

# GOVERNANCE

REPORT/2016



# MANAGEMENT COMPOSITION



Helmut Wieser, independent member  
of NLMK Board of Directors

## BOARD OF DIRECTORS

NLMK Board of Directors was elected on 3 June 2016. There are 5 independent directors on the Board.

### MAIN FUNCTIONS OF THE BOARD OF DIRECTORS:

- To develop and implement the corporate strategy;
- To approve priority business areas for the Company;
- To assess risks;
- To approve budgets and business plans;
- To set target indicators;

- To assess the performance of the Company and its bodies;
- To control large-scale capital expenses; asset acquisition and sale transactions, etc.

### RELATED CORPORATE DOCUMENTS:

- [Charter](#);
- [Corporate Governance Code](#);
- [Regulations on the Board of Directors](#);
- [Remuneration and compensation to members of the Board of Directors](#).

### MEMBERS OF THE BOARD OF DIRECTORS\*

FULL NAME	POSITION	YEARS ON THE BOARD	INDEPENDENT DIRECTOR	PARTICIPATION IN STRATEGIC PLANNING COMMITTEE	PARTICIPATION IN AUDIT COMMITTEE	PARTICIPATION IN HUMAN RESOURCES, REMUNERATION AND SOCIAL POLICIES COMMITTEE
VLADIMIR LISIN	Chairman of the Board of Directors	20		Chairman		<input checked="" type="checkbox"/>
OLEG BAGRIN	Member of the Board of Directors	12		<input checked="" type="checkbox"/>		
BENEDICT SCIORTINO	Member of the Board of Directors	5	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Chairman	
HELMUT WIESER	Member of the Board of Directors	6	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
NIKOLAI GAGARIN	Member of the Board of Directors	15			<input checked="" type="checkbox"/>	
KAREN SARKISOV	Member of the Board of Directors	7		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
FRANZ STRUZL	Member of the Board of Directors	6	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
STANISLAV SHEKSHNIA	Member of the Board of Directors	2	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	Chairman
THOMAS VERASZTO	Member of the Board of Directors	1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

\*As of 31 December 2016

**BOARD OF DIRECTORS AS OF 31 DECEMBER 2016****VLADIMIR LISIN**

Year of birth: 1956

Board member since 1996, Chairman of the Board since 1998

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

Graduate of Ordzhonikidze Siberian Metallurgic Institute, majored in Ferrous and Non-Ferrous Foundries.

In 1990, graduated from the Higher School of Commerce with the All-Russian Foreign Trade Academy decorated with the order of International Friendship. In 1992, graduated from the Academy of National Economy under the Government of the Russian Federation, majored in Economics and Management. Ph.D., Tech.; Ph.D., Ec.; Professor, Winner, USSR Council of Ministers prize for Science and Technology. Honorary Metallurgist of the RF. Knight of the Order of Honour.

Started career in 1975 as electrical fitter. Worked at Tulachermet, rising through the ranks from assistant steelmaker to deputy shop manager. From 1986 worked in Kazakhstan, first as Deputy Chief Engineer, and later as Deputy CEO of the Karaganda Steel Plant. Member of Boards of Directors of several leading Russian steel companies since 1993.

**OLEG BAGRIN**

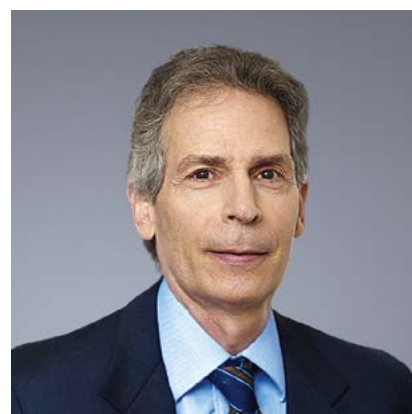
Year of birth: 1974

Board member since 2004, President (Chairman of the Management Board) of NLMK since 2012

Member of the Strategic Planning Committee

Holds a graduate degree in Operations Research and a post-graduate degree in Economics from State Management University, Moscow, and a degree in Business Administration from the University of Cambridge, UK.

Board member of a number of NLMK subsidiary and affiliate companies; Chairman of the Board of Directors of management company Libra Capital, investment company Libra Capital, Moscow.

**BENEDICT SCIORTINO**

Year of birth: 1950

Board member since 2012 (Independent Director)

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

Mr. Sciortino graduated from Queens College, New York with a BA degree and received JD and LLM degrees from New England School of Law [Boston, MA] and New York University Law School, New York.

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





### THOMAS VERASZTO

Year of birth: 1962

Board member since 2016  
(Independent Director)

Member of the Strategic Planning  
Committee

Thomas Veraszto received a Dr. jur. in Law and Mag. phil. in Slavic languages in 1984 and 1985, respectively, both from the University of Graz (Austria). In 1988, he also received a Diploma from the Bologna Center of the School of Advanced International Studies, John Hopkins University (the United States of America).

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

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



### NIKOLAI GAGARIN

Year of birth: 1950

Board member since 2001

Member of the Audit Committee

Graduate of Lomonosov Moscow State University, majored in Law.

In 2003 – being Managing Partner – he was appointed Chairman of the Board at Reznik, Gagarin, Abushakhmin and Partners Law Offices. Chairman of the Board, Managing Partner at Reznik, Gagarin and Partners Law Offices, Moscow, since 2009.



### KAREN SARKISOV

Year of birth: 1963

Board member since 2010

Member of the Strategic Planning  
Committee and the Audit  
Committee

Graduate of Tashkent State University, majored in Oriental Studies.

He serves as an Aide to the Chairman of the Board of Directors on External Economic Relations. He is also a member of the Board of Directors at NLMK International B.V.

From 2006 to 2007, Mr. Sarkisov served as the Chairman of the Board of Directors of VIZ-Steel. From the early 1990's to 2008, he worked at steel trading companies holding various executive positions at a number of international trading entities.

**FRANZ STRUZL**

Year of birth: 1942

Board member since 2011  
(Independent Director)

Member of the Strategic Planning  
Committee and the Audit Committee

Franz Struzl graduated from the  
University of Economics, Vienna in 1964.

In 1967, Franz Struzl joined  
Alpine Steelgroup, later renamed  
Voestalpine AG, based in Linz,  
Austria, serving the Company for  
over four decades. During his career  
at Voestalpine, Franz Struzl held  
various positions in a number of  
fields including strategic planning,  
commercial and technical areas.

In 1981, he was appointed Chief  
Financial Officer before becoming  
Chief Executive Officer of Voestalpine  
Long Products Group and a member  
of the Executive Board in 1991.

From 1995 until 2001, he served as  
Vice Chief Executive Officer of the  
Group. In 2001, Franz Struzl was  
appointed as Voestalpine Group Chief  
Executive Officer and Chairman. He  
held the position until 2004, when he  
moved to become Chief Executive  
Officer of Voestalpine, Brazil – Villares  
Metals, remaining there until 2010.  
From 2011 to 2016, he was General  
Director of RHI AG.

**STANISLAV SHEKSHNIA**

Year of birth: 1964

Board member since 2015  
(Independent Director)

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

Stanislav Shekshnia has a Master's  
Degree in Economics, a Ph.D. from  
Moscow State University, and an  
MBA from Northeastern University in  
Boston.

Dr. Shekshnia has held senior  
executive positions at Russian and  
international corporations, including  
HR Director of Otis Elevator, COO at  
VimpelCom, and CEO of Alfa-Telecom.  
He has served as Chairman of SUEK  
and Vimpelcom-R. Mr. Shekshnia  
co-founded Zest Leadership  
International Consultancy.

Currently Mr. Shekshnia is a Senior  
Partner of Howell Zest, Talent Equity  
Consulting Company.

Dr. Shekshnia is an Affiliate Professor  
of Entrepreneurship at INSEAD. He has  
over 15 years of graduate level teaching  
experience in Russia, France, and  
United States.

**HELMUT WIESER**

Year of birth: 1953

Board member since 2011  
(Independent Director)

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

Helmut Wieser received a Master's  
degree in Mechanical Engineering and  
Economics in 1981 from the University  
of Graz, Austria.

Helmut Wieser was an Executive Vice  
President of Alcoa and Group President  
responsible for Alcoa's global mill  
products and rigid packaging businesses  
till November 2011. Mr. Wieser was a  
member of the Alcoa Executive Council,  
the senior leadership group that provides  
strategic direction for the company.

Before joining Alcoa, Helmut Wieser  
worked for Austria Metal Group  
(AMAG) for 10 years, holding a series  
of management positions in its rolled  
products unit, culminating in 1997 as  
an executive member of the board  
and COO. Earlier, he held several  
senior management positions with  
Voest Alpine in Austria and Venezuela,  
including President of Voest Alpine  
Venezuela.

In March 2014, he became a member of  
Management Board of Austria Metall AG.  
In April 2014, he became the company's  
Chairman of the Management Board  
(President & CEO). Since 2014, he is a  
member of the board (Independent  
director) of Rain Carbon Inc.

\* For a more detailed bio please visit  
[www.nlmk.com](http://www.nlmk.com)

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Sergey Filatov, Managing Director  
of NLMK Lipetsk

## MANAGEMENT BOARD

The NLMK Group Management Board as at 31 December 2016 consisted of 9 members. The Management Board holds regular meetings. Members of the Management Board are in charge of the Group's every-day operations. They also establish liaison protocol with legal entities, shares or stakes of which are directly or indirectly managed by NLMK.

### CORPORATE DOCUMENTS REGULATING THE ACTIVITIES OF NLMK'S MANAGEMENT BOARD:

- [Charter](#)
- [Corporate Governance Code](#)
- [Regulations on the Management Board](#)

### COMPOSITION OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2016\*

FULL NAME	POSITION
<b>OLEG BAGRIN</b>	Member of the Board of Directors President (Chairman of the Management Board)
<b>BRIJESH KUMAR GARG</b>	Vice President, Procurement
<b>ILYA GUSCHIN</b>	Vice President, Sales
<b>BAREND DE VOS</b>	Vice President, International Operations
<b>YURI LARIN</b>	Advisor to the President (Chairman of the Management Board) on Development Programmes
<b>SERGEY LIKHAREV</b>	Vice President, Logistics
<b>GRIGORY FEDORISHIN</b>	Vice President, Finance*
<b>SERGEY FILATOV</b>	Managing Director
<b>STANISLAV TSYRLIN</b>	Vice President, HR & Management System

\* For further information, please refer to "Events after the reporting date" section.

## MEMBERS OF THE MANAGEMENT BOARD BACKGROUND

**OLEG BAGRIN**

Year of birth: 1974

Member of NLMK Group Board of Directors since 2004, President (Chairman of the Management Board) of NLMK since 2012

Member of the Strategic Planning Committee

Holds a graduate degree in Operations Research and a post-graduate degree in Economics from State Management University, Moscow, and a degree in Business Administration from the University of Cambridge, UK.

Board member of a number of NLMK subsidiary and affiliate companies. Chairman of the Board of Directors of management company Libra Capital, investment company Libra Capital, Moscow.

**BRIJESH KUMAR GARG**

Year of birth: 1964

Vice President, Procurement

Member of the Management Board since 2012

Holds a Bachelor of Engineering degree with a major in Industrial Engineering, has CPIM Certification from American Production and Inventory Control Society (APICS) and is a certified SAP Solution Consultant.

He started his career in 1985 with Tata Steel, India as Industrial Engineer and moved through various positions within the company and worked with other steel plants in New-Zealand Steel (BlueScope Steel, Australia) and ArcelorMittal, Kazakhstan & Ukraine. He has 14 years of experience in supply chain management and business processes re-engineering in steel industry and 13 year of experience in industrial engineering.

**ILYA GUSCHIN**

Year of birth: 1976

Vice President, Sales

Member of the Management Board since 2014

Graduate of the Faculty of Economics, Lomonosov Moscow State University. Holds a Ph.D. in Economics.

From 2009 to 2013, he worked for SIBUR Group, including as head of SIBUR International; the group's export division.

From 2008 to 2009, he served as Financial Director at Skolkovo School of Management, Moscow.

From 2002 to 2007, he held various positions at Microsoft.





### **BAREND DE VOS**

Year of birth: 1967

Vice President, International Operations

Member of the Management Board since 2016

Holds a B.Eng (Hons) Electrical and M.Eng (industrial) from the University of Pretoria.

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

Joined Duferco La Louvière in Belgium in 2004 and was appointed a management board member of the NLMK/Duferco JV between 2007 and 2011.

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



### **YURI LARIN**

Year of birth: 1952

Advisor to the President (Chairman of the Management Board) for development programmes

Member of the Management Board since 2006

Graduate of Voronezh State Technical University. Ph.D., Tech.

NLMK Vice President, Technical Development & Environment, from 2006 to 2007. From 2007 to 2013, Mr. Larin was Vice President, Long-Term Development & Environment; and from 2013 to 2016 he was Vice President, Technology Development & Operational Efficiency.

Prior to that, he was Director of the NLMK Engineering Centre from 1999 to 2006, and from 1996 to 1999, he worked as Deputy Director of NLMK's Central Laboratory in charge of technology.



### **SERGEY LIKHAREV**

Year of birth: 1964

Vice President, Logistics

Member of the Management Board since 2014

Sergey Likharev holds a Ph.D. in Physics and Mathematics and a Masters of Business Administration from Cornell University, USA.

Sergey Likharev joined NLMK in October 2013. From 2012 to 2013, he was Aviation Business Director at Russian Machines Group and Chairman of the Board of Directors of the Aviacor aviation plant.

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

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

From 1990 to 1993, he worked as a researcher at Lomonosov Moscow State University.



### GRIGORY FEDORISHIN

Year of birth: 1979

Vice President, Finance

Member of the Management Board since 2012

Graduated from Academy of Finance, Moscow. Holds a master degree in Business Administration from INSEAD business school, France & Singapore. A member of an association of Certified Financial Analysts (CFA).

From 2011 to 2013, he served as NLMK Director of Strategy and Business Development.

From 2009 to 2012, he served as an investment manager at Libra Capital, a Moscow-based investment management company.

From 2001 to 2009, he worked for PricewaterhouseCoopers consulting company where he held positions up to director for business restructuring practice.



### SERGEY FILATOV

Year of birth: 1959

Managing Director

Member of the Management Board since 2013

Mr. Filatov graduated from Moscow Institute of Steel and Alloys. He holds a Ph.D., Tech., and is an Honorary Metallurgist of Russia.

Mr. Filatov has been with NLMK since October 2012, serving as Deputy Senior Vice President - General Director for Production and Technology. On 25 January 2013, Sergey Filatov was appointed to the position of NLMK's Managing Director.

From 2009 to 2012, he served as Chief Engineer at NTMK. From 2007 to 2009, he was Project Manager at NTMK Project Management Department.



### STANISLAV TSYRLIN

Year of birth: 1968

Vice President, HR & Management System

Member of the Management Board since 2005

Graduated from Moscow Institute of Physics and Technology and from Stanford University.

From 2004 to 2006, he served as Director for Strategy and Management Systems at NLMK, having previously worked for Rumelco (from 2003 to 2004). Prior to that, he worked for Boston Consulting Group from 1996 to 2003, serving initially as a consultant, then as a project manager before being appointed Deputy Director.

# CORPORATE GOVERNANCE

## GENERAL INFORMATION ABOUT NLMK'S CORPORATE GOVERNANCE

As a public company, NLMK is constantly improving its corporate governance practices. In its activity, NLMK adheres to best international practices and high standards of corporate governance. NLMK corporate governance system is designed to ensure the Company's sustainable development as well as an increasing return on equity investments in the longer term. The Company maintains a policy of maximum openness and transparency that allows our shareholders and investors to have all the necessary information on the activities of NLMK provided in a timely manner so that they can make a grounded investment decision regarding the Company's securities.

*In 2016, the Company continued to improve its corporate governance practices as part of the corporate governance reform.*

All corporate documents determining the principles and rules of corporate governance are freely accessible at NLMK Group's corporate website.

## CORPORATE GOVERNANCE SYSTEM

NLMK's corporate governance system is built on best global practices

and is fully compliant with the requirements of the prevailing Russian legislation, principles provided by the Organization for Economic Co-operation and Development and provisions of the Corporate Governance Code approved by the Central Bank of Russia, and fully meets the existing legislation of the countries where the Company operates.

### KEY PRINCIPLES OF OUR CORPORATE GOVERNANCE:

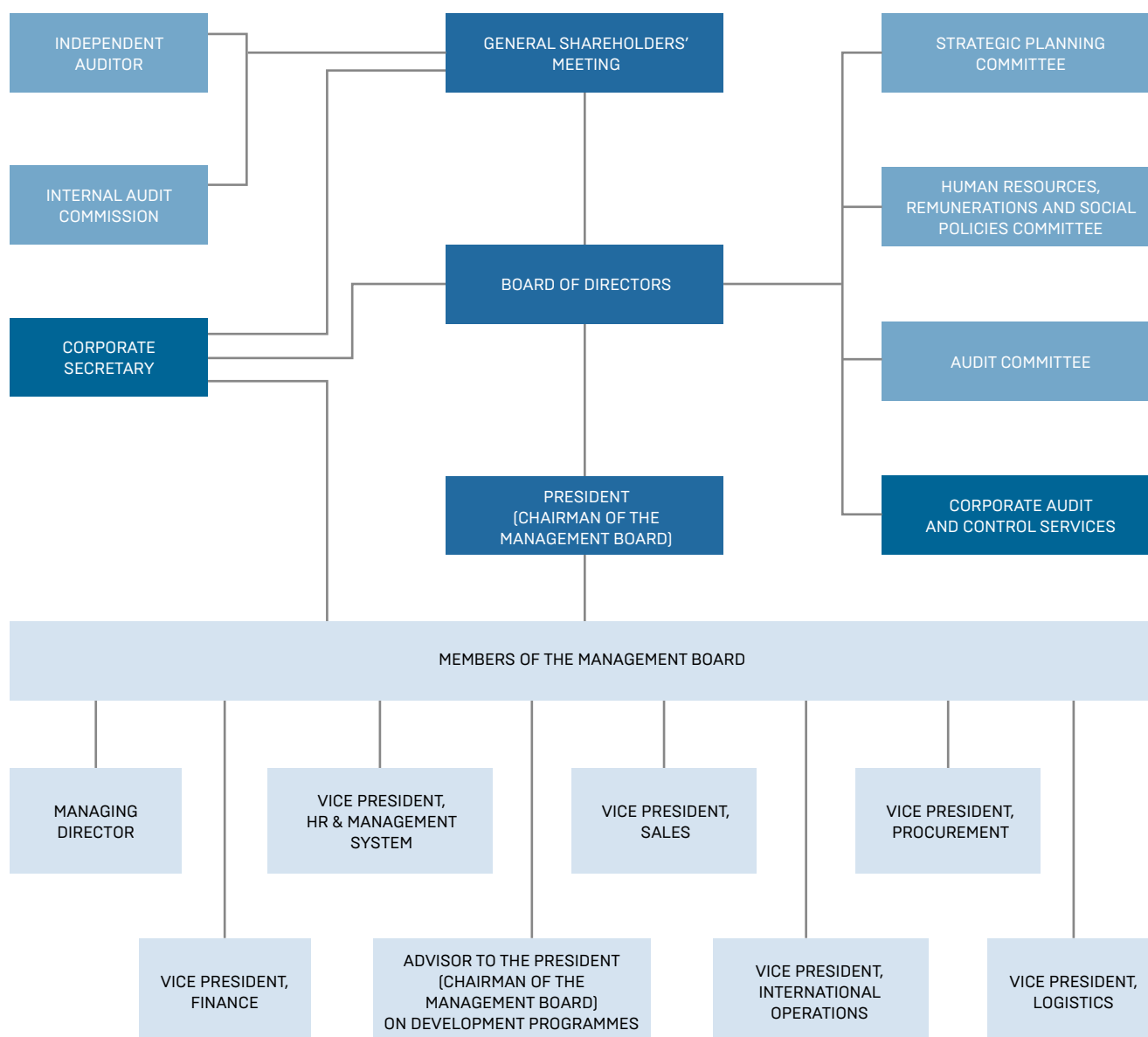
- Ensure equal and fair treatment of all shareholders when they use their right to be involved in management processes, receive dividends from the Company, participate in meetings, vote on issues on the agenda and get up-to-date information on the Company's activities and its governing bodies.
- Ensure equal treatment of all shareholders, including foreigners and minority shareholders.
- Ensure reliable and effective registration of title to shares and guarantee the opportunity to alienate them freely and without encumbrances.
- Ensure compliance with the existing laws, principles of the Corporate Governance Code and international corporate governance standards.
- Strictly observe the rights of third parties, including their creditors and employees, as required by the law, the Charter and other regulatory documents.
- Pursue a common corporate policy in respect of subsidiary companies, affiliates and other legal entities in which NLMK is the founder, a participant or a member.
- Maintain a policy of open and transparent communications, including by disclosing full and up-to-date information about the Company to give shareholders and investors an opportunity to make informed decisions, as well as by providing documents (information) related to the Company upon shareholders' request.
- Promote a policy of complying with business ethics in conducting its operations.

According to acting corporate documents, the governance structure includes:

- **General Meeting of Shareholders**, which is the supreme governing body of the Company that makes decisions on the key business issues.
- **The Board of Directors**, which is responsible for strategic management of NLMK, controls executive bodies, determines the principles of and approaches to organization of the Company's risk management system and internal control, develops NLMK's executive compensation policy, controls corporate governance practices and plays the key role in the Company's significant corporate events.



## NLMK'S CORPORATE GOVERNANCE STRUCTURE\*



→ For further information, please refer to "Events after the reporting date" section.

\* As of 31.12.2016

- **Board of Directors Committees**, established to perform the preliminary review stage for key matters of NLMK Group's business; provide assistance to the Board of Directors in devising and reaching decisions within their areas of expertise, as well as providing preliminary and more detailed examination of matters to be brought before the Board of Directors for consideration.
- The executive bodies of the Company including the **President (Chairman of the Management Board)** and the **Management Board** that manage day-to-day activities of the Company and ensure its efficient operation, while implementing the objectives set by the Board of Directors.
- The **Corporate Secretary**, who ensures interaction with shareholders, coordinates the Company's activities aimed at protection of shareholders' rights and interests and supports the Board of Directors and the Management Board.
- An **independent auditor**, the **Internal Audit Commission**, **Audit**

**Committee and Audit Department** oversee financial and economic activities.

## IMPROVING CORPORATE GOVERNANCE PRACTICES IN 2016

*During 2016, the Company continued to enhance its system of corporate governance.*

As part of this process, and taking the changes to the prevailing legislation into consideration, the following changes occurred:

- The Company's Board of Directors adopted Regulations on the Audit Department in April 2016, reflecting the recommendations of the Corporate Governance Code and the Listing Requirements of the Moscow Exchange;
- Thomas Veraszto was elected to the Board of Directors as an Independent director at the Annual General Shareholder Meeting in June 2016. As a result of his election the majority of the Board members are now independent directors, which is indicative of the improved maturity and transparency of corporate governance and ensures even greater effectiveness of the Board;
- NLMK shares were raised to the Moscow Exchange's First Level quotation list in August 2016. A premium listing is regarded as confirmation of the reliability of the Company's securities and helps to increase their investment appeal. This expands the range of potential investors and, accordingly, increases demand and liquidity;

- The Human Resources, Remuneration and Social Policies Committee adopted the induction course programme for newly elected members of NLMK's Board of Directors in November 2016;
- In order to enhance compliance with the obligation undertaken by NLMK Group when it joined the Anti-Corruption Charter of Russian Business, the Company's Board of Directors adopted [NLMK Group's Anti-Corruption Policy](#) and [Corporate Ethics Code](#) in December 2016;
- The Board of Directors adopted [NLMK Group's Information Disclosure Policy](#) in December 2016, in compliance with the requirements set out by the Corporate Governance Code recommended for use by the Bank of Russia;
- The General Shareholder Meeting held in December 2016 adopted revised versions of NLMK [Charter](#), [Regulations on the General Shareholders' Meeting](#), [Regulations on the Board of Directors](#), and [Regulations on the Management Board](#), in full compliance with the prevailing Russian legislation.

## GENERAL SHAREHOLDERS' MEETING

### NLMK's corporate governance in action

The General Meeting of Shareholders is NLMK's supreme governing body responsible for substantive issues related to the Company's activities. NLMK's shareholders are entitled to make decisions at the General Meeting of Shareholders. Such decisions include election to the Company's key governing bodies, approval of annual reports,

profit distribution, amendments and additions to the Company's Charter or approval of a new version of the Company's Charter, approval of internal documents governing the activities of the Company's bodies, etc.

NLMK strives to ensure equal and fair treatment of all shareholders when they use their right to participate in the Company's management processes.

NLMK has [Regulations on the General Shareholders' Meeting](#) that comply with the recommendations of the Corporate Governance Code and determine the key procedures for organizing, calling and holding the General Meeting of Shareholders (some of the procedures for organizing, calling and holding the General Meeting of Shareholders are also regulated by the Charter of NLMK).

The procedure for holding the General Meeting of Shareholders aims to ensure that the rights of shareholders are observed; it is fully compliant with the current legislation and follows global best practices in corporate governance.

The Company provides its shareholders with easily accessible communication channels such as a hotline or email so that they can share their opinions and ask questions concerning the agenda during preparation for the General Meeting of Shareholders.

We inform our shareholders about an upcoming General Meeting by posting a notice on NLMK's website at least 30 days prior to the date of the meeting (unless the Russian legislation requires doing it earlier).

NLMK provides access to meeting materials at least 30 days prior to the date of the General Meeting

of Shareholders and supplies shareholders with additional information and materials, as recommended by the Corporate Governance Code. In addition, the Company publishes travel information, a sample form for a power of attorney that a shareholder can give to his or her representative for participation in the meeting, and information on the procedure for its attestation.

The information (materials) provided to persons entitled to participate in the General Meeting of Shareholders is published on NLMK's website ([www.nlmk.com](http://www.nlmk.com)).

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

In the course of preparation for a General Meeting of Shareholders, NLMK Board of Directors approves regulations that determine the procedure for questions on the Company's activities from the shareholders to members of the governing bodies, the person responsible for the Company's accounting, the Company's auditors and candidates for the governing bodies.

Participants of the General Meeting of Shareholders are entitled to freely contact and consult each other on issues on the meeting's agenda without violating the meeting procedure (regulations).

NLMK corporate governance system and practices provide a level playing field for all shareholders, including foreigners and minority shareholders, and ensure equal treatment for all of them.

NLMK adheres to a policy that prevents unfair redistribution of corporate control, because NLMK

does not have preferred shares and there are no quasi-treasury shares on the balance sheets of its subsidiaries and affiliates.

According to the corporate documents, a meeting of shareholders is deemed valid (has a quorum), if shareholders owing collectively more than 50% of NLMK's voting shares have participated in it.

## Activity in 2016

Three General Meetings of Shareholders (1 annual and 2 extraordinary meetings) were held in 2016, including one meeting in person and two meetings in the form of absentee voting.

GENERAL MEETING OF SHAREHOLDERS BY STATUS	
Annual meeting	1
Extraordinary meeting	2

GENERAL MEETING OF SHAREHOLDERS BY FORMAT	
Meeting in person	1
Absentee voting	2

NLMK's Annual General Shareholders' Meeting for FY2015 was held on 3 June 2016. Shareholders and shareholder representatives holding a total of 91.68% of NLMK's shareholder capital were present, meeting the quorum requirements. During the meeting, the following issues were reviewed and decisions taken:

- Approve NLMK's 2015 Annual Report, annual financial statements, including 2015 profit and loss statement;
- Pay (announce) dividends for FY2015 in the amount of 6.95 rubles per ordinary share. With consideration of the interim dividends paid in the amount of 4.52 rubles per ordinary

share, the amount outstanding for payment is 2.43 rubles per ordinary share;

- Pay (announce) dividends on the basis of Q1 2016 in the amount of 1.13 roubles per ordinary share;
- Elect the members of NLMK's Board of Directors, the members of NLMK's Internal Audit Commission;
- Elect NLMK's President (Chairman of the Management Board);
- Approve NLMK's Auditor.

NLMK's Extraordinary General Meetings of Shareholders were held in the form of absentee voting:

## NLMK'S EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

DATE	PERCENTAGE OF SHAREHOLDERS PARTICIPATING IN THE MEETING
30.09.2016	91.98%
23.12.2016	92.36%

At NLMK's Extraordinary General Meeting of Shareholders the following decisions were made:

At NLMK's Extraordinary General Meeting of Shareholders held on 30 September 2016, a decision was made to pay (announce) dividends on the basis of the Company's H1 2016 results in the amount of 1.08 rubles per ordinary share.

At NLMK's Extraordinary General Meeting of Shareholders held on 23 December 2016, the following decisions were made:

- Pay (announce) dividends on the basis of 9M 2016 in the amount of 3.63 roubles per ordinary share;



- Approve the revised version of the Company's Charter;
- Approve the revised version of the Company's Regulations on the General Shareholders' Meeting;
- Approve the revised version of NLMK's Regulations on the Board of Directors;
- Approve the revised version of NLMK's Regulations on the Management Board.

## BOARD OF DIRECTORS

### NLMK's corporate governance in action

NLMK's Board of Directors is an efficient and professional governing body able to form independent opinions and make decisions serving the interests of the Company and its shareholders. The Board of Directors is responsible for strategic management of the Company, which determines principles of and approaches to the risk management and internal control system, controls the activity of executive bodies and has other key functions in the Company.

NLMK's Board of Directors reports to the Company's shareholders.

[NLMK's Regulations on the Board of Directors govern](#) the procedures of the Board of Directors and, in particular, include the procedure for arranging and holding meetings of the Board of Directors, which allows the members of the Board of Directors to prepare for the meetings properly, and stipulates the following:

- The period of notice of an upcoming meeting given to the members of the Board of Directors;

- The deadline for sending out documents (ballots) for voting and receiving the filled-in documents (ballots) when meetings are held in the form of absentee voting;
- A possibility for the members of the Board of Directors who are absent at an in-person meeting to send a written opinion on issues included in the agenda of the meeting of the Board of Directors.

According to the current corporate documents, the Board of Directors, acting within its powers:

- Ensures execution of resolutions passed by the General Meeting of Shareholders;
- Assesses political, financial and other risks impacting Company's operations, as well as operations of subsidiaries, associates and other legal entities in which NLMK is a founder, participant or member;
- Determines approaches to investment and participation in other organizations;
- Assesses the performance of the Company and its bodies;
- Determines the terms of dividend payment;
- Develops remuneration incentive methods and systems for Company employees;
- Ensures the disclosure of information about the Company;
- Supervises activities of the Company's executive bodies;
- Ensures the Company's compliance with the applicable legislation;
- Defines materiality criteria for the subsidiaries, associates and other legal entities in which NLMK is

a founder, participant or member, for decision-making concerning the issues that fall within the powers of the Management Board;

- Ensures compliance with corporate governance principles.

The Board of Directors operates in the form of meetings held in accordance with the schedule approved by the Chairman of the Board of Directors. Meetings of the Board of Directors are held on a regular basis at least 6 times a year.

The format of NLMK's Board of Director's meetings is determined based on the importance of the issues on the agenda. The most important issues are resolved at meetings of NLMK's Board of Directors held in person (convening and holding the Annual General Meeting of Shareholders, including recommendations on the distribution of profits and payment of dividends, preliminary approval of the Company's annual reports, financial statements and budget, etc.).

### Chairman of the Board of Directors

The Chairman of the Board of Directors organizes the work of this body and contributes to the most efficient performance of its functions.

The Chairman of the Board of Directors ensures a constructive environment at the meetings and free discussion of issues on the agenda, and supervises execution of resolutions passed by the Board of Directors.

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

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

### Independent Board members

Independent directors are an important element of corporate governance.

Thanks to their extensive experience in governance, independent directors serve to assist in solving such issues as devising the Company's development strategy, assessing the conformity of the activities of executive bodies with the Company's chosen strategy and ensuring there

are effective systems of internal control and risk management, providing an objective assessment of the quality of work undertaken by the executive bodies and establishing an effective motivation system, ensuring that the interests of Company's shareholders are observed and resolving any corporate conflicts with shareholders. Independent directors on the Company's Board contribute to the formation of a more objective, balanced approach by the Board of Directors to items discussed, improve management efficiency, and have a positive impact on the Company's image.

The majority of the members of the Company's Board of Directors are

independent directors who provide an objective independent judgement on corporate matters and balance the interests of the Company and its shareholders.

Independent directors fully meet the independence criteria stipulated by the Corporate Governance Code recommended by the Bank of Russia.

NLMK's independent directors are people with sufficient professional expertise, experience and independence to form their own attitudes and pass objective and honest judgements, which are not influenced by the Company's executive bodies, individual groups of shareholders or other stakeholders.



Franz Struzl, independent member  
of NLMK Board of Directors

## Evaluation of the Board of Directors

An annual evaluation of the Board of Directors and its committees ensures the accountability of the Board of Directors to shareholders, monitors the work of the Board of Directors, evaluates how effectively the members of the Board of Directors perform their duties, follow the principles of corporate governance, and take into account the interests of all stakeholders in corporate governance when making decisions.

The evaluation results in a number of advantages for the Company and its shareholders, in particular:

- The opportunity to make timely adjustments to the plans and the working methods of the Board of Directors and of its members, which establishes the conditions necessary for ensuring the effective operation of the Board;
- Greater shareholder confidence in the Board of Directors;
- An increase in the Company's investment appeal, as the evaluation demonstrates the Company's committed approach to corporate governance;
- The possibility of using the results of the evaluation as grounds when electing a new Board at the Annual Meeting of Shareholders.

The methodology used to evaluate the Board of Directors includes an online survey of the members of the Board of Directors, as approved by NLMK's Human Resources, Remuneration and Social Policies, followed by an interview with the Chairman of the Committee.

The Board of Directors decided to hold the next regular evaluation in February 2018 and another

## SHARES OWNED BY MEMBERS OF NLMK BOARD OF DIRECTORS\*

FULL NAME	POSITION	SHARE OF THE AUTHORIZED CAPITAL STOCK OF NLMK
VLADIMIR LISIN	Chairman of the Board of Directors	Not an NLMK shareholder
OLEG BAGRIN	Member of the Board of Directors	Not an NLMK shareholder
BENEDICT SCIORTINO	Member of the Board of Directors	Not an NLMK shareholder
HELMUT WIESER	Member of the Board of Directors	Not an NLMK shareholder
NIKOLAI GAGARIN	Member of the Board of Directors	Not an NLMK shareholder
KAREN SARKISOV	Member of the Board of Directors	Not an NLMK shareholder
FRANZ STRUZL	Member of the Board of Directors	Not an NLMK shareholder
STANISLAV SHEKSHNIA	Member of the Board of Directors	Not an NLMK shareholder
THOMAS VERASZTO	Member of the Board of Directors	Not an NLMK shareholder

\* For more information on changes in the structure of the share capital please refer to 'Information for Shareholders' section.

evaluation involving an independent organization (consultant) in February 2019.

## Induction for newly elected members of NLMK's Board of Directors

An induction programme for newly elected members of NLMK's Board of Directors has been developed and approved, in compliance with the best practices of corporate governance.

As part of the Programme, the members of the Board of Directors, especially those elected for the first time, have the opportunity to acquire working knowledge of the Company's activities, the operating and financial performance of NLMK Group's companies, NLMK's systems of risk management, internal control and corporate governance, and other significant areas of the Company's activities.

In addition, meetings with the President (Chairman of the Management Board), members of the Board of Directors, members of the Management Board and key management personnel are organized as part of the Programme. Newcomers also have an opportunity to get acquainted with the Company's core assets, technology and products.

## Composition of the Board of Directors

The composition of the Company's Board of Directors is balanced in terms of qualification, experience, knowledge and business acumen and has credibility with shareholders. The members of the Board of Directors have impeccable business reputation, knowledge, skills and experience in steelmaking, mining, science, economics, business management, and law.



As at 31 December 2016, the Board of Directors consists of 9 people, including 5 members of the Board of Directors who are independent.

In 2016 the members of the Board of Directors did not participate in equity transactions\*.

\* [For more information on changes in the structure of the share capital please refer to 'Information for Shareholders' section.](#)

There was no conflict of interests between NLMK Board of Directors members in 2016.

### Activity of the Board of Directors in 2016

In 2016, there were 9 meetings of the Board of Directors of NLMK, 6 of which were held by absentee ballot.

The following are the main issues that were examined by the Group's Board of Directors in 2016:

- Reviewing proposals on the agenda of the General Shareholders' Meeting and proposals on nomination of candidates to NLMK's governing bodies;
- Convening the Annual General Shareholders' Meeting and approving the date to provide a list of persons entitled to participate in the Annual General Meeting of Shareholders;
- Approving related party transactions;
- Approving the Company's annual financial statements, including the 2015 profit and loss statement, as well as the NLMK's 2015 annual consolidated financial statements based on

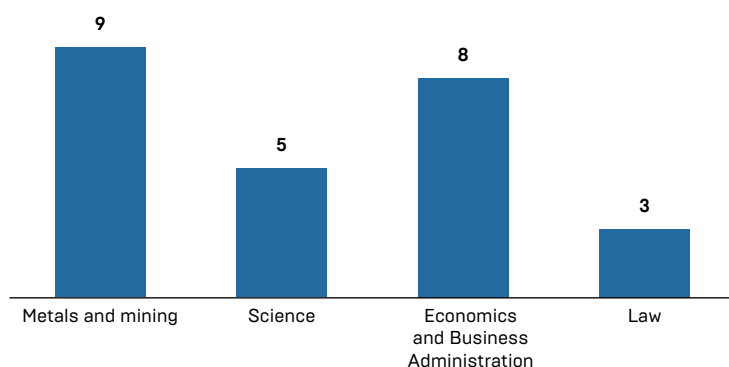
International Financial Reporting Standards (IFRS);

- Providing recommendations to NLMK's Annual General Meeting of Shareholders regarding the distribution of profits (including payment/declaration of dividends based on FY 2015 and Q1 2016 results);
- Evaluating the performance of NLMK's Board of Directors in 2015-2016;
- Reports on the performance of the Committees of NLMK's Board of Directors;
- Approving the Company's draft annual report for 2015;
- Providing recommendations to the Annual General Meeting of Shareholders regarding the payment of remuneration to the members of NLMK's Board of Directors;

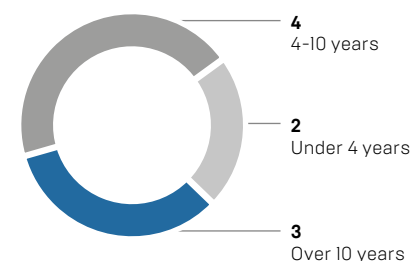
### COMPOSITION OF THE BOARD OF DIRECTORS OF NLMK AS OF 31 DECEMBER 2016

FULL NAME	POSITION	YEARS ON THE BOARD	INDEPENDENT	PARTICIPATION IN STRATEGIC PLANNING COMMITTEE	PARTICIPATION IN AUDIT COMMITTEE	PARTICIPATION IN HUMAN RESOURCES, REMUNERATION AND SOCIAL POLICIES COMMITTEE
VLADIMIR LISIN	Chairman of the Board of Directors	20		Chairman		<input checked="" type="checkbox"/>
OLEG BAGRIN	Member of the Board of Directors	12		<input checked="" type="checkbox"/>		
BENEDICT SCIORTINO	Member of the Board of Directors	5	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Chairman	
HELMUT WIESER	Member of the Board of Directors	6	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
NIKOLAI GAGARIN	Member of the Board of Directors	15			<input checked="" type="checkbox"/>	
KAREN SARKISOV	Member of the Board of Directors	7		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
FRANZ STRUZL	Member of the Board of Directors	6	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
STANISLAV SHEKSHNIA	Member of the Board of Directors	2	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	Chairman
THOMAS VERASZTO	Member of the Board of Directors	1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

### DIRECTORS' EXPERTISE AND PROFESSIONAL BACKGROUND

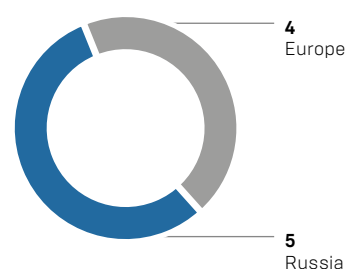


### DIRECTORS' LENGTH OF TENURE\*

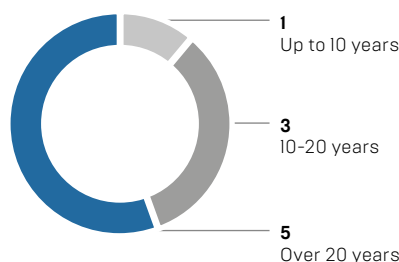


\* as of 31 December 2016

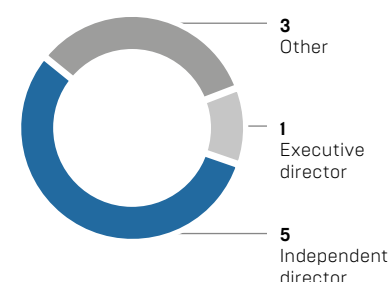
### DIRECTORS' LOCATION



### DIRECTORS' EXPERTISE IN THE STEEL SECTOR



### COMPOSITION OF THE BOARD OF DIRECTORS BY DIRECTOR STATUS



- Providing recommendations to the Annual General Meeting of Shareholders regarding approval of NLMK's Auditor;
- Including nominees in the list of candidates for election to NLMK's Board of Directors at NLMK's Annual General Shareholders' Meeting;
- Approving the agenda, draft documents and measures necessary for preparing for and holding the Annual General Shareholders' Meeting;
- Approving the composition of the NLMK Management Board;

- Approving the Regulation on NLMK's Internal Audit Department;
- NLMK's Audit Director;
- Chairman of NLMK's Board of Directors;
- Forming Committees of NLMK Board of Directors;
- Approving the plan for holding the meetings of NLMK's Board of Directors;
- Convening an Extraordinary General Meeting of Shareholders (EGM), approving the agenda, draft documents and events required to prepare for and organize the EGM;

- Issue and distribution of NLMK's bonds;
- Providing recommendations to the Extraordinary General Meeting of Shareholders regarding payment (declaration) of dividends based on 9M 2016 results in the amount of RUB 3.63 per ordinary share;
- Including an item on internal documents approval in the EGM agenda;
- Approving the consolidated budget of the Group for 2017;
- Approving NLMK's internal documents.

## PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN BoD MEETINGS IN 2016

MEMBER OF THE BOARD OF DIRECTORS	PARTICIPATION IN MEETINGS*
VLADIMIR LISIN	9 [9]
OLEG BAGRIN	9 [9]
BENEDICT SCIORTINO	9 [9]
HELMUT WIESER	9 [9]
NIKOLAI GAGARIN	9 [9]
KARL DOERING	2 <sup>1</sup> [2]
KAREN SARKISOV	9 [9]
FRANZ STRUZL	9 [9]
STANISLAV SHEKSHNIA	9 [9]
THOMAS VERASZTO	7 <sup>2</sup> [7]

\* the Number in brackets denotes the amount of NLMK's Board of Directors meetings during the tenure of this Director

<sup>1</sup> Karl Doering was a member of the Board of Directors until 3 June 2016

<sup>2</sup> Thomas Veraszto was elected to the Board of Directors at the Annual General Meeting of Shareholders held on 3 June 2016

## COMMITTEES OF THE BOARD OF DIRECTORS

Committees of the Board of Directors are accountable to the Board of Directors and are its advisory bodies. Their function is to ensure preliminary examination and study of the most essential matters in the area of expertise of the Board of Directors. The composition of the Committees facilitates a comprehensive examination of the issues at hand, taking into account various opinions.

The members of the Committees have professional qualifications,

knowledge and experience in the Committee's area as well as other specific expertise, ability and time required to serve and fulfil their functions as members of the Committee.

The status, goals, objectives and functions of the committees as well as their composition, establishment and operation are set out in regulations on committees approved by the Company's Board of Directors.

In order to balance approaches to problem-solving in relation to risk management and the protection of shareholders' interests, independent directors were appointed as the chairs of 2 out of 3 of the Board of Directors committees in 2016.

## Strategic Planning Committee

### COMMITTEE'S ACTIVITIES AND POWERS

The Strategic Planning Committee provides support to the Board of Directors in reviewing matters connected to increasing the efficiency of the Company's activity in the long-term, promoting asset growth, profitability and a stronger investment case.

The Strategic Planning Committee is fully accountable to the Board of Directors of NLMK and is an advisory body.

The composition of the Committee changed in 2016.

The composition of the Committee before June 2016:

- Vladimir Lisin (Chairman of the Committee);
- Oleg Bagrin;

- Benedict Sciortino (Independent Director);
- Karl Doering;
- Helmut Wieser (Independent Director);
- Franz Struzl (Independent Director);
- Karen Sarkisov.

The composition of the Committee as of 31 December 2016:

- Vladimir Lisin (Chairman of the Committee);
- Oleg Bagrin;
- Benedict Sciortino (Independent Director);
- Thomas Veraszto (Independent Director);
- Helmut Wieser (Independent Director);
- Franz Struzl (Independent Director);
- Karen Sarkisov.

Secretary of the Committee: Grigory Fedorishin (Vice President, Finance\*).

\* For more information please refer to the "Events after the reporting date" section

### RESULTS OF THE COMMITTEE'S ACTIVITY IN 2016\*

\* For more information on the Committee's activities please refer to "Operational control and risk management" section

In 2016, the Strategic Planning Committee held one meeting.

The Committee reviewed and passed resolutions on the following key issues:

- Status update on NLMK Group's investment programme and key capex projects;
- Status update on NLMK Group's key strategic investment projects.

In 2017, the Committee plans to work actively on NLMK Group's new strategy cycle.



## Audit Committee

### COMMITTEE'S ACTIVITIES AND POWERS

The Audit Committee, chaired by an Independent Director, contributes to effective performance of functions related to supervision of the Company's financial and business activities by the Board of Directors.

The Audit Committee is fully accountable to the Board of Directors of NLMK and is an advisory body.

The areas of expertise and responsibilities of the Committee extend to priority matters in accounting (financial) reporting and consolidated financial reporting, risk management, internal control and corporate governance, internal and external audit, as well as countering malpractice.

The composition of the Committee as of 31 December 2016:

The Committee includes:

- Benedict Sciortino (Chairman of the Committee, Independent Director);
- Karen Sarkisov;
- Nikolai Gagarin;
- Stanislav Shekshnia (Independent Director);
- Franz Struzl (Independent Director).

Secretary of the Committee: Andrey Dozhdikov (Head of Consolidated Financial Statements Department).

### RESULTS OF THE COMMITTEE'S ACTIVITY IN 2016

In 2016, there were 6 meetings of the Audit Committee held in-person, including 4 held by conference call.

### PARTICIPATION OF COMMITTEE MEMBERS IN COMMITTEE MEETINGS IN 2016

FULL NAME	POSITION	NUMBER OF COMMITTEE MEETINGS ATTENDED IN 2016
VLADIMIR LISIN	Chairman of the Committee	1
OLEG BAGRIN	Member of the Committee	1
BENEDICT SCIORTINO	Member of the Committee	1
THOMAS VERASZTO	Member of the Committee	1
KARL DOERING	Member of the Committee	1
KAREN SARKISOV	Member of the Committee	1
HELMUT WIESER	Member of the Committee	1
FRANZ STRUZL	Member of the Committee	1

The Committee reviewed and passed resolutions on the following key issues:

- Review of the results of the audit of NLMK's 2015 IFRS Consolidated Financial Statements;
- Review of the results of the audit of NLMK's 2015 RAS (Russian Accounting Standards) Financial (Accounting) Statements;
- Review of draft interim abridged IFRS Consolidated Financial Statements for Q1, H1 and 9M 2016;
- Review of potential auditors for NLMK Group's RAS and IFRS-based consolidated financial statements for 2016;
- Review of candidates for performing audits of NLMK RAS and IFRS 2016 consolidated financial statements;
- Review of tender procedures results on choosing an auditor;
- Review of the nominee Audit Director and his KPIs;
- Review of NLMK Group's [Corporate Ethics Code](#) and [Anti-Corruption Policy](#);
- Review of the Risk Management Report for 2015;
- Review of the report on NLMK Internal Audit Department results in 2015 and the audit plan for 2016.

### PARTICIPATION OF COMMITTEE MEMBERS IN COMMITTEE MEETINGS IN 2016

FULL NAME	POSITION	NUMBER OF COMMITTEE MEETINGS ATTENDED IN 2016
BENEDICT SCIORTINO	Chairman of the Committee	6
KAREN SARKISOV	Member of the Committee	6
NIKOLAI GAGARIN	Member of the Committee	6
STANISLAV SHEKSHNIA	Member of the Committee	6
FRANZ STRUZL	Member of the Committee	6

**PARTICIPATION OF COMMITTEE MEMBERS  
IN COMMITTEE MEETINGS IN 2016**

FULL NAME	POSITION	NUMBER OF COMMITTEE MEETINGS ATTENDED IN 2016
STANISLAV SHEKSHNIA	Chairman of the Committee	2
VLADIMIR LISIN	Member of the Committee	2
HELMUT WIESER	Member of the Committee	2

**Human Resources,  
Remuneration and Social  
Policies Committee****COMMITTEE'S ACTIVITIES  
AND POWERS**

The Human Resources, Remuneration and Social Policies Committee was established for preliminary review of issues related to the development of efficient and transparent practices of remuneration, human resource planning (succession planning), areas of expertise and performance of the Board of Directors.

**THE COMPOSITION  
OF THE COMMITTEE\***

The composition of the Committee as of 31 December 2016:

- Stanislav Shekshnia  
(Chairman of the Committee,  
Independent Director);
- Vladimir Lisin;
- Helmut Wieser  
(Independent Director).

Secretary of the Committee: Irina Bevz  
(Director, Personnel Development  
and Training).

\* For further information, please refer  
to "Events after the reporting date" section.

**RESULTS OF THE COMMITTEE'S  
ACTIVITY IN 2016**

In 2016, the Human Resources,  
Remuneration and Social Policies

Committee held two meetings in the  
form of absentee voting.

The Committee reviewed and passed  
resolutions on the following key  
issues:

- Recommend NLMK's Board of Directors to include Thomas Veraszto in the voting list of candidates to the Board of Directors at the Annual General Shareholders' Meeting on the Company's 2015 results;
- Approve the opinion on the compliance with independent director status of candidates to NLMK's Board of Directors, proposed for election at the Annual General Shareholders' Meeting on the 2015 results;
- Approve the opinion on the professional qualification of candidates to NLMK's Board of Directors proposed for election at the Annual General Shareholders' Meeting on the 2015 results;
- Recommend NLMK's Board of Directors consider and submit the proposed remuneration for NLMK Board members for approval by the Annual General Shareholders' Meeting;
- Approve the induction programme for newly elected members of NLMK's Board of Directors.

**CORPORATE SECRETARY**

The Company's Corporate Secretary represents a link to the system of corporate governance through his / her role ensuring efficient day-to-day interaction with shareholders, coordination of the Company's activities aimed at the protection of shareholders' rights and interests, and supporting the effective operation of the Board of Directors.

NLMK's Corporate Secretary acts as a guarantor that the Company's officials and governance bodies comply with the procedural requirements ensuring that the legitimate rights and interests of shareholders are observed.

In addition to supporting the activities of the Board of Directors, NLMK's Corporate Secretary also supports the Management Board. The combination of these functions provides for an enhancement in the effectiveness of interaction between the Company's management and its Board of Directors.

The NLMK Corporate Secretary's support for the Company's corporate procedures both as required by law and as laid out in the Corporate Governance Code recommended by the Bank of Russia, provides for the establishment of a dynamic and balanced system of corporate governance, ensuring effective interaction between the Company's shareholders, Board of Directors and Management.

Functionally reporting to the Board of Directors and administratively reporting to NLMK President (Chairman of the Management Board), the Corporate Secretary is appointed and dismissed by NLMK President (Chairman of the Management Board) on the basis of a decision by the Board of Directors.

The Corporate Secretary oversees the Corporate Secretary Office.

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

## MANAGEMENT BOARD

### NLMK's corporate governance in action

The Management Board is in charge of managing the day-to-day operations of the Company, implementing the approved strategy and specific decisions of the Board of Directors.

The main objective of the Management Board is to ensure that the Company is operating efficiently. In order to reach its objective the Management Board is guided by the following principles:

- Efficient and objective decision-making that favours the interests of the Company and its shareholders;
- Fair, timely and efficient execution of the decisions of the General Shareholders' Meeting and the Board of Directors;
- Cooperation with trade unions of the Company's employees with the purpose of taking into account the employees' interests;
- Cooperation with government agencies and local authorities on most important public interest issues.

The key issues that the Management Board is responsible for addressing are as follows:

- Devising and conceptualizing the developmental steps, long-term plans and core areas of activity

(including for legal entities in which NLMK holds shares or interest, directly or indirectly), and submitting them to the Board of Directors for approval;

- Developing modes of interaction between the Company and legal entities in which NLMK holds shares or interest, directly or indirectly, or of which NLMK is a founder, participant or member;
- Approving proposals concerning the agenda of the General Meetings of Shareholders/ participants as well as the list of candidates to the governing bodies, which supervise the activities of legal entities in which NLMK holds shares or interest, directly or indirectly, or of which NLMK is a shareholder, founder or member;
- Approving the Company's representatives for participation in the General Meetings of Shareholders and participants held at subsidiaries, affiliates and other legal entities of which NLMK is a shareholder, founder or member, as well as approving guidelines for voting on agenda items for those representatives;
- Giving recommendations and opinions on issues concerning approval of budgets, key development trends, governance structure, and other critical issues, which are considered by the legal entities in which NLMK holds shares or interest, directly or indirectly, or of which NLMK is a shareholder, founder or member;
- Advising the NLMK Board of Directors on authorizing or subsequently approving major and/or related party transactions submitted for review by the Board of Directors in accordance with its powers;
- Approving transactions involving the Company's assets in cases where the value of the deal or property in question exceeds 10% of the Company's asset book value as of the last reporting date (with the exception of transactions in the ordinary course of business);

### COMPOSITION OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2016\*

The NLMK Group Management Board as of 31 December 2016 consisted of 9 members

FULL NAME	POSITION
<b>OLEG BAGRIN</b>	Member of the Board of Directors President (Chairman of the Management Board)
<b>BRIJESH KUMAR GARG</b>	Vice President, Procurement
<b>ILYA GUSCHIN</b>	Vice President, Sales
<b>BAREND DE VOS</b>	Vice President, International Operations
<b>YURI LARIN</b>	Advisor to the President (Chairman of the Management Board) on Development Programmes
<b>SERGEY LIKHAREV</b>	Vice President, Logistics
<b>GRIGORY FEDORISHIN</b>	Vice President, Finance
<b>SERGEY FILATOV</b>	Managing Director
<b>STANISLAV TSYRLIN</b>	Vice President, HR & Management System

\* For further information, please refer to "Events after the reporting date" section.



Grigory Fedorishin, CFO,  
member of NLMK Management Board

- Deciding on Company participation or termination of participation in other organizations in cases where the value of the acquired (disposed) property is less than 2% of the Company's asset book value;
- Setting up and dissolving Company's branches and representative offices, as well as approving, revising and amending regulations on branches and representative offices.

The make-up and structure of members of the Management Board is approved by the Board of Directors with consideration of the opinion of the President (Chairman of the Management Board). The composition of the Management Board is approved by the Board of Directors based on recommendations from the President (Chairman of the Management Board).

#### SHARES OWNED BY MEMBERS OF THE MANAGEMENT BOARD\*

FULL NAME:	POSITION	SHARE OF THE AUTHORIZED CAPITAL STOCK OF NLMK
<b>OLEG BAGRIN</b>	Member of the Board of Directors President (Chairman of the Management Board)	Not an NLMK shareholder
<b>BRIJESH KUMAR GARG</b>	Vice President, Procurement	Not an NLMK shareholder
<b>ILYA GUSCHIN</b>	Vice President, Sales	Not an NLMK shareholder
<b>BAREND DE VOS</b>	Vice President, International Operations	Not an NLMK shareholder
<b>YURI LARIN</b>	Advisor to the President (Chairman of the Management Board) on Development Programmes	0.00083%
<b>SERGEY LIKHAREV</b>	Vice President, Logistics	Not an NLMK shareholder
<b>GRIGORY FEDORISHIN</b>	Vice President, Finance	Not an NLMK shareholder
<b>SERGEY FILATOV</b>	Managing Director	Not an NLMK shareholder
<b>STANISLAV TSYRLIN</b>	Vice President, HR & Management System	Not an NLMK shareholder

\* For further information, please refer to "Events after the reporting date" section.



## President (Chairman of the Management Board)

President (Chairman of the Management Board) manages the day-to-day activities of the Company, arranges for the execution of the decisions made by the General Shareholders' Meeting and the Board of Directors.

The rights and obligations of the President (Chairman of the Management Board) are determined by the prevailing legislation of the Russian Federation as well as the contract between the President (Chairman of the Management Board) and the Company.

According to the corporate documents, President (Chairman of the Management Board) cannot simultaneously be the Chairman of the Board of Directors of the Company.

The President (Chairman of the Management Board) is elected

## PARTICIPATION OF MEMBERS OF THE MANAGEMENT BOARD IN BOARD MEETINGS IN 2016

MEMBER OF THE MANAGEMENT BOARD	PARTICIPATION IN MEETINGS
OLEG BAGRIN	39
BRIJESH KUMAR GARG	38
ILYA GUSCHIN	39
BAREND DE VOS	29 <sup>1</sup>
YURI LARIN	39
SERGEY LIKHAREV	39
GRIGORY FEDORISHIN	39
SERGEY FILATOV	38
STANISLAV TSYRLIN	38
ALEXANDER SAPRYKIN	9 <sup>2</sup>

<sup>1</sup> Barend de Vos was appointed member of the Management Board at a Board of Directors' meeting held on 22 April 2016.

<sup>2</sup> Alexander Saprykin was member of the Management Board until 22 April 2016..

by the General Shareholders' Meeting for a period lasting until the next Annual Meeting, unless otherwise stipulated by the General Shareholders' Meeting.

Oleg Bagrin has been the President (Chairman of the Management Board) since 2012 and is also a member of the Board of Directors. He was last re-elected on 3 June 2016.

## Activity of the Management Board in 2016

In 2016, there were 39 meetings of the Management Board, including 17 meetings that were held using absentee ballots. The following issues were considered at these meetings:

- Meeting Group's key performance indicators in occupational health & safety;
- NLMK Group's consolidated budget execution;
- Working capital report;
- Achievement of NLMK Group's KPIs and implementation of its companies' optimization programmes;
- Participation/withdrawing participation of the Group in other companies;
- Approval of draft decisions on matters within the competence of the General Shareholders' Meetings of companies in which the Group is the sole participant/ shareholder;
- Execution of the development programmes of NLMK's divisions (functional areas);
- Optimization programmes of the divisions;

- Recommendations to the Company's Board of Directors (with regard to approval of related party transactions, dividend payments and NLMK's draft annual report for 2015);
- Recommendations to the governing bodies of subsidiaries and affiliates;
- Approval of transactions;
- Efficiency of sales portfolio management;
- MRO inventory turnover for NLMK Group companies;
- Efficiency of key MRO category portfolio management;
- Risk management system;
- Approval of the Management Board's meeting schedule for 2016 and 2017.

There was no conflict of interests between NLMK Management Board members in 2016.

## EVENTS AFTER THE REPORTING DATE

At a meeting held on 3 March 2017, NLMK Group's Board of Directors approved a new composition of the Management Board, with the following 8 members:

- Oleg Bagrin;
- Grigory Fedorishin;
- Tatyana Averchenkova;
- Ilya Guschin;
- Barend de Vos;
- Sergey Likharev;
- Sergey Filatov;
- Stanislav Tsyrlin.

Due to the changes in the composition of the Management Board, the corporate governance structure was also updated.

In order to strengthen the corporate governance structure of the Company, on 13 March 2017, Grigory Fedorishin, who previously held the position of Vice President for Finance, was appointed Senior Vice President, Deputy Chairman of the Management Board. This position is being introduced at NLMK Group for the first time. Grigory Fedorishin will oversee the elaboration and execution of the new strategic phase.

At a meeting of Human Resources, Remuneration and Social Policies Committee held on

3 March 2017, Valery Loskutov, NLMK's Corporate Secretary, was approved as the secretary of the Committee.

### REPORT ON REMUNERATION TO GOVERNING BODIES

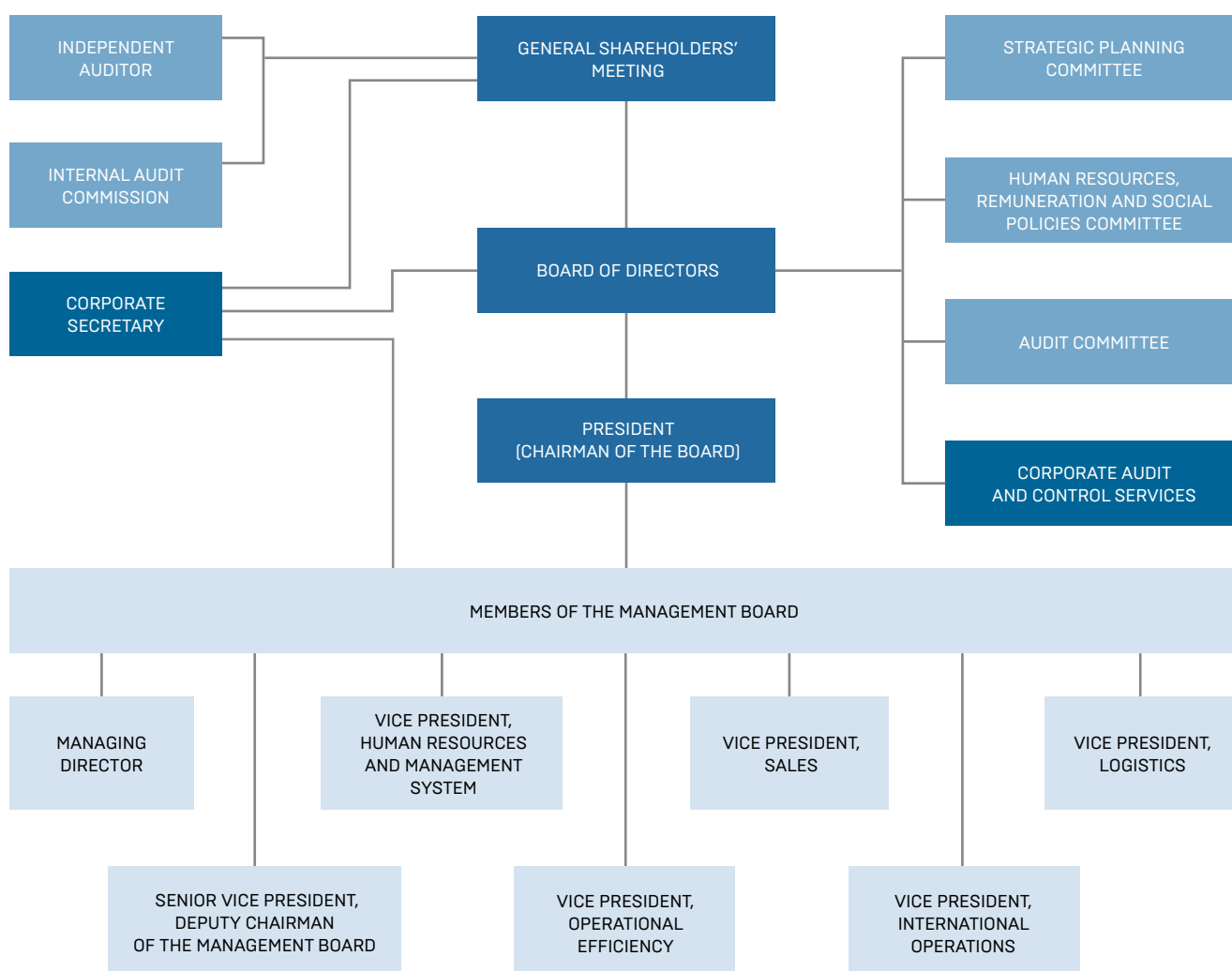
The levels of remuneration are sufficient to attract, motivate and retain competent and properly qualified executives. Remuneration is paid to members of NLMK's governing bodies in accordance with the approved corporate documents

that contain transparent criteria for determining the amount of remuneration, and govern all types of payments and benefits.

### Remuneration and compensation of members of the Board of Directors

The remuneration system for members of the Board of Directors serves to align their financial interests with the long-term financial interests of shareholders.

## NLMK'S CORPORATE GOVERNANCE STRUCTURE



The levels of remuneration and compensation paid to members of NLMK's Board of Directors are determined on the basis of Regulations on Remuneration of Members of the Board of Directors.

Remuneration is paid to the members of the Board of Directors for reasonable and faithful exercise of their rights and their duties in the interests of NLMK. Remuneration to members of the Board of Directors consists of base remuneration and a bonus.

The amount of base remuneration is determined on the basis of a resolution by the General Meeting of Shareholders. The Annual General Meeting of Shareholders based on the results of 2015 approved the decision to pay remuneration to members of NLMK Board of Directors (the amount of recommended remuneration based on 2015 results totalled \$2.192 million).

A member of the Board of Directors may receive a bonus that shall not exceed two base remunerations. The amount of the bonus is determined on the basis of the member's contribution to the work of the Board of Directors and its Committees and recommendations given by the Human Resources, Remuneration and Social Policies Committee.

Remuneration is paid following a decision by NLMK's General Meeting of Shareholders.

[Regulations on Remuneration of Members of the Board of Directors](#) of NLMK set the rules for reimbursing Board members' work-related expenses. The following expenses are considered to be reimbursable:

- Transportation costs of the members of the Board of Directors incurred while travelling to meetings

#### REMUNERATION PAID TO BOARD MEMBERS IN 2015–2016, '000 RUBLES

	2016	2015*
Payments to Board members, incl.:	132,305	148,809
Remuneration	130,534	146,314
Salary	-	-
Bonuses	-	-
Commission	-	-
Benefits	-	-
Refunded expenses	1,771	2,495
Other types of remuneration	-	-

\* Any variance from the data published in the 2015 annual report is related to the reporting of payments at the prevailing exchange rates on the respective dates

of NLMK Board of Directors (Committees of the Board of Directors) and/or General Meetings of Shareholders;

- Costs for accommodation incurred while attending meetings of NLMK Board of Directors (Committees of the Board of Directors) and/or General Meetings of Shareholders;
- Representation expenses;
- Costs associated with obtaining the professional advice of experts on issues under consideration at the meetings of the Board of Directors (Committees of the Board of Directors) and for translating documents/materials for meetings of the Board of Directors (Committees of the Board of Directors) to be studied by members of the Board of Directors, into a foreign language spoken by a member of the Board of Directors;
- Other expenses related to performance of their duties by the members of the Board of Directors (Committees of the Board of Directors).

The maximum amount of expenses reimbursed by NLMK incurred by a Board member during a settlement period shall not exceed

30% of the base remuneration. The compensation shall be paid if the member of the Board of Directors participated in more than a half of meetings held by the Board of Directors.

Since the Company does not have any stock option programmes, members of the Board of Directors are not provided with an opportunity to participate in them, and their right to sell their NLMK shares is not linked to performance.

#### Remuneration and compensation of members of the Management Board

The system of motivation for the Company's Management Board aims to ensure member's material interest in achieving strategic goals and increasing the economic effectiveness of management.

In accordance with the [Regulations on the Management Board](#), members of the Board shall receive remuneration and compensation for expenses that relate to the execution of their duties as members of the Board throughout their period of service. The rights, obligations and responsibilities of the parties,

**REMUNERATION PAID TO MANAGEMENT BOARD  
MEMBERS IN 2015–2016, '000 RUBLES**

	2016	2015*
Payments to Management Board members, incl.:	657,946	625,979
Salary	166,429	198,191
Bonuses	484,794	425,332
Commission	-	-
Benefits	-	-
Refunded expenses	6,723	2,440
Other types of remuneration	-	16

\* Any variance from the data published in the 2015 annual report is related to the reporting of payments at the prevailing exchange rates on the respective dates

and the social guarantees for members of the Management Board are determined by NLMK's internal documents and the contracts concluded between the Company and the members of the Management Board.

The material interest of the members of the Management Board in achieving the Company's strategic goals is provided for through short-term and long-term motivation systems.

Short-term motivation is based on the existing system of key performance indicators (KPIs). The amount paid to the members of the Board in bonuses depends on their KPIs. The KPIs used to determine rewards for top management are related to NLMK's financial and operating performance and are intrinsically linked to the creation of shareholder value.

The Company has introduced a long-term motivation programme

for members of the executive bodies and other key management personnel of the Company.

The following principles outline the mechanism for determining the amount of compensation that is awarded to NLMK top management:

- Honest and efficient performance of their duties by members of the Management Board;
- Rational use of the rights that are granted to them;
- The size of the bonus awarded to members of the Management Board is dependent on their achievement of key performance indicators (KPIs) and on the Company's overall results during the reporting period, as well as on the KPIs of delivering on Strategy 2017 objectives;
- Monitoring of involvement of Management Board members in the activities of the Group's executive bodies.



# OPERATIONAL CONTROL AND RISK MANAGEMENT

## SUPERVISION OVER THE FINANCIAL AND BUSINESS ACTIVITIES

### Independent Auditor

AO PricewaterhouseCoopers Audit (PwC) has been the auditor of the Group since 2003. Last year the Group carried out a tender procedure with all Big 4 firms where the current auditor became the winner. The Committee was satisfied with the quality of services provided and recommended the re-appointment of PwC as the Group's auditor.

PwC has several systems to ensure the independence of its auditors, for example, it regularly rotates the key staff in its audit working group (as least once every seven years).

NLMK Group engages PwC and other PricewaterhouseCoopers companies (hereafter PwC) to provide consulting (non-audit) services. The management of NLMK has conducted the necessary procedures, and is sure that these services do not affect the independence of the auditor and are not related to financial reporting. The share of consulting (non-audit) services provided by PwC for NLMK Group companies in 2016 did not exceed 10% of the total amount of services performed.

NLMK's Board of Directors has determined the value of remuneration for the provision of audit services (audit) of the interim and annual IFRS consolidated financial statements of NLMK for 2016, as well as for the

audit of the 2016 RAS statements, in the amount of 1,000,000 US dollars or 32 million rubles (VAT excluded).

### Audit Committee

The Audit Committee, chaired by an Independent Director, contributes to effective performance of functions related to supervision of the Company's financial and business activities by the Board of Directors.

The areas of expertise and responsibilities of the Committee extend to priority matters in accounting (financial) reporting and consolidated financial reporting, risk management, internal control and corporate governance, internal and external audit, as well as countering malpractice.

### KEY ACTIVITIES IN 2016

#### Financial reporting

NLMK Audit Committee reviews on a quarterly basis the Group's IFRS consolidated financial statements and NLMK annual stand-alone statutory financials. The Committee reviews the significant financial reporting judgements, accounting policies and notes to these financial statements. Along with the quarterly IFRS financials, the Committee reviews and discusses with senior management and external auditors financial press releases and where necessary seeks explanations on key changes in the Group's operating and financial performance.

### Internal control and risk management

NLMK Audit Committee is responsible for reviewing the effectiveness of the Group's internal control and risk management systems. In fulfilling its oversight responsibilities, the Committee reviews reports prepared by risk management department, internal audit and the external auditor and holds regular meetings with the Audit Director, Vice President of Risk Management, and the external auditor's team.

Among other documents, in 2016, the Committee has reviewed and suggested for approval:

- Risk map of the Group;
- [Corporate Ethics Code](#);
- [Anti-Corruption Policy](#).

Based on the review of the actions taken by the Group's management, the Audit Committee obtained comfort over the effectiveness of the Group's internal control and risk management systems.

### Internal audit

NLMK Audit Committee is responsible for monitoring the operation and effectiveness of the internal audit function. This procedure is conducted by means of consideration, discussion with the Audit Director and approval of annual internal audit plan. Progress reports on the plan implementation, key findings and issued recommendations were provided to the Committee during

the year to ensure that matters raised were communicated to the person responsible and handled effectively.

To ensure independence, the Audit Director reports directly to the Board of Directors, has the right to raise any matter he/she believes is important, has an obligation to report to the Committee on findings of audits undertaken above a certain threshold and meets with the external auditors whenever required.

The Committee has reviewed the Quality Assurance and Improvement Programme for 2017 developed by the Internal Audit Department and agreed measures on improving internal audit activities. The Committee also reviewed internal audit progress against its KPIs for 2016 and was satisfied with it being largely in line with global best practices.

#### External audit

AO PricewaterhouseCoopers Audit (PwC) has been the auditor of the Group since 2003. The Committee was satisfied with the quality of services provided and recommended the re-appointment of PwC as the Group's auditor.

From time to time, Group companies engage PwC to provide non-audit services. The management of NLMK is sure that these services do not affect the independence of the auditor and are not related to financial reporting. The share of non-audit services provided by PwC in 2016 was at an acceptable level. PwC regularly rotates the key staff in its audit working group (as least once every seven years) to ensure compliance with independence requirements.

In order to ensure the efficiency of the external audit process, PwC presented an annual audit plan with its top-down, risk-based audit approach and

critical success factors for review by members of the Audit Committee.

PwC reports to the Committee quarterly, and the Committee members review and discuss with external auditors key audit matters. In particular, the Committee paid specific attention to the following significant items:

- impairment considerations for fixed assets and goodwill;
- legal cases;
- controlled foreign companies;
- the new audit report;
- evaluation of the quality of implementation of new reporting system.

As a result of these reviews, the Committee considered the external audit process to be operating effectively.

#### Internal Audit Commission

##### CORPORATE GOVERNANCE IN ACTION

The Internal Audit Commission is a full-time internal control authority exercising continuous supervision over the financial and business activities of the Company. The Internal Audit Commission operates under the Charter and the Internal Audit Commission Regulations. It audits NLMK's financial and business activities in order to confirm the accuracy of information contained in reports and other financial documents.

The Internal Audit Commission is elected by the General Meeting of Shareholders for a term until the next Annual General Meeting of Shareholders.

The Internal Audit Commission was elected on 3 June 2016 at the Annual General Meeting of Shareholders. As of 31 December 2016, the Internal Audit Commission had the following composition:

- Violetta Voronova;
- Tatyana Gorbunova;
- Yulia Kunikhina;
- Mikhail Makeev;
- Oksana Putilina.

#### ACTIVITY OF THE INTERNAL AUDIT COMMISSION IN 2016

The Internal Audit Commission in the said composition held one meeting to discuss its operation in 2016, elect its chairman and approve the timeline for auditing the Group's financial and business activities in 2016.

On the basis of the audit of the Company's financial and business activities in 2015, the Internal Audit Commission as it was composed until 3 June 2016, submitted a Statement on the reliability of data contained in the reports and other financial documents for the Company's Annual Report.

#### REMUNERATION

Remuneration to members of the Internal Audit Commission is paid in accordance with the Regulations on NLMK Group's Internal Audit Commissions. According to the Regulations, the main criterion for determining the remuneration is participation in audits of the Company's financial and business operations. The remuneration paid to members of the Internal Audit Commission shall be equal to the amount of base remuneration, which is determined by the Regulations.

The total remuneration paid to members of the Internal Audit Commission for audits of

## REMUNERATION PAID TO INTERNAL AUDIT COMMISSION MEMBERS IN 2015–2016

	2016 '000 rubles	2015* '000 rubles
Payments to Commission members, incl.	13,477	7,367
Salary	7,918	3,670
Bonuses	5,559	3,353
Remuneration for participation in the Commission's activities	–	220
Refunded expenses	–	–
Other types of remuneration	–	124

\* Any variance from the data published in the 2015 annual report is related to the reporting of payments at the prevailing exchange rates on the respective dates

NLMK's operations in 2015 was 220,000 rubles (\$4,000).

## Internal Audit Department

### CORPORATE GOVERNANCE IN ACTION

Internal auditing is performed in order to provide members of the Board of Directors (Audit Committee), the President (Chairman of the Management Board) with independent and objective guarantees and consultation aimed at improving NLMK Group performance, through a systematic and consistent approach to assessing and increasing the efficiency of risk management, control and corporate governance processes. Internal auditing activity in NLMK Group is performed by the Internal Audit Department.

### The key functions of the Internal Audit Department are as follows:

- Assess efficiency of the internal control system;
- Assess efficiency of the risk management system;
- Assess efficiency of corporate governance;
- Consulting.
- Audit activities to assess the management of critical risks and business process risks;
- Internal control assessment activities, including quality assurance of control procedures aimed at minimizing business process risks;
- Consulting services provided to business units of NLMK Lipetsk and other NLMK Group's companies on specific issues relating to financial and business activities; auditors participated in meetings held by commissions and work groups and shared their opinions on the relevant subject matter;

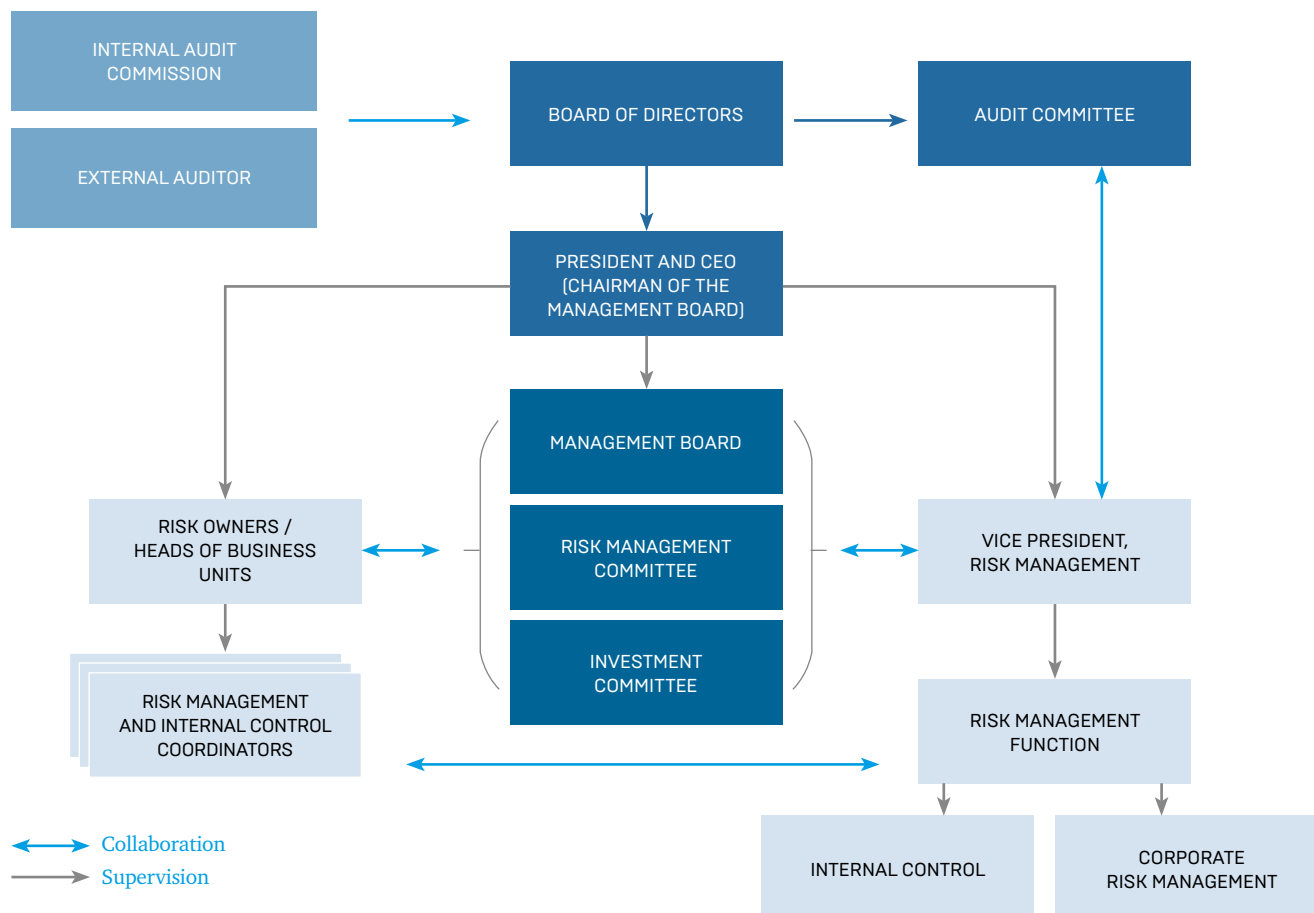
- Monitoring of the implementation of recommendations for assessing the quality (design) of NLMK's corporate governance practices. The results of the monitoring demonstrate the high quality of NLMK's corporate governance system: the Company follows a significant part of recommendations set out in the Corporate Governance Code (for detailed information please refer to the Corporate Governance Code Compliance Report in the 'Reporting and appendices' section of the Annual report (Appendix 4)).

## RISK MANAGEMENT

NLMK's risk management and internal control systems are aimed at ensuring the implementation of the Company's strategy. They are integrated into business- and decision-making processes. The main objective for the development of risk management is to monitor the sustainability of the Group's performance relating to the bolstering of its market position, development of production capacities, integration of new facilities and enhancement of its operational efficiency. For this purpose the 'Risk Management' functional area, together with the Company's dedicated departments, carry out activities in the following areas:

- Identification, evaluation, response and monitoring of the Group's most critical risks that require the attention of management on a regular basis in the 'risk-radar' format;
- Systematic elaboration and strengthening of mechanisms for control over deviation at the level of the Group's business processes, to ensure the efficient use of resources, the safety of Group facilities,

## NLMK RISK MANAGEMENT SYSTEM



the reliability of reporting and compliance with legislation;

- Promotion of anti-corruption and anti-fraud principles, regular evaluation and development of the Group's anti-corruption procedures;
- Support and training for the Group's divisions in the field of risk management and internal control, as well as direct participation in the implementation of new control mechanisms, and expert participation in critical areas of business processes.

NLMK's risk management system is based on the principle of shared

responsibility. The active work of executive and governing bodies ensures the close interaction of all participants in the risk management process:

- The Audit Committee of the Board of Directors monitors the reliability and effectiveness of the risk management system;
- The Management Board determines the strategy and approves measures for managing critical and material risks;
- Risk management boards (Management Board, Risk Management Committee, Investment Committee) perform operational risk management:

approve approaches to risk assessment and measures to manage and mitigate risks;

- The functional area of Risk Management is responsible for developing procedural, methodological and normative documents describing the general risk management concept; and assessing the level of risks, regularly monitoring and controlling them;
- In the course of their activities, risk and internal control coordinators perform ongoing identification of risks and threats, ensuring that risk management is integrated into all business processes of the Group;





Site visit to NLMK Lipetsk by independent members of NLMK Board of Directors

- Risk owners ensure the implementation of approved risk management measures.

The procedure for risk management is a continuous, cyclical process that ensures the effectiveness and responsiveness of management to identified threats.

## The Company's risk-reporting system

The main element in risk reporting is Risk-Radar, which consolidates the Group's risk assessment. The report is reviewed annually by the Audit Committee of the Board of Directors, and on a quarterly basis by the Risk Management Committee. In 2016, the processes of managing critical and material risks were regulated, and a programme of measures to manage and reduce the Group's risk level was implemented. The most significant results were achieved in the field of management

of production, environmental, price and credit risks.

## Key risks

**Production risks** include business continuity risks and equipment productivity reduction risks, and low quality product risks. Key mitigation measures: maintenance and repair programmes, a system for controlling incoming raw materials and supplies, operational efficiency programme.

The impact of business continuity risk declined in 2016, due to the implementation of measures aimed at improving the efficiency and sustainability of the production process.

**Commercial risks** include price risks on raw material markets, credit risk, risks of inefficient inventory management. Key mitigation measures: continuous monitoring of price spreads, development of a purchasing strategy by category of material, credit

security, accounts receivable insurance, limits on certain types of credit, and concentration risk management.

The main **financial risk** is currency risk. NLMK monitors an open currency position and maintains a set of tools to balance it on an ongoing basis.

The impact of currency risk in 2016 was elevated by the increased volatility of exchange rates. The Company carried out a set of measures to balance the foreign exchange position, to offset the influence of external factors.

**Operational risks** are managed through a variety of tools, such as implementation of the latest environmental technologies as part of a comprehensive environmental investment programme, the Company's committed efforts to enhance operational and labour safety, and promotion of the [Company's Anti-Corruption Policy](#) and [Code of Ethics](#) principles.

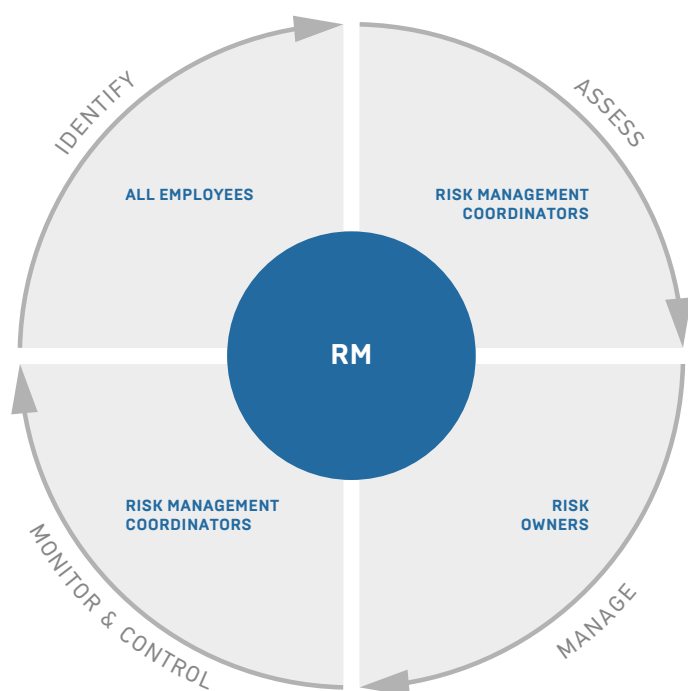
As a result of the implementation of NLMK Group's Environmental Programme, the impact of key operational risk was reduced in 2016.

**Investment risks** are mitigated through the application of project management principles, assessment of risks related to each project, root cause analysis for key risks and the development of preventive measures.

## Internal control

The risk management functional area, together with dedicated managers and experts, systematically examined a number of critical internal control procedures in 2016, in order to determine their reliability. This was done for four important end-to-end processes: Procurement, Investment, Sales, and Maintenance. The involvement of a wide range of participants in these processes from

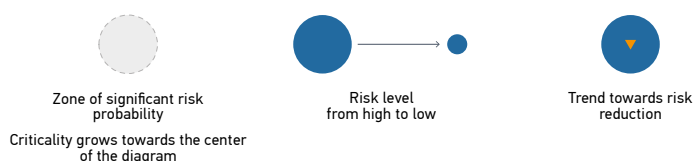
## RISK MANAGEMENT PROCEDURE



the majority of the Company's functional areas made it possible to identify areas that required additional attention and to carry out measures to improve the reliability of process control. A plan was developed for rolling out the devised approach to other process areas and subsidiaries in 2017-2020.

## Anti-corruption compliance

NLMK Group is guided by high ethical standards and principles of business transparency. The Board of Directors approved important documents in 2016 that establish the Group's anti-corruption and anti-fraud system: NLMK's Code of Corporate Ethics and Anti-Corruption Policy. These documents set out the basic principles on which the Group seeks to build relationships with employees, counterparts, competitors, regulators and the community; the responsibility each NLMK employee has to comply with these principles, as well as mechanisms aimed at preventing corrupt practices. To date, the Company employs 11 tools to prevent and minimize fraud risks.



# INFORMATION FOR SHAREHOLDERS

## ORDINARY SHARES

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

### Indices that include NLMK shares

- RTS Index (NLMK's share as of 20.03.17: 1.12%);
- MICEX index (NLMK's share as of 20.03.17: 1.12%);
- Moscow Stock Exchange Metals & Mining (NLMK's share as of 20.03.17: 12.91%);
- FTSE Russia IOB index.

### Global Depositary Shares (GDS)

The ratio of Global Depositary Shares to ordinary shares is 1:10. The volume of Global Depositary Shares issued by NLMK and traded on the London Stock Exchange amounted to 9.78% of share capital as of 31 December 2016.

### Market capitalization

In 2016, average market capitalization of the Company

## NLMK TICKER CODES

LSE (London) Ticker Code	NLMK
MICEX (Moscow) Ticker Code	NLMK
Bloomberg Ticker Code	NLMK LI for GDS traded on the LSE NLMK RX for shares traded on the MICEX platform of the Moscow Exchange
Reuters Ticker Code	NLMKq.L for GDS traded on the LSE NLMK.MM for shares traded on the MICEX platform of the Moscow Stock Exchange

on the London Stock Exchange was US\$8.0 billion (+8% year-on-year). At the end of 2016, NLMK share price was US\$1.85, or US\$18.60 per GDS, consistent with capitalization of US\$11.15 billion (+119% year-on-year).

## DIVIDENDS

### Dividend Policy

According to the current [Dividend Policy](#), dividends are to be paid with the payout in the range of:

### Share price

#### NLMK GLOBAL DEPOSITARY SHARES ON LONDON STOCK EXCHANGE

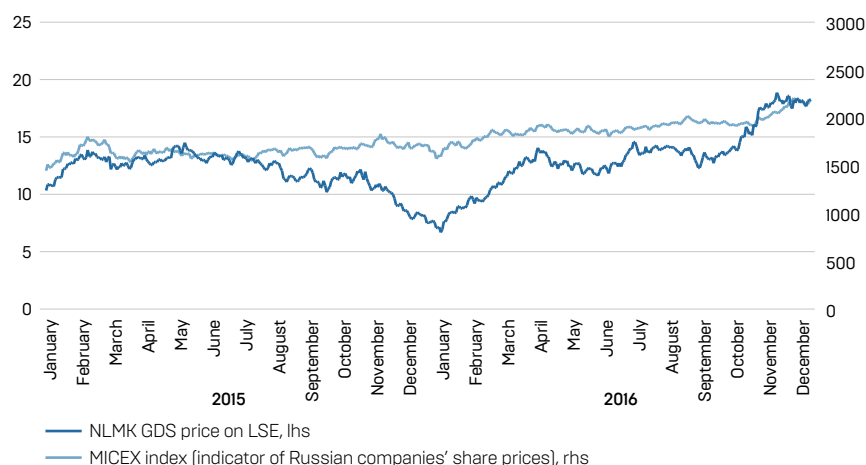
PRICE OF GDS (US\$)	2016	2015
Maximum	19.20	14.80
Minimum	6.92	8.11
Mean	13.29	12.36
End of year	18.60	8.51

#### ORDINARY NLMK SHARES ON MOSCOW STOCK EXCHANGE

SHARE PRICE (RUB)	2016	2015
Maximum	123.06	92.00
Minimum	57.20	58.29
Mean	88.18	75.37
End of year	114.98	62.6



## NLMK GDS PRICE ON LONDON STOCK EXCHANGE (LSE) (\$/GDS)



- If Net Debt to EBITDA is 1.0 or less: 50% of net income and 50% of free cash flow calculated based on US GAAP/ IFRS consolidated financial statements;
- If Net Debt/EBITDA exceeds 1.0x: 30% of net profit and 30% of free cash flow calculated on US GAAP/ IFRS consolidated financial statements.

Dividends are paid annually. If conditions for financial stability are maintained, NLMK will strive to pay interim dividends on a quarterly basis.

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

## Dividends on GDS

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

The Board of Directors recommends that the Annual General Meeting of NLMK Shareholders pay (announce the payment of) 2016 dividends for ordinary shares in the amount of 9.22 rubles in cash per one ordinary share, including using retained earnings from previous years.

## Corporate documents

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

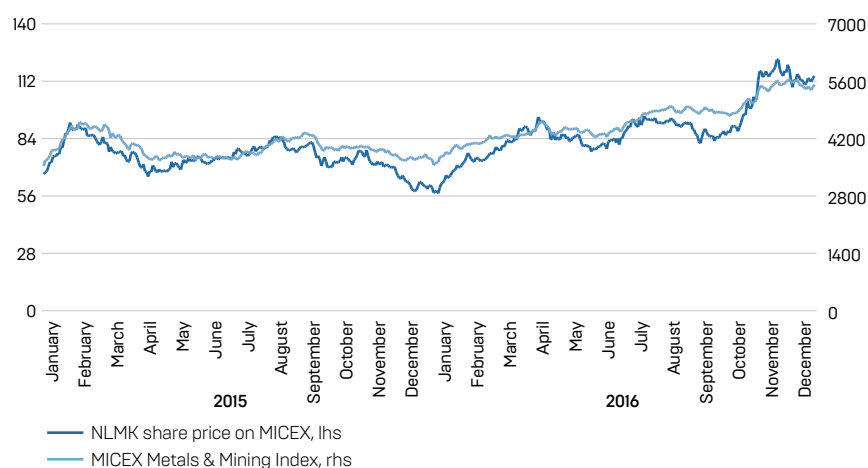
## Financial reporting and disclosure

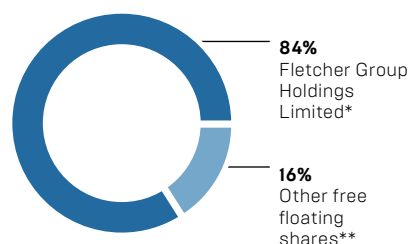
The Group posts announcements of financial results on the London Stock Exchange website via the information disclosure systems approved by FCA and then publishes them on the Group website in the form of press releases and distributes them to the media. The Company publishes its financial results on a quarterly basis. The annual report is published in electronic form on the Group website, [www.nlmk.com](http://www.nlmk.com), on the day of its official publication. The Company announces its publication in a special press release. A hard copy of the annual report is available on request in the office of the Register of Shareholders and NLMK's Investor Relations office.

## Structure of share capital

In December 2016, Fletcher Group Holdings Limited whose beneficiary, in accordance with the definition of this concept under Russian legislation, is Mr. Vladimir Lisin (NLMK's Chairman of the Board of Directors), sold 90 million shares of NLMK, accounting for approximately 1.5% of its share capital. As a result of the transaction,

## NLMK SHARE PRICE ON MOSCOW STOCK EXCHANGE (RUB/SHARE)

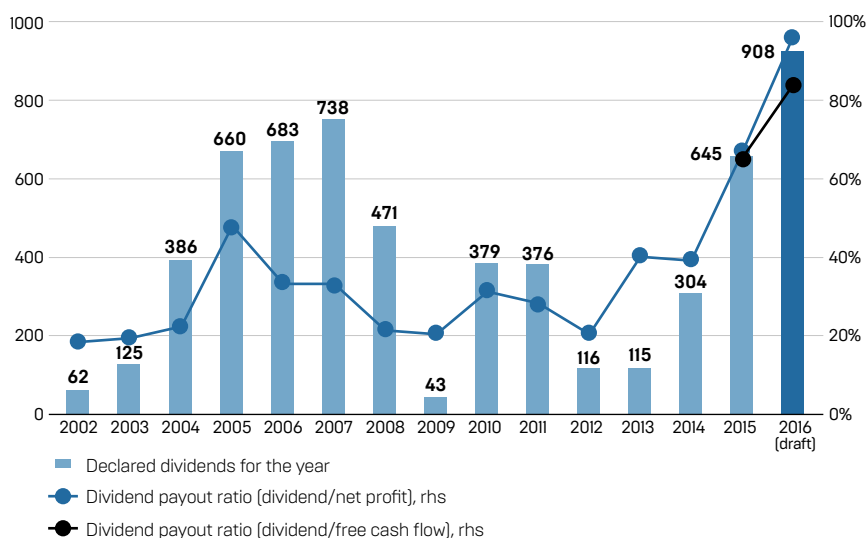
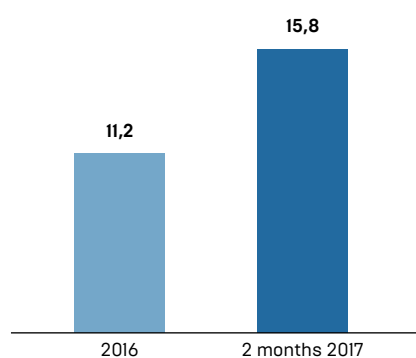


STRUCTURE OF SHARE CAPITAL  
AS OF 31 DECEMBER 2016

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

\*\* Including global depositary shares traded on the London Stock Exchange and shares traded on Moscow Exchange

## DIVIDEND HISTORY, US\$ M

AVERAGE DAILY TURNOVER  
OF NLMK SHARES, \$ M\*

\* Including the shares traded on the Moscow Stock Exchange and global depositary shares, traded on the London Stock Exchange

the share of NLMK's free float increased to 16%. For more detailed information, please refer to the Company website.

The increase in the proportion of free-floating shares has led to improved liquidity. The average daily turnover of NLMK shares, including shares traded on the Moscow Stock Exchange, and global depositary shares traded on the London Stock Exchange, increased from \$11.2 million in 2016 to \$15.8 million in the first 2 months of 2017.

**FINANCIAL CALENDAR FOR 2017**

DATE	EVENT
<b>18 JANUARY</b>	Q4 and 12M 2016 Trading Update
<b>3 MARCH</b>	Meeting of the Board of Directors (BoD). Q4 2016 Dividend Recommendation by the Board
<b>6 MARCH</b>	FY2016 Financial Results (IFRS). Conference call
<b>6 MARCH</b>	Capital Markets Day
<b>14 APRIL</b>	Q1 2017 Trading Update
<b>27 APRIL</b>	Q1 2017 Financial Results (IFRS). Conference Call
<b>28 APRIL</b>	Meeting of the Board of Directors (BoD). Q1 2017 Dividend Recommendation by the Board
<b>2 JUNE</b>	Annual General Meeting of Shareholders (Q4 2016 and Q1 2017 Dividend Declaration)
<b>14 JULY</b>	Q2 2017 Trading Update
<b>24 JULY – 28 JULY</b>	H1 2017 Financial Results (IFRS). Conference Call
<b>24 JULY – 28 JULY</b>	Meeting of the Board of Directors (BoD). Q2 2017 Dividend Recommendation by the Board
<b>25 – 29 SEPTEMBER</b>	Extraordinary General Meeting of Shareholders (Q2 2017 Dividend Declaration)
<b>16 OCTOBER</b>	Q3 2017 Trading Update
<b>23 – 27 OCTOBER</b>	Meeting of the Board of Directors (BoD). Q3 2017 Dividends Recommendation by the Board
<b>30 OCTOBER – 3 NOVEMBER</b>	9M 2017 Financial Results (IFRS). Conference Call
<b>18 – 22 DECEMBER</b>	Extraordinary General Meeting of Shareholders (Q3 2017 Dividend Declaration)

**CONTACTS  
FOR SHAREHOLDERS****Registrar**

The register of holders of NLMK securities is maintained by the Regional Independent Registrar Agency (RIR Agency).

Registered address: 10 B, 9 Maya St.,  
Lipetsk, 398017, Russia

Telephone: +7 (4742) 44-30-95

E-mail: [info@a-rnr.ru](mailto:info@a-rnr.ru)

**Valery Loskutov**

Corporate Secretary

Telephone: +7 (4742) 44 49 89

E-mail: [loskutov\\_va@nlmk.ru](mailto:loskutov_va@nlmk.ru)

**Sergey Takhiev**

Director, IR

Telephone: +7 (495) 504 05 04

E-mail: [st@nlmk.com](mailto:st@nlmk.com)

## ALSO IN THIS SERIES

**ABOUT NLMK**

2016



This brochure gives an overview of the structure, business model, strategy and performance of the Group over the past decade.

*“Our success has been recognized by the expert community, with S&P Global Platts announcing NLMK as winner of the Industry Leadership Awards — Steel in 2016.”*

**Oleg Bagrin,**  
President and CEO  
of NLMK Group

**OUR TEAM**

2016



Detailed information on NLMK Group's team, talent development, occupational safety policy and financial contribution to the development of local communities, and much more.

*“We're proud of what we have achieved and fully recognize that our achievements were made possible thanks to the contribution of our international team, united by the common goal of leadership for NLMK Group.”*

**Oleg Bagrin,**  
President and CEO  
of NLMK Group

**ENVIRONMENT**

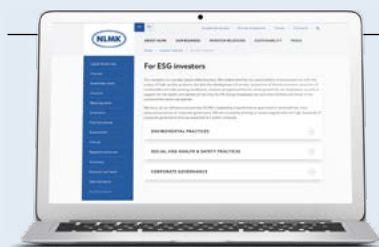
2016



In this brochure we talk about how advanced technologies, efficient processes and environmentally friendly approaches ensure our leadership as an 'environmentally-oriented' company.

*“We adopt new technologies and solutions in an effort to reduce our environmental footprint.”*

**Galina Khristoforova,**  
NLMK Group's Director  
for the Environment

**FOR ESG INVESTORS**

Our company is a socially responsible business. We focus on ensuring NLMK's performance leadership goes hand in hand with the most advanced corporate governance practices. We have developed a dedicated section on the Company website at [www.nlmk.com](http://www.nlmk.com) to enable investors to review environmental and social questions, as well as corporate governance [Environmental, Social, Governance] when they are considering investment.