City of Lipetsk, such as Lipetsk State Technical University (LSTU), Lipetsk Metallurgy College (LMC), Professional Training School No. 10 (PU-10), as well as leading Russian universities.

The Company provides career guidance to local students, thus demonstrating to our potential employees interesting job opportunities at NLMK.

Providing corporate material aid to Lipetsk City schools, NLMK creates new opportunities for the production and education development.

The Company's representatives render support to students in arranging internships, take part in state assessment committees' activities.

NLMK's managers regularly participate in "Admission to workers" ceremonies for PU-10 (Professional School) graduates.

Within additional vocational training (AVT) project implementation for LSTU students, monthly meetings of the coordination group are held with the participation of managers of NLMK's structural units on matters of planning and development of the AVT project.

To identify talented students in the Lipetsk State Technical University and provide additional social support for them, a scholarship of Mr. Lisin, Chairman of NLMK's Board of Directors, has been established.

Every month 30 of LSTU's best students get an additional NLMK's scholarship in the amount of 2,500 roubles.

The Company implements a targeted policy on the development of partner relations with the country's leading educational institutions.

During the reporting period, NLMK initiated meetings with the management of N.E. Baumann Moscow State Technical University and Moscow Institute of Steel and Alloys. At the meeting a decision to enter into a strategic partnership on professional training was taken.

The Company, in its turn, creates opportunities for the faculty of the university for advanced training in NLMK's R&D and Production units.

15 lecturers and 3 production training instructors from various educational institutions undertook NLMK-based internships in 2006.

Interaction with Mass Media

The Company is set to promptly and fully inform all stakeholders about its activity. NLMK adheres to principles of openness in production, financial, social and ecological performance indicators and programmes of the Company's development.

The Company's management and its press service openly interact with mass media representatives and assist them in obtaining full and reliable information on significant events.

Information about the Company's activity is placed on the corporate Internet site including that on social and ecological programmes. Regular placement of press releases on the internet site enables stakeholders to promptly obtain information about NLMK's activity.

In such mass media as Gazeta MG, Segodnya i Zavtra (Today and Tomorrow) newspaper, Nasha Kompanya magazine, STV-7 Television Company, the Company provides regular and full coverage of its activity, employees and significant events.



Future metallurgist

Zhenya Bochkin

Form 5B, School No. 72, City of Lipetsk

Social Policy

Social policy is a priority of the Company's corporate development. Implementing a number of social programmes, NLMK steadily improves the social welfare of the Company's employees, creates opportunities for social and economic development in the region and provides support to vulnerable population.



Personnel Policies

Qualified employees are one of the key factors in ensuring an efficient Company's activity. NLMK has a proactive HR policy aimed at recruiting talented employees and retaining them with the enterprise, systematic compensation growth, use of various incentives, implementation of programmes for professional training and development of personnel, compliance with OHS standards and enhancing social welfare of its employees.

35 981 had labour relations
with NLMK
as of 31.12.2006
people

35 514 have permanent
labour
agreements
employees

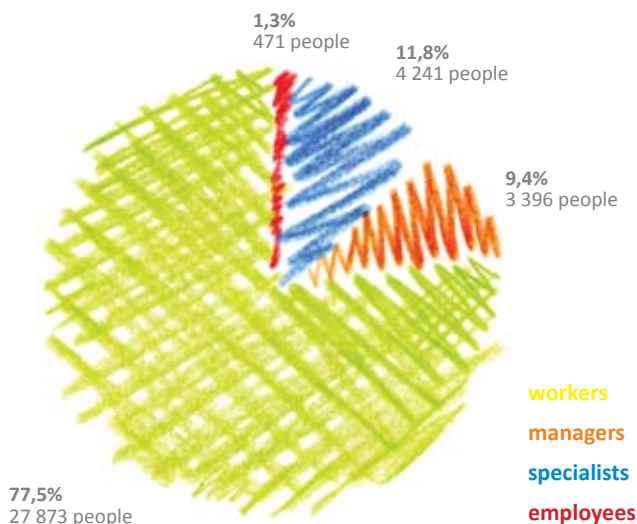
2,2% (798) are representatives
of minority ethnic
groups
employees

467 have fixed-term
labour
agreement
employees

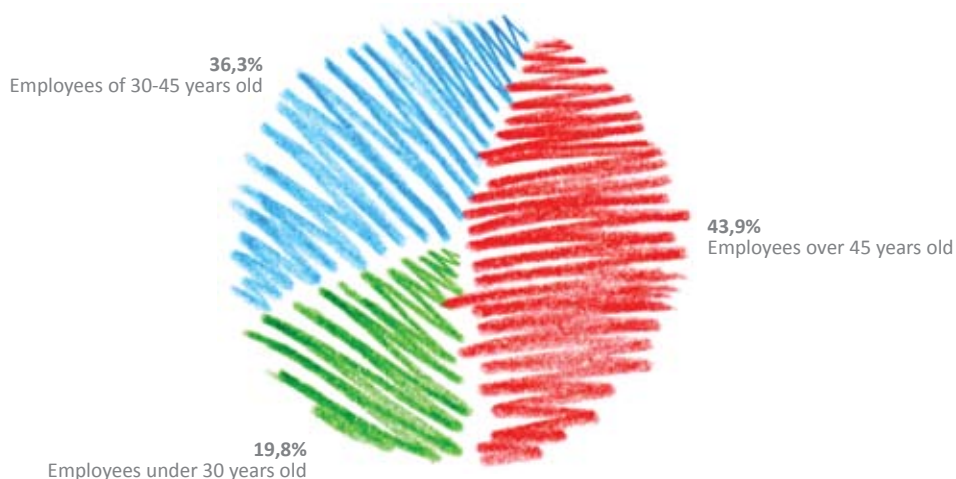
66% (23 736) men
работников

34% (12 245) women
employees

Personnel structure by employee category



Personnel structure by age



Motivation and Remuneration

There is no kind of discrimination by sex, age, nationality or religion in the Company and, there is no child or forced labour.

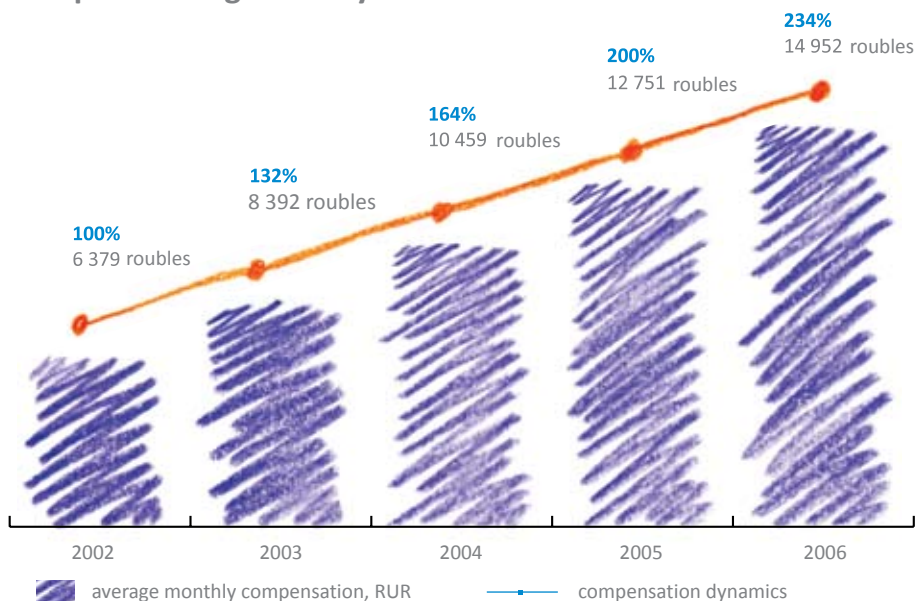
NLMK's labour motivation system has no limitations on payments or granting benefits to temporary employees and employees working on part-time basis. Such employees have the same rights as full-time employees.

The compensation system does not differentiate tariff rates or official salaries of men and women.

The Company steadily increases the compensation levels for its employees. In recent years the annual growth of compensation at the enterprise significantly outstripped the inflation rate.

In 2006 the average monthly compensation per employee amounted RUR 14,952 that is 17.3% higher than in 2005.

Compensation growth dynamics in 2002-2006



Compensation System

The compensation of the employee depends on the Company's performance, performance of its structural units and individual performance of each employee.

The Company's remuneration system is developed with the account to the opinion of the trade union committee of the NLMK's trade union organisation of the Mining and Metal Trade Union of Russia.

The monthly compensation of employees includes the following:

- fixed hourly rate or salary;
- extra payments and benefits;
- bonuses;
- other incentive payments.

Rates and Salaries

Workers are remunerated based on hourly rates; managers, specialists and personnel – based on monthly salaries.

Hourly rates for workers are fixed depending on their professional qualification. Professional qualifications are assigned to workers based on professional training results and passing examinations set by the qualification committee.

In accordance with the results of annual performance, the qualification committee assesses the worker's activity and takes a decision on keeping or changing the rate level.

Extra Payments

Employees working multi-shift schedules are given extra payments that comprise:

- extra compensation for overnight and evening shifts;
- extra compensation for working overtime;
- compensation for the time spent by workers on briefings and shift meetings.

In 2006 the amount of extra payment to be added to the hourly rate (salary) was as follows:

35% for personnel working continuous two-shift and three-shift schedule or a discontinuous three-shift schedule (with weekends and holidays off);

17% for personnel working by a discontinuous two-shift schedule as well as for those working only overnight by-one shift schedule;

7% for personnel working overnight time by work schedules other than multi-shift schedules.

Работникам в зависимости от фактических условий труда на рабочих местах устанавливается доплата за работу во вредных условиях. Оценка фактического состояния условий труда производится в баллах степени вредности на основании карт аттестации рабочих мест. Размер доплаты устанавливается в денежном выражении за один часо-балл работы во вредных условиях труда и начисляется за все время занятости работника в этих условиях.

Qualification Pay

Qualified workers involved in critical jobs and impacting the high-performance of a structural unit, quality of work and output of products may be given qualification pay for high professional skills.

The qualification pay is fixed in the amount up to 100% of the rate for technical workers of main metallurgical units and up to 50% for other workers.

Qualification pay for managers, specialists and staff employees is fixed according to the results of professional assessment and for high achievement in work.

Incentive Payments

Bonuses to employees for their key performance are paid in accordance with the bonus payment regulations, which stipulate the conditions, indicators and amounts of bonuses for each profession, manager, specialist and employee position.

The amount of bonus payable to employees of a structural unit is determined with the account of labour and product quality ratios and information about committed violations (claims), obtained from other NLMK's structural units.

To motivate the most successful and efficient employees there exists a bonus payment system, which includes monthly bonuses from the funds of structural units head, quarterly and annual bonuses. The amount of bonuses paid to employees is set based on indicators developed in each structural unit.

Other Types of Material Remuneration

The employees who win professional competitions are entitled to cash bonuses.

In 2006 the following amounts of cash bonuses were set:

Up to **20 000** roubles "Best in Profession" **50 000** roubles & **25 000** roubles "Engineer of the Year"

Up to **50 000** roubles "NLMK's Young Leader"

NLMK's existing flexible remuneration system enables ambitious and promising employees to demonstrate their abilities, motivating them to continuously improve of their professional and business qualities.

The Company offers its employees a social package with benefits and compensations:

- compensation payments;
- dismissal pays;
- material aid;
- payment covering the following:
 - extra leave for Chernobyl NPP disaster liquidators;
 - cost of vouchers;
 - cost of dental treatment;
 - cost of education;
 - cost of shuttles for employees;
 - voluntary medical insurance.

The Company ensures the social protection of employees in accordance with applicable Collective Agreement.

More than **290 000 000** roubles spent by NLMK on implementation of measures for social protection of employees in 2006

Non-Financial Remuneration

The system of non-financial motivation existing in the Company is aimed at stimulating employees to be role-models in their performance, enhance their utilisation, improve the quality of output, positive and impeccable work, innovation in work, for other achievements in work and provides the following types of incentives:

- issue a commendation;
- award a certificate of honour;
- assign the honoured title “NLMK’s Veteran of Labour”;
- NLMK’s professional excellence award (Degree I or II);
- solicitation for an industry or state award.

1 922 received
employees encouragement
awards

33 received
employees state
awards

92 received
employees industry
awards

13 received awards
employees of Lipetsk Region
Administration

13 received awards
employees of Lipetsk City
Administration

1 815 received
employees corporate
awards

Employment and Social Protection of Employees in case of redundancy

The Company acknowledges that ensuring employment is a prerequisite for employees' welfare.

NLMK's commitments for employment stabilisation are registered in the Collective Agreement.

All decisions related to the release of employees due to re-organisation or technical upgrading are made by the Company with the trade union organisation's opinion being taken into account.

In order to enhance the employee protection level, the Company creates an opportunity to improve the employees' professional qualification as well as master new professions.

In cases where employees are released due to reduction of employees or regular staff, employees being over 45 years old are warned about dismissal three months in advance.

The Company offers new job opportunities to employees subject to release first.

Apart from compensation determined by applicable legislation, NLMK pays extra compensation of average monthly salary as well as providing benefits with the right to improve housing conditions within two years from the date of dismissal, the right to send children to children's camp Prometei (Prometheus) and receive New Year gifts for children up to one year from the date of dismissal. At the personal request of an employee, the Company will pay a monthly financial allowance for dependent children up to one year from the date of labour agreement termination.

Pension Benefits

The Company is actively implementing its own programme for non-governmental pension benefits. NLMK is the founder of Sotsialnoe Razvitie Pension Fund (the Social Development), the biggest non-governmental pension fund in the Central Chernozhyom region, which is aimed at maintaining decent living standards for the Company's retirees.

NLMK's employee signs an agreement with the fund and transfers part of his/her monthly salary to the employee's individual registered pension account. For each rouble being transferred by the employee, the Company additionally pays the same amount.

During the whole period that contributions are made, the fund accrues investment income which protects the contributions from inflation. Having retired, an NLMK employee will receive an additional pension from the fund, the amount being subject to the sum transferred and the investment income accumulated.

As of 31st December 2006, 23 748 NLMK's employees were contributors and participants of Sotsialnoe Razvitie Pension Fund (the Social Development). The Fund's pension reserves were equal to RUR1.4 billion. In 2006 the Company transferred RUR74.4 million to the fund's joint accounts.

Medical Insurance

The NLMK social package, apart from salaries and various bonuses, also comprises compulsory and voluntary medical insurance of employees.

In accordance with existing legislation, the Employer is an employee's insurer; insurance contributions are paid as part of unified social tax and are equal to 3.1% of the payroll fund. Within compulsory insurance, employees are entitled to out-patient and in-patient care, except complex surgery, expensive diagnostics and therapy, as provided under the regional compulsory medical insurance programme.

In addition to the above, NLMK insures employees under the voluntary medical insurance agreement via the Chance insurance company, according to which employees are entitled for pre-medical aid, consulting and orthopaedic services, grave diseases treatment in specialised clinics and rehabilitation in health resorts.

Improvement of Housing Conditions

An important component of NLMK's social policy is the construction of housing for its employees. Every year about 500 families of the Company's employees move into new well-furnished flats with an improved layout.

About **300 000** sq.m of housing were built by NLMK for its employees during the last 10 years

The privileged right to buy flats at prices below market level is granted to employees with no housing, namely, those residing in hostels, in houses for young couples, on homes belonging to their parents or those renting flats. Such employees buy more than 70% of the housing on sale.

In 2006 the Company built and sold 482 flats with the total area over 35 thousand m².

Professional Training and Development

Youth Policy

Youth policy is a priority direction of the Company's HR strategy. Within this policy, there are a number of ongoing initiatives aimed at attracting talented young professionals to NLMK, supporting their successful career start, create environment for young employees to demonstrate their creative abilities and to contribute to solving important social problems.

Every year the Company reserves more than 600 vacancies for graduates.

The candidates are recruited and trained as part of their education. The best fourth year students of the Lipetsk State Technical University enroll in Additional Professional Education (APE) program having passed a pre-qualification test.

In order to provide the material incentives for graduates to join NLMK within a month after graduation, there exist special payments for job seekers ("assignment allowance").

Graduates signing labour agreement with NLMK for the first time and working in their primary or secondary profession are offered, upon expiry of a calendar year, a lump-sum payment if their actual salary is less than the established minimal average monthly salary, set depending upon the graduation year of the corresponding educational institution.

At the beginning of his/her employment with the Company, every young employee necessarily passes an adaptation programme. Each new joiner has a coach who assists him/her during the adaptation period.

NLMK has Young Specialist Program for young employees with higher professional education. This programme includes training and assessment events as well as mandatory development and presentation of engineering projects.

In order to render help to young specialists to prepare engineering projects, there are 13 schools for young specialists at the enterprise. Dedicated experts offer consultations in preparation of engineering projects.

The annual performance results are discussed at the annual conference of young specialists, and the "Best Young Specialist" title is awarded, which is the basis for paying a bonus of RUR30 000 and extra payment to the monthly salary of RUR3000.

The Company pays special attention to young specialists who demonstrate their abilities in optimization and innovation. A competition of technical creative activity of young people held every year is aimed at developing the creativity of NLMK's young employees. The special competition committee assesses the participants by the number of filed and implemented optimization proposals as well as in the nominations of Highest Economic Effect and Best Young Innovator. Moreover, the coaches are also assessed.

The competition of technical creativity of young people held in 2006 which included the participation of more than 300 employees had about 1200 optimization proposals submitted including 1120 being implemented in production. The economic effect from new developments exceeded three and a half million roubles.

The competition winners have a preferential right for housing mortgage as part of "Housing to young metallurgists" programme and have a priority in their inclusion into the management reserve.

The Company's young employees are given an opportunity to demonstrate their best professional and leadership qualities in the Young Leader Competition. Every year more than three hundred young employees take part in the competition. The participants pass testing in business games, various competitions and even as a mountaineer in Vorgolskiye Mountains. The final ceremony of the competition is a public city event where participants take part in debates and answer questions to the jury consisting of the Company's top managers, representatives of the City Council of Deputies, City Administration and trade union organisation. The competition winners gain a bonus up to 50 thousand roubles and career opportunities.

Given the fast-growing underdeveloped housing market, the purchase of flats in houses built by NLMK is attractive due to transparent pricing, seller reliability and flexibility of financing. Up to a half of the flats built by NLMK are sold on privileged conditions to talented Company's employees under 30 years old.

In 2006 45 of NLMK's young employees aged 20 to 35 years old bought one-two-room flats with a 30% initial contribution and 15 year payback period. The level of professional achievements, results of participation in corporate competitions, opinion of structural units' leaders and necessity to improve housing conditions were taken into account in the competitive qualification.

Adaptation and Coaching

To smoothly integrate new joiners into work as well as to transfer the professional experience, the Company has in place the new joiners' adaptation and coaching programme.

Every year about 2000 new joiners aged under 30 pass a 6-month adaptation programme. About 800 of the Company's employees that have passed special training have the "coach" status.

Coaching is carried out along three main lines:

- adaptation coaching of new joiners;
- students' internship coaching;
- employee's professional development coaching.

The coaches' incentives system is closely connected with successful performance of their students.

Professional Training and Qualification

The Company considers investment in professional knowledge and skills of its employees as strategic. For many years, the Company has been developing its own unique professional training system for employees.

19,500 employees, i.e. more than a half of Company's personnel, passed various training courses in 2006 as part of their professional training and qualification.

Employees' professional training system comprises the following types of training:

- training of workers as part of adaptation and initial professional training program;
- secondary professional training of workers;
- additional employees qualification in all kinds of professional activities;
- training of professional reserves;
- training of freelance teachers and instructors of production training;
- coaches training.

88% of employees undertake training at the Company's own training base – at the corporate training centre and in the Company's structural units. It encourages the internal potential of knowledge accumulated in the Company and arranges the training process in most effective manner. Highly qualified managers and specialists as well as lecturers from leading Russian and Lipetsk universities are invited as tutors.

Long-term mutually beneficial cooperation with leading country's universities: the Moscow State University, Moscow Institute of Steel and Alloys, N.E. Baumann Moscow State Technical University, Voronezh State Technical University and Lipetsk State Technical University enables the Company to gain up-to-date scientific knowledge while sending its employees to qualification courses and enables universities, in turn, to arrange internships for students and conduct research in NLMK's production units.

To maintain a high professional level of managerial staff, the Company implements a training programme for top managers. The key programme focuses are:

- training exercises on developing management skills;
- foreign language courses;
- support of manager participation in professional conferences, workshops, etc.

The effective Company's activity in employees training and education was noted by experts from leading certification organisations in certification audits on compliance with the requirements of international standards ISO 9001:2000, ISO 14000:2004, ISO/TS 16949:2002 of the Quality Management System.

According to the results of city competition "Collective agreement, production efficiency is the basis for protection of social and labour rights of people" held in 2006, NLMK's employees training and development system was recognized as the best.

Management Reserve

The main goal of creating a management reserve is to produce managerial staff out of talented young specialists as well as to ensure the fulfillment of employees career development expectations.

The main objective of creating the management reserve is to ensure the succession of managers and readiness of employees in this management reserve to take up positions as managers and specialists.

To train the management reserve for the performance of duties in the future, a training programme for a management reserve employee is drawn up. The programme is elaborated based on the list of minimal requirements for training of a reserve personnel participant, which includes the following:

- training of managers and specialists newly appointed to a position;
- probation on a potential position for not less than 80 hours with compulsory training in Quality Management System standards, job descriptions and process instructions, OHS instructions, contingency plans, etc.;
- obtaining job permits to operate high risk facilities.

Fulfillment of the training program is a prerequisite for temporary appointment to a potential position.

Training of management reserve participants and the development of managerial competencies are carried out at the corporate training centre and at external workshops and trainings. They employ the competence consolidation principle, i.e. management reserve participants of initial levels have training for efficient management, stress and conflict management; reserve participants of higher levels who have passed initial training and operating experience in the position take part in training to develop their leadership qualities, negotiation skills, change management, study strategic management, etc.

Reserve participants who have no professional (higher) education are given a preferential right to get obtain additional or second higher education at the expense of NLMK with paid academic leave.

As of 31st December 2006 the number of employees in NLMK's management reserve amounted 2742 people. More than 1,000 people took part in training programmes for reserve participants.

Appraisal Process

For several years the Company has implemented appraisal systems for managers and specialists, which is aimed at benchmarking current employee's competence level against the Company's requirements as well as selecting the most talented and prospective employees.

Employees gaining the highest (the first) competence level are given privileges in their professional and career development as well as extra payments to their salaries.

4,669 managers, specialists and employees of the Company underwent appraisal process in 2006. 566 Company's employees with the first competence level were given an additional payment to their salary in the amount from 3 to 10 thousand roubles per month for a period of 1 year.

Corporate Culture Development

NLMK's corporate culture has developed over the past 70 years. One of the Company's key objectives is to preserve the existing traditions and develop new ones.

The Company aims to create a feeling of commitment to NLMK's mission in each new joiner as well as a conscientious attitude to his/her duties and personal responsibility for the Company's performance overall.

Each new joiner starts his/her work in the company with the adaptation process. During the first days of work, a coach informs each new joiner about all the standards and rules of conduct of NLMK, traditions of the team and introduces him/her to the colleagues. Each new joiner is offered a booklet "Working at NLMK: basic information for a new joiner".

Corporate traditions and achievements are preserved and demonstrated in the NLMK museum which was established in 1987. The most frequent visitors to the museum are new joiners and students studying in the City of Lipetsk.

The Company's corporate symbols play an important role in the development of the corporate culture. The logo "NLMK", Company's colours – blue and white, highest corporate awards – NLMK awards (insignia) – Degree I (Gold) and Degree II (Silver) all contribute to the development of corporate unity, commitment and pride. Every employee wears NLMK's logo on his/her workwear.

The NLMK corporate journal is the guide to corporate culture; its pages tell employees about the enterprise's activity, news, corporate events and best people of the Company.

In order to give honours to the best employees, each structural unit has an Honours Board.

In order to identify the best employees and financially motivate them, "Best in profession" professional competitions are conducted in the Company every year in core professions. Competition winners are awarded diplomas, cash payments prizes, they are also entitled for extra payments for high professional qualities, their photos are placed on the Honours Boards.

40 "Best in profession" competitions were held in 2006, with 900 Company's employees from 53 structural units involved.

The “NLMK Young Leader” corporate competition, which has become traditional, is extremely popular among employees, hundreds of the Company’s employees with their family members gather at the Competition final held at the Metals Worker Culture Centre.

In order to identify and encourage best line managers of the initial level, the Company holds “Foreman of the Year” competition.

94 foremen from 32 structural units took part in the “Foreman of the Year” competition in 2006. 4 employees received prizes, with one of them awarded the “Best Young Foreman” title.

To increase attractiveness of engineers, promotion of achievements and experience of best engineers as well as the development of the creative activity of personnel, the Company holds “Engineer of the Year” competition along the following lines:

- “Professional Engineer”;
- “Engineering craft of Young People”;
- “Innovator and Inventor”;
- “Professional Constructor”.

44 employees from 19 structural units took part in the “Engineer of the Year” competition in 2006, with 18 of them becoming winners.

Corporate competition winners take part in regional and all-Russia “Engineer of the Year” competitions, in which they regularly win prizes.

6 corporate competition winners took part in various regional and all-Russia competitions in 2006.

Celebration of corporate holidays is an important part of team-building activity. All the Company’s employees take part in the Metal Worker Day and the NLMK’s Birthday celebrations. Employees that achieved the highest results are awarded with state, industrial and corporate prizes.

The Company also celebrates professional holidays of core professions. For many years, the Company has celebrated national and public holidays: the New Year, International Women’s Day of the 8th of March, Motherland Defender’s Day, Victory Day, and Farewell to Russian Winter Day.

An important tool in strengthening the corporate culture is the assistance given to the Company’s employees in physical training and sports activities, promoting healthy lifestyles.

The Company regularly holds various sports competitions, with employees’ teams and Company managers taking part in them.

Occupational Health and Safety

The Company's production processes include usage of hazardous processing facilities. This being so, the Company is responsible for keeping its employees safe and sound. NLMK's OHS management system complies with international standards.

The Company has passed the first stage of certification for compliance with the requirements of international standard OHSAS 18001 "Safety and Health Management Systems".

The Company's OHS policy covers the following lines:

- establishment of unified requirements for OHS activity;
- regular monitoring OHS status in the Company's structural units in accordance with the requirements stipulated by Federal Laws and local regulatory acts;
- required medical certifications and inspections of the employees' health and improving the quality of such inspections;
- implementation of preventive measures reducing the increase of occupational diseases;
- regular assessment of working environment on workplaces;
- material, organisational, technical, methodological equipment of the corporate OHS system, provision of employees with quality individual and collective protection equipment and medicines and other preventive products;
- training and qualification of OHS specialists, training of workers to employ safe techniques and work methods, OHS briefings, active OHS promotion;
- strengthening of personnel motivation to regularly comply with OHS norms, enhancement of culture and strengthening of discipline in production;
- informing personnel about the Company's OHS status.

About **150 000 000** roubles is the total amount of financing OHS in 2006

Safe Working Environment

NLMK performed large-scale reconstructions and capital repairs of core production facilities envisaged in Stage I of the Technical Upgrade Program during in 2005. These measures have significantly improved the working environment and reduced its hazardous impact.

Stage II of the Technical Upgrade Program envisages large-scale work on phasing out obsolete equipment and commissioning modern equipment complying with all international OHS requirements. These measures will result in lower production injuries and occupational disease rates.

The Company regularly offers its employees high quality certified working clothes, working footwear, personal protection and hygiene equipment.

Employees have the possibility to have regular and extraordinary medical examinations at the Company's expense and during working hours. Employees under 21 undergo annual medical examinations. All employees can get pre-medical treatment at medical stations located in structural units; they also have first-aid kits at their workplaces.

An integral part of the occupational health and safety system in the Company is training in safe operation of dangerous processing equipment, industrial sanitation and labour hygiene.

Every year more than 2,500 NLMK's employees had training for safe operation of dangerous processing equipment objects, industrial sanitation and labour hygiene.

The Company pays special attention to the production culture and aesthetics. Reviews on production culture and aesthetics are conducted quarterly among structural units are aimed at motivating employees to create comfortable working environment. Prize winners are granted cash prizes.

The multilevel monitoring system for the occupational health and safety quickly detects all cases of non-compliance with the established safety requirements.

To this end, all of the Company's employees perform daily operational control of the equipment and tools at their workplaces. Four-level control is used to prevent emergency situations, injuries, occupational disease incidence rate and is implemented by various managers.

Public supervision of OHS is carried out by the trade union via authorized persons in charge of labour protection in NLMK's structural units. Authorized employees take part in the investigations of accidents and occupational diseases at production sites as committee members. In elaboration of measures to improve the working environment, industrial sanitation and relevant services, proposals made by the trade union are necessarily taken into account.

The Company monitors harmful industrial factors and labour process factors at workplaces. In case of non-compliance of the results with hygienic standards, the structural unit elaborates measures (technical or organisational) to eliminate such non-compliance.

OHS System Effectiveness

The reduction of accident rates at production sites proves the effectiveness of the Company's OHS system.

In 2006 the accident frequency rate was reduced by 28.2% and the accident severity rate decreased by 7.1% as compared with 2005.

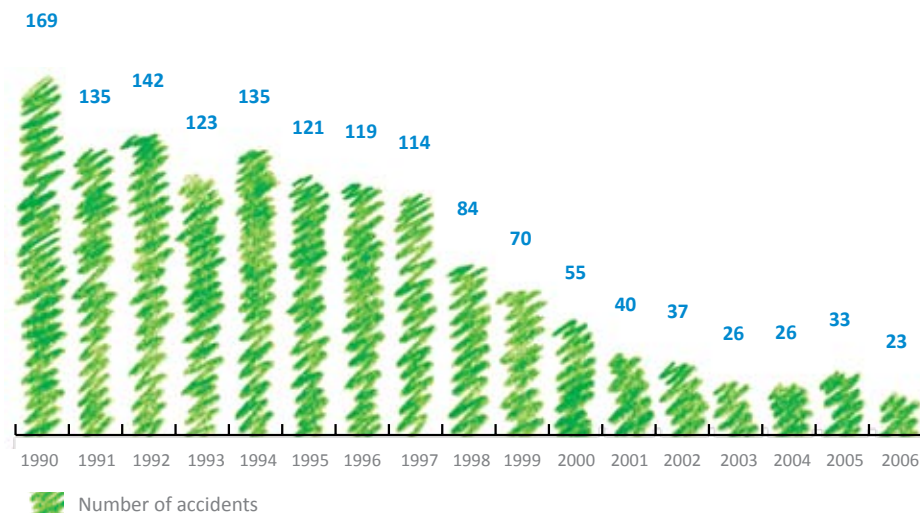
Since 1990, the accident frequency rate has been reduced by 7 times, generally complying on the whole with western indicators.

Indicators	2006	2005
Number of accidents	23	33
Number of injured employees	23	33
including cases: fatal	1	3
severe	2	3
group	—	—
Number of days on sick leave	1,365	1,570
Accident frequency rate*	0.61	0.85
Accident severity rate**	47.07	50.65

*The frequency rate shows the number of accidents per 1000 employees.

**The severity rate shows the average number of days on sick leave per accident.

Industrial injuries rates in 1990-2006



Social Conditions at Production Site

Comfortable social conditions at the production site contribute to employees' high spirits and, consequently, enhance efficiency.

In 2006 RUR 57.5 million were invested in the plan for production culture and aesthetics, 99 separate measures being implemented.

Employees' Health Improvement

For many years special programmes for health improvement and resort treatment of employees and their family members have been implemented in the Company. The employee health improvement is performed at Company's own resorts:

- Health Resort Parus (City of Lipetsk, 175 beds);
- Health Resort Sukhoborye (City of Lipetsk, 175 beds);
- Children's health camp Prometheus (City of Lipetsk, 1330 beds).

Health Resort Parus

It is situated 20 km from the City of Lipetsk, in a pine tree forest, facing water storage basin. Health resort Parus provides medical treatment in the following fields: gastroenterology, cardiology, physical therapy and sports medicine, neurology, otolaryngology, occupational pathology, pulmonology, dentistry, therapy and physical treatment.

1 447 employees underwent treatment
at health resort Parus in 2006

Health Resort Sukhoborye

It is situated 60 km from the City of Lipetsk, in a pine tree forest, on the bank of the Voronezh River.

Health Resort Sukhoborye offers medical treatment in the following profiles: neurology, pediatrics, occupational pathology, reflexotherapy, dentistry, therapy, physiotherapy.

1 516 employees rested and underwent resort treatment
at Health Resort Sukhoborye

Children's Health Camp Prometheus

Prometheus is one of the biggest children's health care centres in Russia, located at 70 km from the City of Lipetsk, in a suburban forest area, on the picturesque bank of the Voronezh River. Its total area is 17.4 hectares, where administrative and medical treatment buildings, 2 canteens, 12 medical treatment buildings are located. It provides such kinds of medical aid as gastroenterology, otolaryngology, pediatrics, psychotherapy, children's dentistry, physiotherapy.

11 500 children rested and underwent treatment
in this children's health camp in 2006

including more than **2 000** children of NLMK's
employees

In order to ensure complex rest for children, Prometheus's teachers developed a programme, which was recognized as best at the Interregional festival of children and youth summer rest organisers in 2006.

Health Camp Prometheus maintenance costs in 2006 amounted over RUR 23 million.

Environmental Protection and Resource Saving

NLMK is one of the biggest manufacturers of steel and rolled products in Russia and worldwide and recognizes its significant role in domestic and international processes of sustainable development of the society.

Environmental protection is a key priority of NLMK's operation, which is stipulated in the Company's Environmental policy.

NLMK's strategy in environmental protection is as follows:

- domestic and international recognition of NLMK as a leading steel manufacturer ensuring nature preservation;
- strict compliance with international obligations, national legislation, environmental protection quality standards;
- technical upgrading of core and support productions with best technologies available;
- implementation and improvement of systematic business management tools including those based on ISO 14001 international standard;
- accounting for public opinion while solving matters of production development and expansion.

The Company's environmental activity is aimed at:

- higher environmental quality;
- resource saving;
- low-waste production.

In accordance with its strategy and goals, NLMK is set to consistently reduce the environmental impact of its operations.

Nature Protection

Effectiveness

Within Stage I of the Technical Upgrade Programme, NLMK managed to achieve steady improvements in ecological indicators at the main production site area.

According to the data provided by the regional department Rosgidromet (Russian Hydrometeorological Committee), the integrated atmospheric pollution index in the City of Lipetsk decreased by 2.8 times: from 25 points in 2000 to 9 points in 2005-2006.

NLMK regularly monitors its environmental impact.

In 2006, as part of its environment protection activity, NLMK acquired a fixed station and a unique mobile laboratory to monitor the atmospheric air pollution.

NLMK has its own certified laboratory for production control.

In addition, the Company has a license of the Federal Service of the Russian Federation for Hydrometeorology and Environmental Monitoring (Rosgidromet) to monitor the industrial impact on the environment.

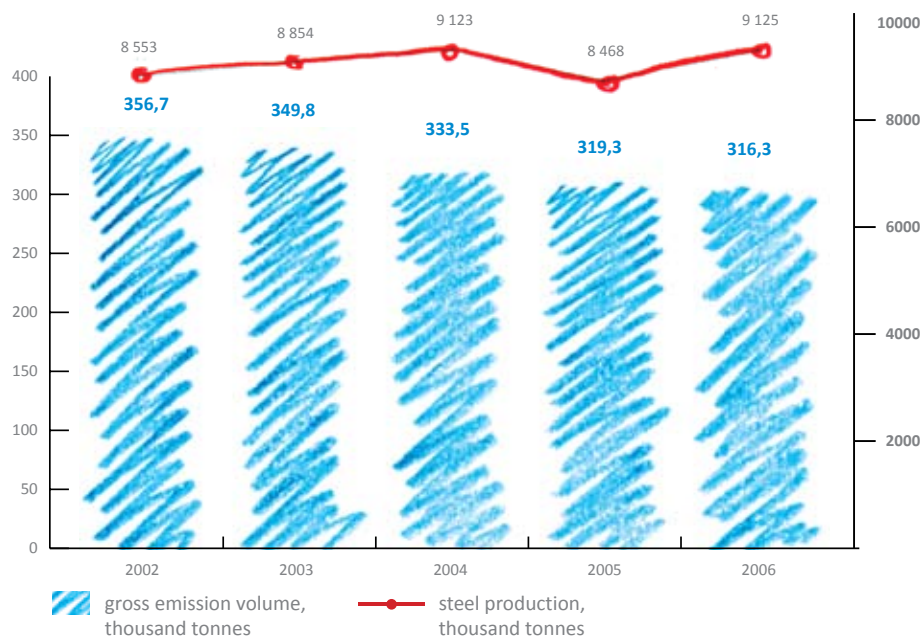
The reduction of environmental impact indicators is directly linked with constantly growing considerable amount of NLMK's investments in environmental protection: the level of annual financing of ecological programmes increased more than tenfold: from RUR 129.8 million in 2000 to RUR 1,457.4 million in 2006.

The Company conducts its nature protection in line with the Environmental Management System complying with ISO 14001 requirements. The Company successfully passed an independent certification audit of its Environmental Management System for the compliance with ISO 14001 international standard in its new 2004 version.

Atmospheric Impact

Nature-protecting and other resource-saving measures given the increase of production volumes in 2006 contributed to a reduction of gross hazardous emissions of 3,005 tonnes (-0.94%) as compared to 2005.

Dynamics of Gross Emissions



The main components of emissions (99.8%) are: carbon oxide, sulphuric anhydride, dust, nitrogen dioxide and nitrogen oxide. The specific substances (phenol, naphthalene, hydrogen sulphide, benzo(a)pyrene, etc.) account for 0.2% of the total gross emission volume.

Structure of Pollutant Emissions in 2006, thousand tonnes

Year	CO	Dust	SO ₂	NO ₂	NO	Other	Total
2005	261.16	24.50	19.06	9.49	4.39	0.74	319.34
2006	260.63	23.93	18.39	8.77	4.01	0.61	316.34
Deviation 2006 vs 2005 (±)	-0.53	-0.57	-0.67	-0.72	-0.38	-0.13	-3.00

Impact on Water Basin

For the last 5 years NLMK has managed to considerably reduce the use of water and decrease the negative impact from effluent discharge.

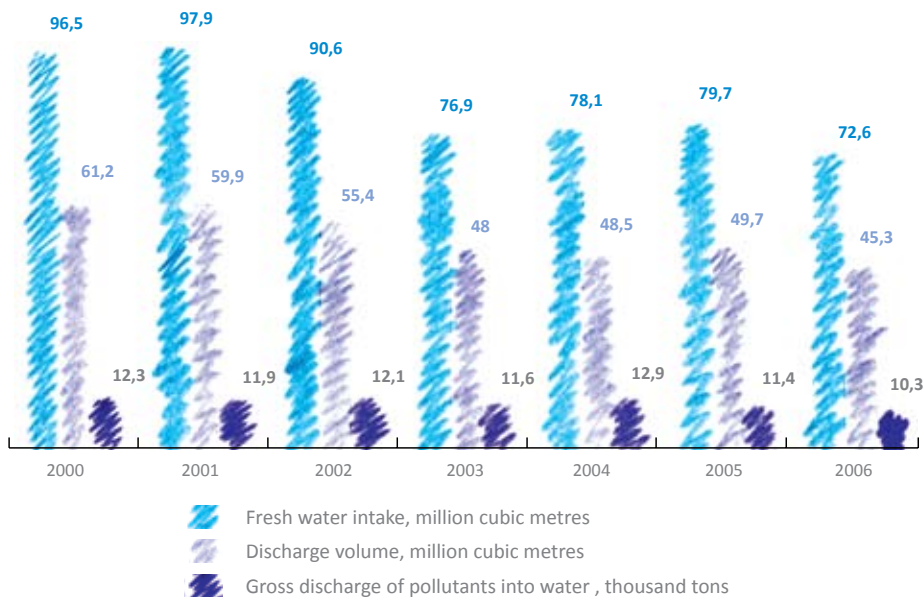
The river water consumption has decreased by 25%, to 72.6 million cubic metres per year. In doing so, the Company has reduced the volume of industrial discharge by 26% (to 45.3 million cubic metres per year), and the pollutant discharges with industrial effluents by 16% (to 10.3 thousand tonnes per year).

In 2006 the river water consumption amounted to 72.626 million cubic metres, which is 8.83% lower than in 2005. Water disposal amounted 45.314 million cubic metres, which is 8.91% less than the previous year.

The water volume in circulating water supply systems in 2006 amounted to 1580.928 million cubic metres, recycled water supply – 6.690 million cubic metres.

The volume of fresh process water intake from the Voronezh River and the volume of wastewater in 2006 were reduced due to the increase of the usage of water from lowering wells and reconstruction of chemical water treatment facilities.

Gross indicators of impact on water bodies



Fresh water intake, discharge of industrial water into the Voronezh River and discharge of pollutants were reduced in 2006. The discharge of pollutants into the Voronezh River decreased by 9.6%. The gross pollutants discharge in 2006 did not exceed the maximum permissible discharge level.

At present, upgrade of the process water supply system is under way, which envisages reconstruction of sewage treatment facilities for process, household and industrial discharges at NLMK. That is to ensure further reduction of the pollutants discharge.

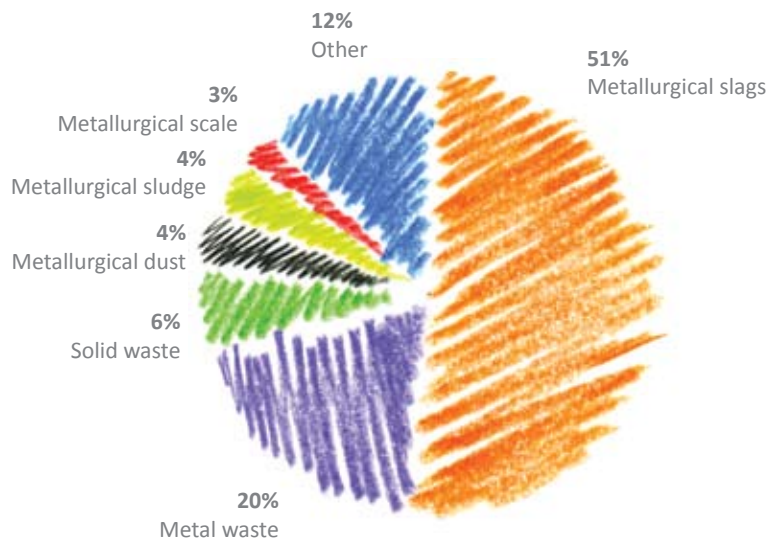
In 2006 the Company, at its own expense, completed the first reconstruction of integrated sewage treatment facilities in the City of Lipetsk with total investments of RUR273.8 million in the project. The fact that the Lipetsk city waste water treatment facilities are on the Company's books, are serviced and reconstructed at the enterprise's expense, though NLMK's share in City's discharges is insignificant (about 12%) in city effluents is unique among steel companies.

Waste Handling

NLMK's production activity generates over 130 types of production and consumption wastes, with total volume in 2006 amounting 3.8 million tonnes.

NLMK's production wastes (over 90%) consist primarily of metallurgical slags, sludge, solid waste, scale, dust.

Production waste structure



Out of the total amount of waste generated:

- 97.8% – is treated and used in the internal processing cycle and for reclamation;
- 1.7% – is transferred to other enterprises for use, treatment, decontamination or disposal;
- 0.5% – is placed at Company's own facilities and municipal facilities.

Due to the use of new technologies, the Company manages to decontaminate and reclaim in its production process more than 95% of waste generated. Due to this fact, process waste on the production site was no longer accumulated in 2004, and the processing of waste accumulated in earlier years was started.

On the whole, for the period from 2000 to 2006, the volumes of accumulated waste were reduced by 16%, i.e. by more than 1.5 million tonnes.

For the first time in Russia, NLMK solved the problem of electromechanical equipment utilization containing super-toxic polychlorinated biphenyls (sovol and sovtol). The technology of safe destruction of sovol and sovtol allows the disposal of 99.999% of toxic substance without damaging the environment.

Environment Conservation and Rehabilitation

NLMK's production capacities are located on the area of 27 km² on the left bank of the Voronezh River and have no boundaries with conservation areas. Following the guidelines and principles of nature protection, the Company conserves nature territories located on its own land plot, in the vicinity of production facilities.

The programme for planting greenery on NLMK's territory implemented since 2006 envisages planting of about 190 thousand trees and bushes and rehabilitation of the natural environment on the area of 34 hectares, previously used for production waste disposal. It will help to create an ecologically effective natural barrier both along the perimeter and inside the enterprise.

By 2010 green plantings area will amount up to 682 hectares, that is one quarter of the whole of NLMK's territory.

At the production site centre there has been created a unique ecological barometer - the Swan Lake. This artificial water reservoir replaced NLMK's former waste water treatment facilities.

The garden area arranged around the lake has become a habitat for 63 species of birds from all continents. Such exotic birds as ostriches, peacocks and pheasants live here.

About 15 species of Swan Lake fauna have been registered in the Red List. Birds and fish not only live in this habitat but also breed here.

Resource Saving

The Company's resource saving strategy is as follows:

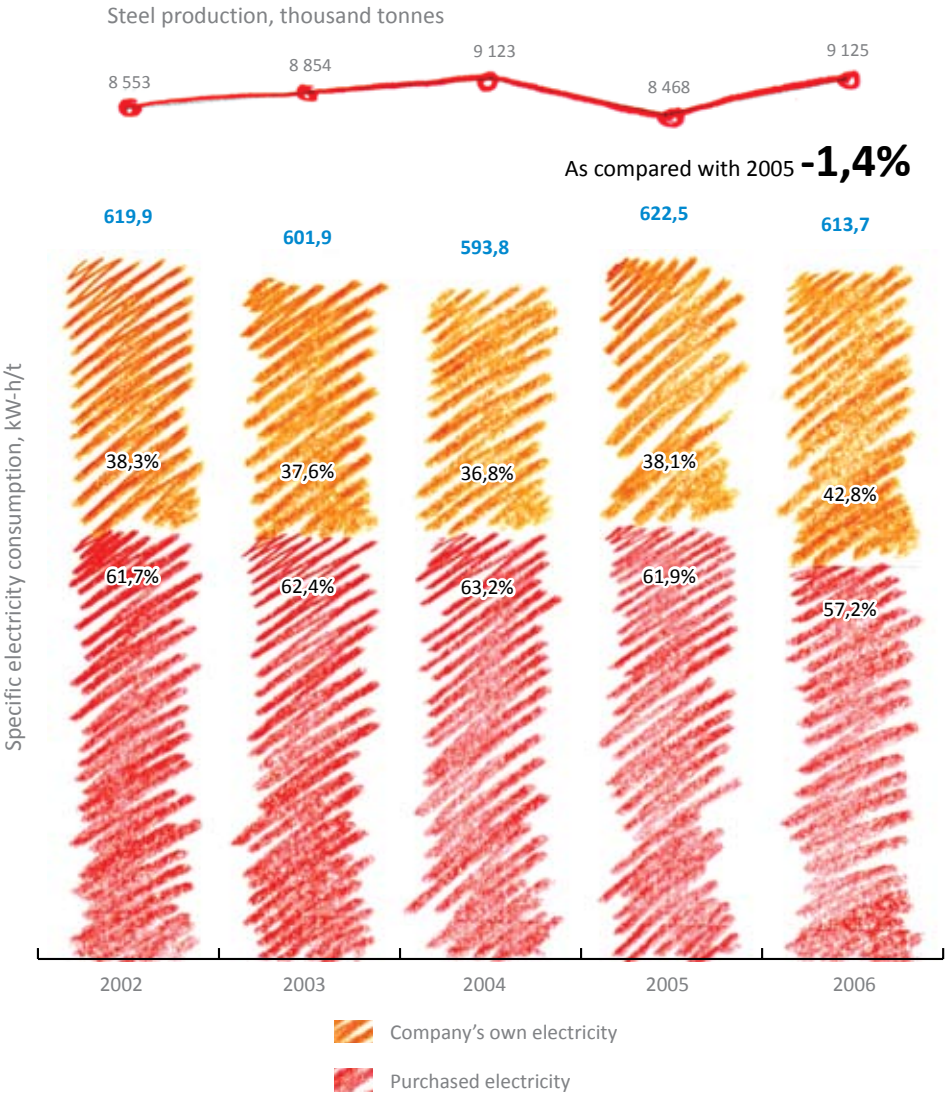
- increase of own electric power generation;
- maximum use of secondary energy resources;
- decrease of energy consumption (resource saving).

The main NLMK resource saving objectives are as follows:

- improve production processes in order to reduce the consumption of resources;
- recycle secondary energy resources, reduce GHG emissions;
- improve the management system for the use of energy resources.

Increasing its own electricity generation capacities, the Company reduces the share of electricity purchased from external suppliers.

Electricity Consumption per tonne of steel produced



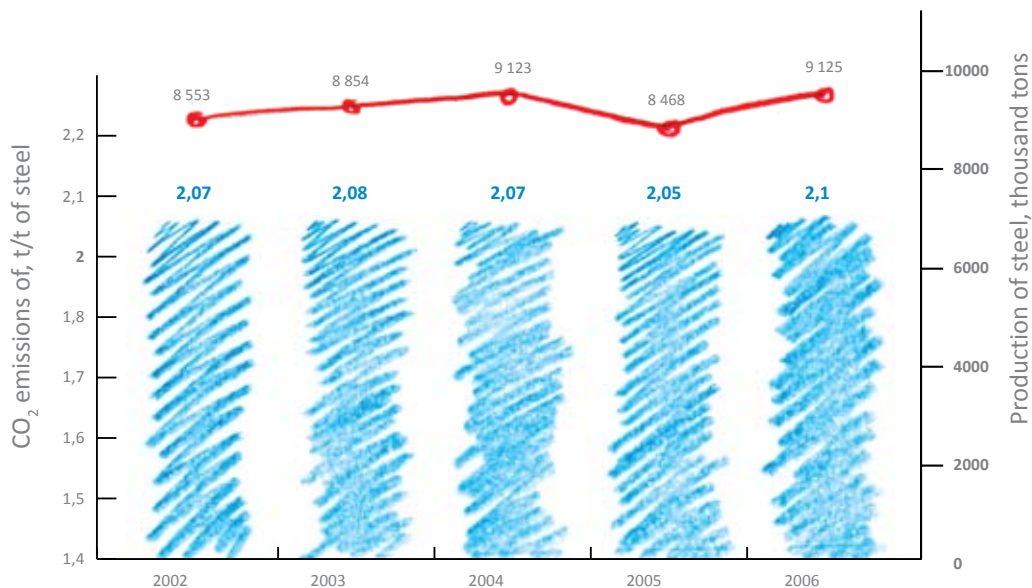
The consumption of electricity in 2006 decreased **by 1.4%** as compared with 2005:
from 622.5 to 613.7 kWh per tonne of steel.

As a result of energy saving measures, **20,942 thousand kWh** was saved in 2006.

The consumption of natural gas amounted to **1,776,253 thousand cubic metres** in 2005
and to **2 025 543 thousand cubic metres** in 2006.

The use of secondary energy resources (coke and blast furnace gases) in NLMK's energy needs positively influences global climate processes (reduction of GHG emissions).

CO₂ emissions from the use of various energy types in NLMK production

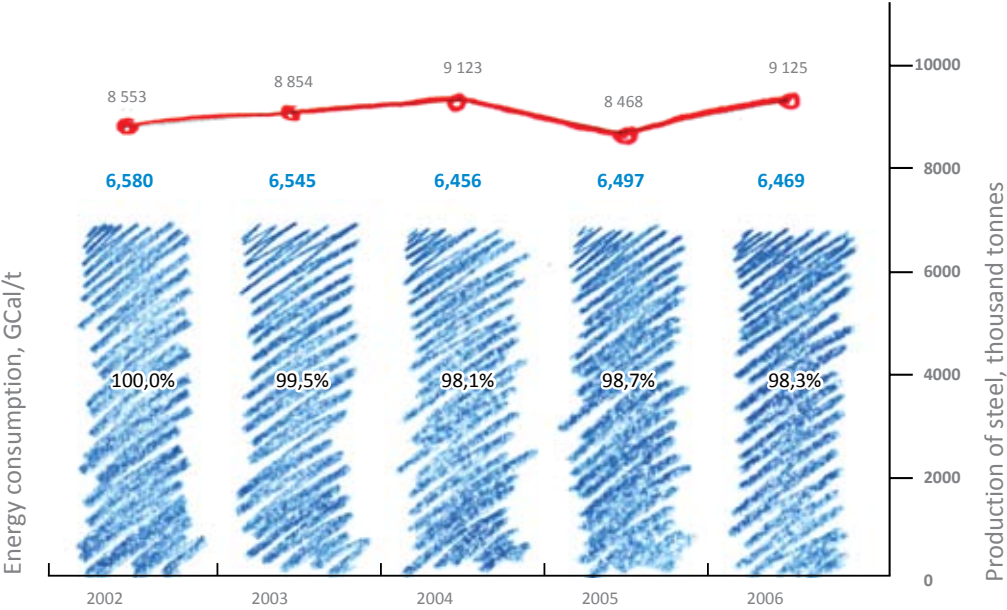


CO₂ emissions in 2006 increased due to growth in the Company's own electricity production.

The Company fully covers its needs in such energy resources as heat energy in steam, heat energy in hot water, compressed air, oxygen, etc. at the expense of its internal production.

As a result of measures aimed at reducing energy consumption and enhancing energy efficiency, the Company has reduced the energy consumption in steel production.

Dynamics of energy consumption of the NLMK's metallurgical facilities on steel production in 2002-2006



Social and Economic Development of the Region

Tax Payments and City Social Programmes

The Lipetsk Region is a donor region and forms its budget at the expense of its own revenue sources. NLMK is the biggest enterprise and the main taxpayer in the region.

The Company's taxes and other mandatory allocations in 2006 to the consolidated budget of the Lipetsk Region amounted **to more than RUR13.6 billion (about USD 502 million)**, i.e. about 42% of tax revenues to the city budget and about 55% – to the consolidated budget of the Lipetsk Region.

The Company's tax deductions give an impetus to the development of other industries, agriculture, construction and social sphere.

More than 200 contractors with total headcount exceeding 8,500 people perform construction and repair works at NLMK's site.

In addition, NLMK implements a number of social programmes, with total investments in 2006 amounting to RUR 1.9 billion.

The Company's payroll growth outstrips the inflation rate and is the benchmark for other enterprises in the city, thus contributing to the wealth of the whole region.

For many years the Company has been involved in the programme of housing construction in Lipetsk. Every year more than 500 families of the Company's employees move into new well-equipped flats in houses built by NLMK. Together with implementation of its own housing programmes, NLMK contributes to the construction of the city.

In 2006 the Company built and repaired 27 kilometres of roads in the regional centre under agreements with the City Administration.

In cooperation with the city administration, the Company efficiently improves the management model for the housing resources in the City of Lipetsk, enhances the effectiveness and transparency of expenses on maintenance of its social sphere. Under agreements with the administration, NLMK finances the construction of sports grounds and improvement of rural territories.

Young Generation Policy

Creating conditions for inflow to NLMK of creative and technically literate personnel is one of the priorities of the Company's HR policy. The Company assists the young generation in getting the best education, thus creating its own promising management reserve.

Children's pre-school, secondary and professional educational institutions in the City of Lipetsk are supported by the enterprise, i.e. strengthening of the material and technical base in kindergartens, schools, colleges, professional vocational schools, children's creative centres, orphanages, boarding schools. The Company offers to them financial support for renovations, purchase of equipment, purchase of modern educational materials, IT equipment, sports goods.

Special attention is paid to ongoing career guidance of schoolchildren, with NLMK's employees being actively involved. The Company arranges meetings with its employees for students, informative excursions to the enterprise, in which more than 1000 schoolchildren take part every year.

The Company's employees systematically visit schools in order to inform the students about the enterprise's operations.

During the school vacation period, the Company arranges the "Internet-vacations" programme for schoolchildren, with 240 seniors being trained in 2006. In addition, the Company has arranged an innovation project in the lingua-polytechnic education paradigm; it holds "Start into science" research conferences every year, with academic competitions in mathematics, physics, chemistry, ecology. Altogether more than 1800 8th-11th forms schoolchildren from 35 schools in the City of Lipetsk took part in various events in 2006.

Out of the total number of participants of career guidance events, 122 best seniors were awarded in 2006 valuable gifts (office equipment and certificates for training at the specialised school Evrika at the Lipetsk State Technical University).

NLMK's partner school – MOU SOSh No. 70 – was ranked first by the results of competition among general educational institutions of the City of Lipetsk held as part of the national project "Education". Since 2006 in this educational institution there is an experiment aimed at organising the interaction between institutions of general and professional education. The following NLMK's specialised educational institutions take an active part in the innovation project: vocational school No. 10, Lipetsk Metallurgical College, Lipetsk State Technical University.

In 2006 schoolchildren studying in the polytechnic class at school No. 70 completed additional training at vocational school No. 10 and became "2nd category lathe operators". This year schoolchildren will continue education at the Young Metallurgist School in the Lipetsk State Technical University. They will attend lectures on basic technical qualifications of the mechanics and engineering, automatic control system departments, will acquire knowledge in programming. After such training, seniors that demonstrated the best results will be offered to continue education in basic and strategically important higher educational institutions, with subsequent employment with NLMK.

At present NLMK maintains partner relations with 17 general educational institutions in the City of Lipetsk.

To ensure the long-term development of the staff potential, the Company implements targeted programme NLMK's Student. This program provides financing of the education for children of NLMK's employees in best Russian technical and economic universities.

29 people took part in the programme NLMK's Student in 2006.

Care of Veterans and Youth Patriotic Spirit

The Company pays special attention to veterans of the Great Patriotic War and labour veterans.

In close cooperation with the council of veterans, the Company provides free vouchers to health resorts, arranges traditional holidays: Motherland Defender Day, International Women's Day, Victory Day, New Year and Elderly People Day.

The Company allocated **RUR 8.5 million** for these purposes in 2006.

NLMK renders financial support to the municipal organisation of disabled people, veterans of the Afghan War, "Russian union of veterans of the war in Afghanistan" regional organisation, military commissariat of the City of Lipetsk and Young Aviator club at the Lipetsk aviation centre. The Company provides corporate aid to the submarine Lipetsk of the Russian Northern Fleet, its crew regularly received various gifts from NLMK.

During service, the Company provides each of them with an additional insurance, and after their return from the army it guarantees them employment and financial aid.

In 2006, about 200 young Company's employees passed compulsory military service in the Russian Armed Forces.

Support of Sports Culture and Physical Training

The Company creates conditions for physical training and sports activity for NLMK's employees and residents of the City of Lipetsk.

In NLMK, in 41 structural units there are the following sports facilities:

- 4 gyms where they hold training and intershop competitions in mini-football, basketball, volleyball, tennis;
- 53 rehabilitation centres (hot rooms, recreation rooms, swimming pools) with the total area of 12 428 m2 comprising the following:
 - 26 billiards rooms;
 - 8 halls physical training exercises;
 - 10 gyms;
 - 8 sports rooms;
 - 4 hydro massage rooms.

In 2006 NLMK's health improvement centres had about 42,239 visits.

To attract people to physical training at the place of residence, NLMK built 52 sports grounds in Lipetsk.

The sports activity in the Company is carried out by the sports club Lipetsk Metallurgist, founded by NLMK. Sportsmen contracted by the Lipetsk Metallurgist sports club are the best sportsmen in the region, world and Russia's champions and candidates for participation in the Olympic Games. In 2006 the Lipetsk Metallurgist sports club provided the possibility of training in shooting sports for 200 trainees of the city children's and junior sports school.

Every year more than 20 thousand people visit Lipetsk Metallurgist sports facilities: Novolipetsk physical training and health improvement complex, sports centre Neptune, trap shooting complex and sports center Ring.

More than 1800 of NLMK's employees took part in 2006 in competitions arranged by the Lipetsk Metallurgist sports club jointly with the trade union organisation. Competitions in ski relays, table tennis, chess, swimming, bullet shooting, football, mini-football, volleyball, basketball were held among structural units of the Company.

The Novolipetsk physical training and health improvement centre operates all-the-year-round. In winter, a skis, skates hire point, a ski route, a skating-rink are functioning.

In summer, 28 sports competitions in 11 sports were held at the sports centre in 2006.

The Neptune sports centre provides services on aqua aerobics, swimming, synchronized swimming, massage, medical tests and slimming. It has 4 recreational gyms, 2 exercise gyms and 1 play gym, solarium, infrared sauna and a swimming pool.

The sports centre had 40 000 visits in 2006.

The modern trap shooting complex built by NLMK in Lipetsk is one of the best sports facilities in the country for this kind of sport. Training exercises are conducted on its basis by the specialised city children's and junior Olympic reserve school.

3 all-Russia and 12 regional city competitions were arranged and held in 2006. The upgrading of trap shooting complex with total investments exceeding RUR 40 million was performed in 2006.

In 2006 NLMK built a modern shooting complex, over RUR50 million worth, at the village of Kon'-Kolodez' in the Lipetsk Region. The only Russian rural specialised children's sports school of Olympic reserve conducts training exercises in this complex. In 2006, the school trainees won world and Russian championships.

Support to Rural Communities

NLMK renders support to people residing in the Lipetsk Region villages. Following the initiative: “Metallurgists – to rural communities”, the Company has transferred free of charge agricultural machinery to rural administrations, schools and church parishes for permanent use.

At present 259 LTZ-60 tractors equipped with ploughs and 259 trailers are in operation in the Lipetsk Region villages. The machinery is used at ploughing, improvement of backyards and streets, supply of water for irrigation, building materials and other goods necessary for personal households. Applications of veterans and war participants’ widows, disabled people, pensioners and large families are a priority. All in all, the Company assisted 237 rural administrations of the Lipetsk Region within the rural community support program. Tractors also work on land plots at 17 schools in eight districts of the Lipetsk Region and in three church parishes.

NLMK delivered over 14 tonnes of slag in 2006 for rural road repair.

Company's Charity

Charity is another priority of NLMK's social policy. Charity is performed via the Charitable Fund Miloserdie (Mercy) founded by the Company. The Fund helps Lipetsk residents to solve social problems, supports low-income people, children, pensioners and disabled people, contributes to strengthening the role of family in the society and the spiritual development of personality, promotes healthy way of life, physical training and sports. A great attention is paid to education, science, culture and art, environment protection and animal protection.

There are eleven main directions (charity programmes):

Health

According to this programme, the expenses are paid on medical treatment, purchase of medicines, medical equipment (wheelchairs, hearing aid devices, etc.), health resort treatments for people who cannot afford to pay for them.

Within this programme, funds are transferred to state and municipal institutions, which enable all city residents to get high quality medical assistance.

RUR 0.6 million was transferred in 2006 within the Health programme.

Care

This programme has been created specially for pensioners and veterans of the Great Patriotic War, most of whom worked at NLMK. The Care programme creates an opportunity to hold charity meetings of war participants, purchase medicines and medical equipment (wheelchairs, hearing aid devices, etc.) for veterans, health resort treatment. According to this programme, the aid is provided to those who are in a strong need due to emergency distressful situations: flat thefts, fires, robberies at garden plots; funeral expenses of close relatives and other extraordinary cases.

8 600 000 roubles spent by the charity fund to implement the "Care" programme

Childhood

Several directions for the arrangement of summer holidays were elaborated for the Lipetsk Region children. The priority is to render help to orphanage and boarding-schools children, children from low-income and incomplete families and handicapped children. Children have rest in the Prometheus children's health improvement centre, Sukhoborye suburban health resort or Morskoye resort hotel (Crimea) belonging to NLMK. In addition, the Fund purchases vouchers to other children's camps and health resorts located both in the Lipetsk Region and at the Black Sea coast.

The Fund pays for the education of children who won or ran up in scientific Olympiads, competitions, etc. as well as expenses related to participation in them. It provides financial aid to orphanages, boarding schools, children's pre-school institutions, public educational institutions and children's medical treatment institutions.

11 400 000 allocated by Fund Miloserdie
roubles in 2006 for the
Children programme

Sports

This programme is aimed at supporting mass sports, physical training development, illness and health protection for Lipetsk residents. NLMK within the Sport programme assists children, junior sports schools (sections, clubs, etc.), sports centres and facilities (stadiums, Sports Palaces, sports gyms, etc.), sports clubs, sportsmen living in the City of Lipetsk and the Lipetsk Region.

Charitable support is provided for the purchase of equipment (fitness equipment, tools etc.), payment of sports facilities and sports centre construction, repairs and reconstruction costs, this being aimed at illness prevention and health improvement of citizens, support of sports organisations, clubs, sections and development of sports in general.

In order to strengthen and develop the Russian Olympic movement, the Russian Fund for the Olympians support Miloserdie has transferred RUR 81 million in 2006.

The Fund Miloserdie has established grants for sportsmen, residents of the City of Lipetsk and the Lipetsk region and champions (or medal winners) of the Olympic Games, champions (or medal winners) of international competitions (world, European, and other championships), champions of Russia. It pays for medical treatment of sportsmen as well as participation of sports teams and clubs in intercity, interregional, republican and international competitions.

128 500 000 spent in 2006
roubles on implementation
of the Sports programme

Green World

This programme is aimed to protect nature and animals.

This programme offers aid to nature reserves and parks, forestries and veterinary treatment institutions. The allocated funds are spent on the specialised equipment, foodstuff and medicines.

260 000 allocated in 2006
roubles for the Green World
programme

Emergency

Within this programme, aid is paid to those who suffered in terrorist attacks; funds are allocated for medical treatment of victims and for the related expenses, purchase of medicines, medical equipment, health resort treatment, emergency prevention measures. The Fund finances measures aimed to maintain buildings, facilities and territories having historical, cultural or environmental importance, cemeteries as well as at public trainings for actions in emergency situations.

Предусмотрены денежные выплаты при возникновении чрезвычайных ситуаций.

Lump Sum Payments

The Fund transfers money to public organisations, state and municipal institutions for paying charity lump sums to those being in strong need due to emergency situations.

3 900 000 transferred in 2006
roubles for the Lump sum payments
programme

Cultural Development

This programme provides aid to music and art schools and talented students. Creative clubs, studios, libraries, museums, art galleries are the beneficiaries of this programme. In particular, monthly grants are allocated to talented children, to people of creative professions (musicians, artists, sculptors, etc.), funds are also allocated for restoration of buildings with historical and cultural value.

200 000 roubles transferred by the Fund in 2006
as part Cultural Development
programme

Novolipetsk Veteran

The Novolipetsk Veteran programme covers NLMK's retired people.

The Company offers them permanent financial support within the programme framework.

About 14 thousand of the Company's retired employees receive monthly financial support within the Novolipetsk Veteran programme.

21 500 000 roubles allocated in 2006
for these
purposes

Lipetskiye Vechera (Lipetsk social events)

The programme is aimed at enhancing the cultural development, promotion of healthy lifestyle, family values, social protection and support of citizens.

Charity concerts, theatre festivals, festivity events (public open air celebrations, matinees, performances, fancy dress balls, etc.) are held within this programme for residents of the City of Lipetsk and Lipetsk Region.

6 500 000 roubles allocated in 2006
for these
purposes

Science and Culture

This programme supports education, science, culture, art, enlightenment, cultural development as well as protection and proper maintenance of cultural and architectural sites, other buildings having cultural, religious and historical value.

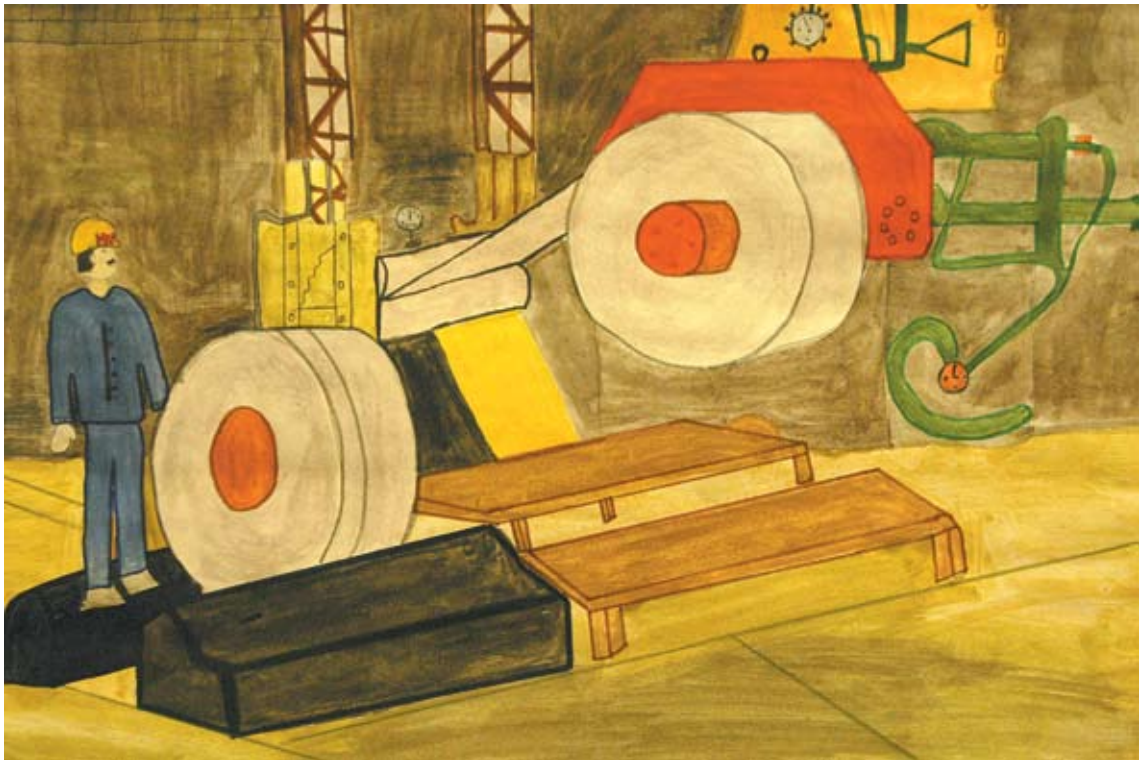
Fund Miloserdie traditionally provides full-scale aid for restoration of the cultural heritage of Russia.

The charity fund allocated money for construction of the Serafim Sarovsky Cathedral in the Pravoberezhny district of the City of Lipetsk, took part in restoration of the Christ the Savior Cathedral in Moscow, in restoration of the Khristorozhdestvenskiy Cathedral and restoration of Yevdokiyeyskaya Church in Lipetsk as well as Svyato-Tikhonovsky monastery in the Zadonsky district.

In 2006 the enterprise's staff was awarded a certificate of merit of the Patriarch Moskovsky and Vseya Rusi Alexy II "Blessing for good work ad gloriam of the Russian Orthodox Church". This is how the NLMK's contribution in restoration of the Military Honour Memorial in St. Petersburg which is part of the architectural ensemble of the Holy Trinity Izmailovskiy Cathedral has been marked.

In 2006 the charity fund Miloserdie jointly with the public centre Vzaimodeistvie and the City Council of Deputies held a regular traditional competition among public organisations of the City of Lipetsk and Lipetsk Region for a "Recognition" prize for publicly significant and useful projects being realised. The competition was founded and financed by the fund Miloserdie.

14 670 000 roubles sent by the Fund in 2006
for implementation
of the Science and Culture programme



Rolling mill area

Kristina Sevostyanova

6-A form, School No. 36, City of Lipetsk

2007 Objectives

Social Reporting Development

Improve Social Report preparation. Expand the report's coverage including information on subsidiaries in subsequent reports to provide the most complete information about the Company's activity to the stakeholders for the reporting period.

Facilitate communication of the Social Report to the maximum possible number of stakeholders.

Increase Employees' Motivation

Ongoing improvement of staff motivation and growth of average salary of NLMK employees outstripping inflation rates provided labour efficiency increases.

Comply with additional requirements of the Industrial Tariff Agreement on social welfare of NLMK's employees.

Learning and Development

Improve the quality of professional training of personnel who will work on new equipment by arranging secondments to foreign enterprises.

Improve the training system for management reserve by implementing new forms and methods of education including secondments to foreign enterprises.

Develop the system of additional professional training for students of specialised educational institutions.

Implement a distance learning system.

Create a knowledge management system in the Company.

Career Guidance and Support of Education

Take part in the “Education” priority national project to support institutions of primary and secondary education that are implementing innovative educational programmes.

Within the the “Professional personnel in metallurgy” innovation educational programme, allocate RUR28.6 million to vocational school No. 10 to purchase educational and laboratory equipment.

Transfer additional amounts to vocational school No. 10 for capital repairs.

Delegate highly qualified NLMK retired employees to deliver lectures at vocational school No. 10.

Pay monthly scholarship to students of vocational school No. 10.

Continue targeted career guidance for schoolchildren in the City of Lipetsk and Lipetsk Region.

Occupational Health and Safety

Implement measures on occupational health and safety and improvement of the working environment, industrial sanitary, sanitary services for the Company’s employees, allocating funds amounting to 0.2% of the cost of production.

Improve safety procedures and compliance.

Corporate Culture

Arrange traditional corporate celebrations, competitions and sports events to enhance corporate culture.

Recommend distinguished NLMK’s employees for state, industrial and corporate awards.

Complete the reconstruction of the NLMK museum.

Establish a metallurgy museum in the City of Lipetsk.

Social Programmes

Build not less than 35 000 m² of housing for NLMK's employees.

Sell not less than half of housing built by NLMK to employees aged under 30.

Increase the number of flats allocated to young employees to 50, as part of the Housing to Young Metallurgists programme, with 15 year mortgage.

Establish a sports and health centre in Park Metallurgov.

Assist the Sport of High Achievements by implementing programmes for training sportsmen for participation in the Olympic Games, reserve of Russian national teams.

Take part in the Bringing joy to children municipal charity programmes by transferring funds to the City of Lipetsk and Lipetsk Region orphanages.

Arrange free meals for socially challenged residents of the City of Lipetsk.

Assist the staging of celebrations of the Victory in the Great Patriotic War, to councils of veterans in the City of Lipetsk, municipal veteran organisations of disabled people, "Russian union of veterans of the war in Afghanistan" regional organisation, committee for war and labour veterans, Union of soldiers' mothers, by allocating about RUR25 million for these purposes.

Allocate about RUR2.3 million via charity foundation Miloserdie (Mercy) to aid children's pre-school institutions in the City of Lipetsk.

Allocate funds via Miloserdie (Mercy) charity foundation to support general educational institutions, arts schools and technical creativity centres for children in the City of Lipetsk.

Environmental Protection

Improve the ecological situation in Lipetsk by implementing 100 nature protection measures, increasing financing more than by 20% as compared with 2006.

Plant about 30,000 trees and bushes, lay out more than 8 hectares of new lawns and flowerbeds, reclaim and improve 9 hectares of the land, previously used for industrial waste storage.

Industrial Safety

Pass a certification audit for compliance with OHSAS 18001 standard carried out by Bureau Veritas Certification international certification agency.

Appendix 1

Key performance indicators of the Company for 5 years

Description	2002	2003	2004	2005	2006
1.1. Key production indicators (thousand tons)*					
Pig iron production	8047	8623	8994	7886	9043
Steel production	8553	8854	9123	8468	9125
Slab production	3242	3338	3763	3203	3 463
Flat products	4764	4895	4813	4776	5149
Coated rolled products	550	543	528	532	771
1.2. Key financial results in accordance with US GAAP reports (million US dollars)					
Sales revenue	1712	2468	4460	4376	6046
Gross profit	615	1017	2380	2044	2971
Operating profit	512	882	2197	1844	2243
Profit before tax and minorities	467	882	2338	1892	2621
Net profit	338	656	1773	1381	2066
EBITDA	615	1007	2379	2083	2631
1.3. Key financial indicators in accordance with US GAAP reports (million US dollars)					
Total assets	2199	3085	5166	6211	8717
Equity	1991	2610	4220	5114	6809
Share of equity in assets	91%	85%	82%	82%	78%
Current liquidity ratio	5.4	5.9	4.8	5.6	3.1
Quick assets ratio	4.2	4.8	3.9	4.7	2.2
Receivables turnover	54	48	40	54	56
Inventory turnover	75	72	77	92	95
1.4. Profitability indicators in accordance with US GAAP reports					
Profitability of sales by sales revenue	30%	36%	49%	42%	37%
Profitability of sales by net profit	20%	27%	40%	32%	34%
Profitability by EBITDA	36%	41%	53%	48%	44%
Return on assets	17%	25%	43%	24%	28%
ROE	19%	29%	52%	30%	35%
EBITDA to assets	31%	38%	58%	37%	35%

Earnings per share (US dollars)	0.0565	0.1095	0.2958	0.2305	0.3447
1.5. Company's tax payments (RUR, thousand)**					
Federal budget	1 687 716	2 477 207	4 090 311	4 003 512	6 408 914
Regional budgets	2 099 114	4 357 418	9 584 116	9 211 464	12 867 297
including Lipetsk Region	2 099 114	4 344 583	9 541 620	9 119 396	12 451 504
Local budgets	1 494 892	2 170 140	3 302 430	1 393 313	1 276 370
including the City of Lipetsk	1 443 121	2 141 988	3 249 025	1 348 137	1 151 460
Road funds	342 931	272 852	—	—	—
Extrabudget funds	674 547	700 096	779 893	974 103	1 197 259
1.6. Company's social indicators					
Number of employees and salary					
Average headcount (people)	46 289	40 981	39 433	38 798	37 486
Payroll (RUR, thousand)	3 543 136	4 126 967	4 949 150	5 936 604	6 725 660
Average compensation (RUR)	6379	8392	10 459	12 751	14 952
Staff turnover (%)	10.9	7.4	7.2	8.2	12.7
Professional training					
Number of trained employees (people)	13 722	18 067	17 225	19 536	19 441
Average number of training hours per employee:					
Workers	172	153	169	174***	154****
Managers, specialists, employees	42	36	41	52	33
Expenses on professional trainings (RUR, thousand)	10 731.6	17 273.5	22 102	25 566	29 860
OHS (RUR, thousand)					
Expenses on OHS measures	92 939	102 241	327 711	158 442	148 684
Expenses on social programs (RUR, thousand)					
Social payments	30 920	41 338	66 662	104 539	165 595
Health improvement and resort treatment	—	—	—	33 700	47 400
Allocations to funds of compulsory medical insurance	117 300.1	127 981.8	141 334.6	152 815.7	192 004.1
Allocations to funds of voluntary medical insurance	68 930.4	55 138	57 834.6	57 831	55 459.6

Contributions into non-governmental pension fund	59 642.4	68 262.2	75 116.6	77 197.8	74 375.2
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Accumulation on joint pension accounts	145 824.9	229 673.9	236 919.7	438 619.1	554 254.7
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Income from placing pension reserve	13 311.1	21 957.9	30 440.3	45 877.3	71 147.3
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Programmes of charity aid foundation Miloserdie (thousand roubles)

Novolipetskiy veteran	22 368	20 398	18 889	20 906	21 551
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Childhood	9504	9633	17 807	8260	11 441
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Sports	77 338	94 991	73 021	182 732	128 505
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Care	4587	5039	4974	7045	8599
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Health	524	699	649	841	607
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Green World	105	86	122	222	260
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Lump sum payment	2826	4005	2808	38 477	3885
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Spiritual development	165	26	292	184	224
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Lipetsk evening parties	8507	8702	11 763	4950	6501
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Science and culture	37 435	10 877	8802	13 647	14 675
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On all programs	164 988	154 456	139 127	277 264	196 247
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* Before Item 1.5, the data is given for NLMK Group

** Starting from Item 1.5, the data is given only for OJSC NLMK located in the City of Lipetsk

*** In 2005 the average number of hours per employee was increased due to resolution of Gosortekhnadzor of the Russian Federation for the knowledge of safety rules at the execution of works by cranes with the frequency of once in every 5 years (according to a 60-hour program). The next increase is expected in 2010.

**** In 2006 the average number of hours per employee was decreased due to a review of training programs towards reduction of the hourly load (industrial sanitary, labour hygiene – 6-8 hours, etc.).

Appendix 2

GRI index

No.	Standard disclosures and indicators of GRI Initiative	Section of Report	Pages
1.	Strategy and analysis		
1.1.	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Message from NLMK President (Chairman of the Management Board); Description of the Company	3 15
1.2.	Description of key impacts, risks, and opportunities.	Risk management	23
2.	Organisational Profile		
2.1.	Name of the organisation	Description of the Company	15
2.2.	Primary brands, products, and/or services	Description of the Company	15
2.3.	Operational structure of the organisation	Description of the Company	15
2.4.	Location of organization's headquarters.	Scope of the Report	7
2.5.	Number of countries where the organization operates	Group Structure	17
2.6.	Nature of ownership and legal form.	Description of the Company	15
2.7.	Markets served	Group Structure	17
2.8.	Scale of the reporting organization	Group Structure	17
2.10.	Awards received in the reporting period.	Calendar of events	27
3.	Report Parameters		
3.1.	Reporting period	Scope of the Report	7
3.3.	Reporting cycle	Scope of the Report	7
3.4.	Contact point for questions regarding the report or its contents.	Scope of the Report	7
	Report Scope and Boundary		
3.5.	Process for defining report content	Scope of the Report	7
3.6.	Report boundaries	Scope of the Report	7

3.7.	State any specific limitations on the scope or boundary of the report	Scope of the Report	7
3.12.	Table identifying the location of the Standard Disclosures in the report.	Appendix 2. GRI index	101
3.13.	Policy and current practice with regard to seeking external assurance for the report.	Scope of the Report	7
4.	Governance, Commitments, and Engagement		
	Governance		
4.1.	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate governance	19
4.2.	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	Corporate governance	19
4.3.	The number of members of the highest governance body that are independent and/or non-executive members	Corporate governance	19
4.4.	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Interaction with stakeholders	31
4.5.	Linkage between compensation for managers and the organization's performance	Motivation and remuneration	47
4.8.	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Strategy and development;	11
		Corporate governance;	19
		Occupational health and safety;	64
		Environmental protection and resource saving	70
4.9.	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance.	Corporate governance	19

Commitments to External Initiatives

4.12.	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Corporate governance;	19
		Occupational health and safety;	64
		Environmental protection and resource saving	70
4.13.	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	Description of the Company	15
	Stakeholders Engagements		
4.14.	List of stakeholder groups engaged by the Organization	Interaction with stakeholders	31
4.15.	Basis for identification and selection of stakeholders with whom to engage	Scope of the Report;	7
		Interaction with stakeholders	31
4.16.	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Interaction with stakeholders	31

5. Performance indicators

Economic performance indicators

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Appendix 1. Key performance indicators of the Company for 5 years.	98
EC2	Geographical breakdown by market	Description of the Company	17
EC3	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Motivation and remuneration;	47
		Appendix 1. Key performance indicators of the Company for 5 years	98
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement.	Social and economic development of the region;	82
		Appendix 1. Key performance indicators of the Company for 5 years	98
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Social and economic development of the region;	82
		Appendix 1. Key performance indicators of the Company for 5 years	98

Environmental performance indicators

EN2	Percentage of materials used that are recycled input materials.	Nature protection	72
EN3	Direct energy consumption by primary energy source.	Resource saving	78
EN5	Energy saved due to conservation and efficiency improvements.	Resource saving	78
EN8	Total water withdrawal by source.	Nature protection	72
EN9	Water sources significantly affected by withdrawal of water.	Nature protection	72
EN10	Percentage and total volume of water recycled and reused.	Nature protection	72
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Nature protection	72
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Nature protection	72
EN13	Habitats protected or restored	Nature protection	72
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Environmental protection and resource saving	70
EN16	Total direct and indirect greenhouse gas emissions by weight.	Nature protection; Resource saving	72 78
EN20	NO, SO, and other significant air emissions by type and weight.	Nature protection; Resource saving	72 78
EN21	Total water discharge by quality and destination.	Nature protection	72
EN22	Total weight of waste by type and disposal method.	Nature protection	72
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Nature protection	72
EN30	Total environmental protection expenditures and investments by type.	Nature protection	72

	Social Performance Indicators		
LA1	Total workforce by employment type, employment contract, and region.	Motivation and remuneration	47
LA2	Total number and rate of employee turnover by age group, gender, and region.	Appendix 1. Key performance indicators of the Company for 5 years	98
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	HR policy	46
LA4	Percentage of employees covered by collective bargaining agreements.	Interaction with stakeholders	31
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	HR policy	46
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Occupational health and safety	64
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Occupational health and safety	64
LA9	Health and safety topics covered in formal agreements with trade unions.	Occupational health and safety	64
LA10	Average hours of training per year per employee by employee category.	Appendix 1. Key performance indicators of the Company for 5 years	98
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	HR policy	46
LA12	Percentage of employees receiving regular performance and career development reviews.	Professional training and development	56
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Professional training and development	46
LA14	Ratio of basic salary of men to women by employee category.	HR policy	46

Performance indicators: human rights			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	HR policy	46
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	HR policy	46
Performance indicators: product responsibility			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Interaction with stakeholders	31

Feedback Form

We welcome your opinions about the form and contents of NLMK's 2006 Social Report, and will consider your comments and suggestions in subsequent Reports.

1. Was the information in the Report the one you looked for or expected to see?

- ☐ Yes
- ☐ No
- ☐ I have just looked through the Report

2. What section of the Report interested you most of all?

3. How do you assess the reliability of information given in the Report?

- ☐ Yes, the information is reliable
- ☐ I am not sure that the information is reliable
- ☐ No, the information is not reliable
- ☐ If No or you are not sure, please, specify what information you disagree with or what information is doubtful?

4. Do you think the information in the report is detailed enough?

- ☐ Yes, it is
- ☐ No, it isn't

5. Express your opinion about the contents and form of the Report.

6. What information of interest to you does this Report lack and what information would you like to see in subsequent Company's Reports?

What are your relations with the Company?

- ☐ Shareholder
- ☐ Investor
- ☐ Supplier
- ☐ Customer
- ☐ Representative of supervising authorities
- ☐ Representative of local authorities
- ☐ Representative of federal authorities
- ☐ Representative of a public organisation
- ☐ Representative of mass media
- ☐ Company's employee
- ☐ Researcher/post-graduate student/student
- ☐ Other (specify) _____

Thank you!