

# 2018

# GOVERNANCE



ANNUAL REPORT



# Contents

<b>Corporate governance</b>	<b>4</b>
Corporate governance system	<b>6</b>
General Shareholders' Meeting	<b>9</b>
Board of Directors	<b>11</b>
Committees of the Board of Directors	<b>23</b>
Corporate Secretary	<b>28</b>
Management Board	<b>29</b>
Report on remuneration to governing bodies	<b>35</b>
<b>Operational control and risk management</b>	<b>38</b>
Internal control and risk management system	<b>40</b>
Internal Audit	<b>46</b>
Anti-corruption compliance and fair business practices	<b>48</b>
Internal Audit Commission	<b>50</b>
Independent Auditor	<b>51</b>
<b>Information for shareholders and investors</b>	<b>52</b>
Ordinary shares	<b>52</b>
Dividends	<b>53</b>
Corporate documents	<b>54</b>
Financial reporting and disclosure	<b>54</b>
Equity structure	<b>54</b>
Financial calendar for 2019	<b>55</b>
Contacts for shareholders	<b>55</b>





# Corporate governance

## 2018 facts and figures

5 OUT OF 9

Board members are  
independent directors

2,055

employees completed  
the "Conflict of Interest"  
corporate e-learning course

Recommendation of the Board  
of Directors to NLMK's Annual General  
Shareholders' Meeting regarding  
FY 2018 dividend declaration:

22.81 RUB PER  
SHARE

158.05<sup>RUB</sup>

the average price of NLMK's  
ordinary shares on the Moscow  
Stock Exchange

\$25.15

the average price of NLMK's  
Global depositary receipts on  
the London Stock Exchange

## Material topics

- ▶ Combating corruption

## 2018 facts and figures

- ▶ NLMK Group was ranked among the leaders with the best corporate governance disclosure practices (TopCompetence 2018 National Corporate Governance Index study)
- ▶ Online voting service at the General Shareholders' Meeting
- ▶ Systematization and improvement of crisis response plans
- ▶ Development and implementation of risk management approaches for innovative projects
- ▶ Cybersecurity risk assessment methodology development
- ▶ Adoption of revised versions of NLMK Group's Corporate Ethics Code and Anti-Corruption Policy
- ▶ NLMK was ranked the first one in terms of "Corporate anti-corruption programs" according to Transparency International - Russia

## UN Global Compact principles

### Principle 7

Businesses should support a precautionary approach to environmental challenges.

### Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery

## Global sustainable development objectives





# Corporate governance system

## Corporate governance in action

The corporate governance of the Company is a system of relations between the Company's management, its Board of Directors, shareholders and other stakeholders.

In its activities, NLMK adheres to best international practices and the highest standards of corporate governance. NLMK's corporate governance system is built on best global practices and is fully compliant with the requirements of the prevailing Russian legislation and laws of the countries where the Company operates. The structure and practices of NLMK's corporate governance have been established to function in line with G20/OECD Corporate Governance Principles<sup>14</sup>, and provisions of the Corporate Governance Code approved and recommended by the Central Bank of Russia.

The main goals of NLMK's corporate governance system are to identify the Company's objectives, ensure business efficiency, compliance with the Company's legal and social obligations, and attract investors.

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

## KEY PRINCIPLES LYING AT THE CORE OF OUR CORPORATE GOVERNANCE

- 1 Sustainable development and long-term growth of return on equity investment
- 2 Commitment to 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 activities of the Company and its governing and controlling bodies
- 3 Equal treatment of all shareholders, including foreigners and minority shareholders
- 4 Commitment to ensure reliable and effective registration of title to shares and guarantee the opportunity to alienate them freely and without encumbrances
- 5 Commitment to ensure compliance with existing laws, principles of the Corporate Governance Code recommended by the Bank of Russia and international corporate governance standards
- 6 Adherence to the policy of observing the rights of third parties, including creditors and NLMK employees, as required by the law, the Charter and other regulatory documents
- 7 Adherence to a common corporate policy in respect of subsidiary companies, affiliates and other legal entities in which NLMK is the founder, a participant or a member
- 8 Adherence to 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
- 9 Adherence to a policy of complying with business ethics in conducting its operations

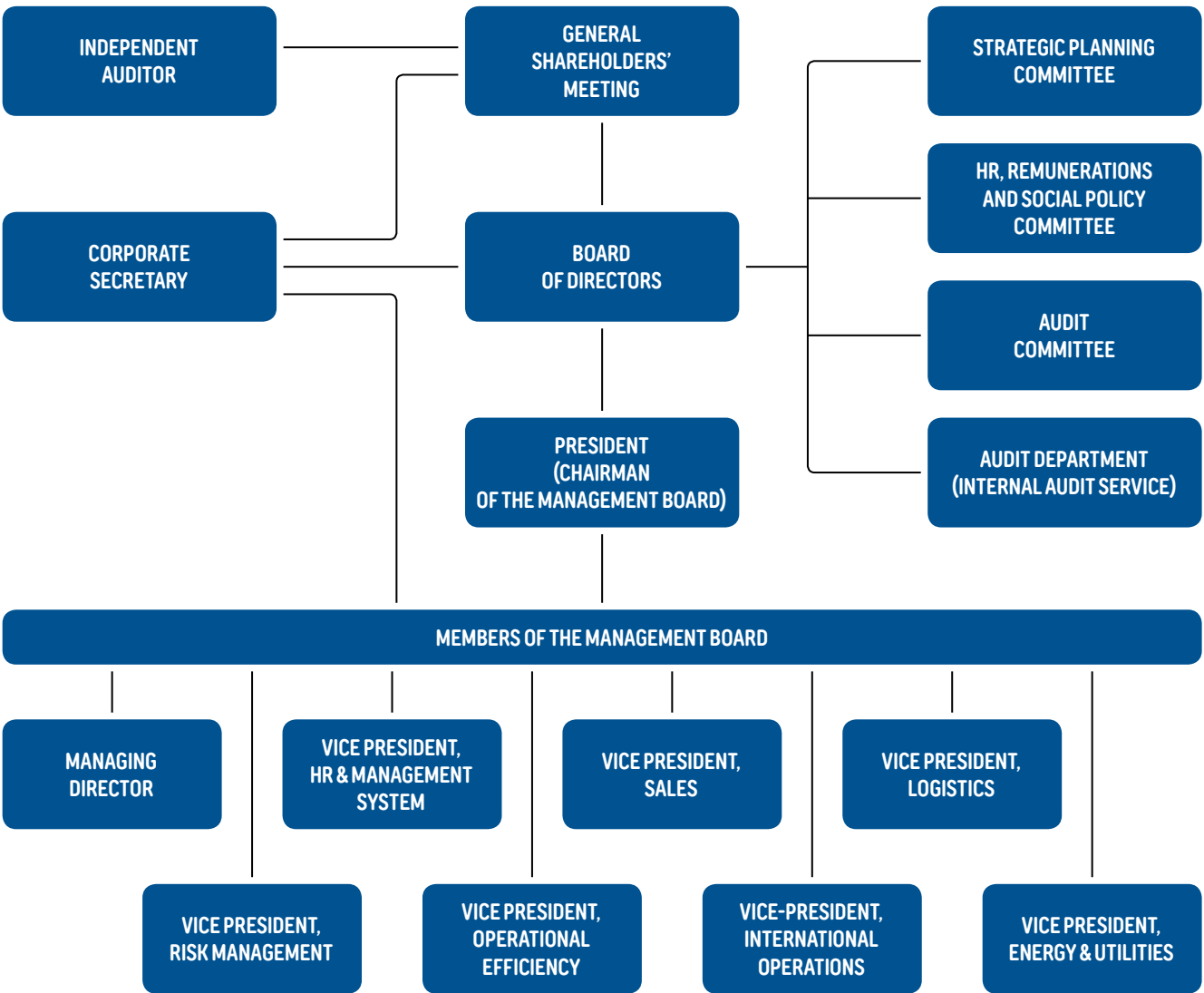
\* Organization for Economic Co-operation and Development

## Corporate governance structure

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

- General Shareholders' Meeting, which is the supreme governing body of the Company that makes decisions on the key business issues
- Board of Directors, which carries out overall management of the Company's activity excluding those issues, which fall under the competence of the General Shareholders' Meeting according to NLMK Charter
- Committees of the Board of Directors, established to perform preliminary review of key matters of NLMK Group's business and provide assistance to the Board of Directors in devising and reaching decisions within their areas of expertise
- Executive bodies of the Company, 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
- Corporate Secretary, who ensures interaction with shareholders, coordinates the Company's activities aimed at protecting shareholders' rights and interests and supports the Board of Directors and the Management Board
- Independent auditor, the Audit Committee, Internal Control and Risk Management Department and Audit Department (Internal Audit Service) that oversee financial and economic activities of the Company

NLMK'S CORPORATE GOVERNANCE STRUCTURE GRI 102-18



## Improving Corporate Governance practices in 2018

As a public company, NLMK is constantly improving its corporate governance practices. Improving corporate governance is an integral part of the overall efforts to improve the efficiency of the Company's operations and is focus of the Board of Directors' constant attention.

With a view to harmonize the system that controls and monitors the financial and economic activities of the Company and introduce best practices in this field, the Extraordinary General Shareholders' Meeting held in December 2018 resolved to dissolve the Internal Audit Commission and introduce corresponding amendments into the internal corporate documents of the Company. This resolution is based on the fact that the Company has an efficiently functioning risk management and internal control system in place as well as Internal Audit Service, which continuously monitors the financial and economic activities of NLMK.

Aiming to improve the quality of corporate governance, and taking the prevailing legislation into consideration, NLMK approved revised versions of the following internal corporate documents.

- In particular, the General Shareholders' Meeting held in December 2018 adopted the revised versions of NLMK Charter, Regulations on the General Shareholders' Meeting, Regulations on the Board of Directors, Regulations on the Management Board, Regulations on Remuneration of Members of the Board of Directors, in full compliance with the prevailing Russian legislation.
- The Board of Directors held in December 2018 adopted Regulations on the HR, Remunerations and Social Policy Committee, Regulations on the Corporate Secretary, the Corporate Governance Code, NLMK Group's Corporate Ethics Code and NLMK Group's Anti-Corruption Policy.

Based on the results of the annual study performed by TopCompetence Corporate Development Centre with the support of the Moscow Stock Exchange in 2018 the Company was once again ranked among the leaders with the fullest disclosure of corporate governance practices.

### Plans for 2019 and midterm

With a view to further improve its corporate governance practices, the Company plans to make changes to its internal corporate documents providing for shorter time for public statements, preparation, a shift in the date of the General Shareholders' Meeting to an earlier period (from June to April), and adoption of the Company's new Strategy.



## ONLINE VOTING SERVICE

- Guided by the priority of the rights and interests of investors, the Company is constantly working to improve the efficiency of corporate decision-making process and create the most favourable conditions for shareholders to exercise their voting rights.

In 2018, for instance, during General Shareholders' Meetings, all shareholders of the Company had the opportunity to vote using e-voting platform on the Company's official website. The service also enabled shareholders to access agenda items and meeting materials online. The use of the electronic voting service as an effective way to enforce the rights of shareholders to manage the Company and participate in the General Shareholders' Meeting has increased the total number of shareholders who participated in the voting.

By resolution of the Company's Board of Directors the Annual General Shareholders' Meeting on the 2017 performance was video broadcast online, available to shareholders as part of the e-voting service. Live video broadcasts is another step towards better transparency of the Company.

# General Shareholders' Meeting

## Rights and responsibilities of shareholders

NLMK's shareholders enjoy a collection of rights that they can exercise themselves or through their proxies by participating in General Shareholders' Meetings with the right to vote on all issues within its remit.

The Company provides objective and exhaustive information to shareholders in a regular and timely manner on items included into the agenda of General Shareholders' Meetings and on

the Company's operations, sufficient to make informed decisions regarding their shares.

Shareholders holding no less than 2 per cent of the Company's voting shares are entitled to submit proposals on the agenda items for the Annual General Shareholders' Meeting and nominate candidates to the Board of Directors and the Counting Commission of the Company. In accordance with

NLMK Charter, such proposals must be received by the Company no later than 60 days after the end of the reporting year.

The Company is focused on creating the most favourable conditions for shareholders' participation in the General Shareholders' Meeting, including through the use of such advanced information and telecommunication technologies as e-voting and online broadcasting of the General Meeting.





### NLMK's General Shareholders' Meeting procedures

The General Shareholders' Meeting, NLMK's supreme governing body, is held upon the resolution of the Board of Directors at its own discretion, upon the request of the Auditor, or shareholder(s) holding no less than 10 per cent of the Company's voting shares at the date of the request to convene the General Shareholders' Meeting.

The Federal Law "On Joint-Stock Companies" and NLMK Charter establish a complete list of issues, resolutions on which are within the remit of the General Shareholders' Meeting. The procedure for preparation, convocation, holding and summarizing the results of NLMK's General Shareholders' Meeting is set forth in Regulations on NLMK's General Shareholders' Meeting published on the Company's official website at: [nlmk.com](http://nlmk.com).

NLMK Charter and Regulations on NLMK's General Shareholders' Meeting, contain, among others, provisions relating to:

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

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

the procedure and within the timeframe established by the Company's Charter and the laws of the Russian Federation, not later than 30 days before the meeting.

Besides obligatory materials required by law, the Company shall provide its shareholders with additional information and materials pertaining to the agenda items of the General Shareholders' Meeting in line with the recommendations of the Corporate Governance Code, approved by the Central Bank of Russia. The Company shall also post a map of how to get to the General Shareholders' Meeting, an approximate form of a power of attorney that may be issued by a shareholder to their representative for participation in the meeting, and information on certifying such a power of attorney.

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

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

The voting results and resolutions passed by the General Shareholders' Meeting are disclosed in accordance with the requirements of the Russian legislation and published on the Company's website at [www.nlmk.com](http://www.nlmk.com).

#### The General Shareholders' Meeting's activity in 2018

Four General Shareholders' Meetings were held in 2018.

NLMK's Annual General Shareholders' Meeting on the 2017 performance was held on 8 June 2018. Shareholders and shareholder

representatives holding a total of 91.17% of NLMK's equity were present, meeting the quorum requirements. During the Annual General Shareholders' Meeting, resolutions were passed on the issues provided for by Item 1 Article 47 of the Federal Law "On Joint-Stock Companies", as well as on the payment of FY 2017 and Q1 2018 dividends.

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

At NLMK's Extraordinary General Shareholders' Meeting held on 12 March 2018, shareholders passed the resolution on early termination of the powers of the Company's President (Chairman of the Management Board) and on the election of a new President (Chairman of the Management Board).

At NLMK's Extraordinary General Shareholders' Meeting held on 30 September 2016, a resolution was passed to pay (declare) H1 2018 dividends in the amount of 5.24 rubles per ordinary share.

At NLMK's Extraordinary General Shareholders' Meeting held on 21 December 2018, shareholders passed the resolution to pay (declare) 9M 2018 dividends on ordinary shares in the amount of 6.04 rubles per common share. They also resolved to approve amendments to NLMK Charter and internal corporate documents resulting from improvement of corporate legislation and the Company's corporate governance practices; and rendered documents regulating the activities of Internal Audit Commission null and void.

Detailed information on the voting results and resolutions passed by the General Shareholders' Meetings in 2018 is available on the Company's website at [www.nlmk.com](http://www.nlmk.com).

#### NLMK'S GENERAL SHAREHOLDERS' MEETINGS HELD IN 2018

General Shareholders' Meeting by status (format)	Number
Annual meeting (in person using e-voting technology)	1
Extraordinary meeting (absentee voting using e-voting technology)	3

#### NLMK'S EXTRAORDINARY GENERAL SHAREHOLDERS' MEETINGS HELD IN 2018

Date	Number of votes held by the general meeting participants
12.03.2018	90.92%
28.09.2018	91.37%
21.12.2018	91.20%



## Board of Directors

#### NLMK Board of Directors procedures

A key element of the Company's corporate governance system responsible for the strategic management of the Company, the Board of Directors determines the 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 Charter and Regulations on the Board of Directors govern the procedures of the Board of Directors. They are available on the Company's official website at [www.nlmk.com](http://www.nlmk.com). In particular, NLMK's Regulations

on the Board of Directors include the procedure for arranging and holding meetings of the Board of Directors, which allows members of the Board of Directors to prepare for the meetings properly.

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

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

The format of NLMK's Board 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, and as a rule, they are first reviewed by

the Board Committees, facilitating their all-round consideration and informed decision-making.

Information on the activities of NLMK's Board of Directors, including information on its composition, its Committees, meetings held and decisions taken is disclosed on the Company's official website at [www.nlmk.com](http://www.nlmk.com).

#### Chairman of the Board of Directors

The Chairman of NLMK's Board of Directors ensures the efficient functioning of the Board of Directors. The Chairman arranges for the Board's schedule to be developed, supervises the execution of resolutions passed by the Board, forms the agenda and makes sure that the most efficient decisions on the agenda items are made.

The Chairman of the Board also plays a key role in ensuring that the Committees of the Board of Directors function efficiently, including through the nomination of members of the Board of Directors to the Board Committees. The Chairman of the Board nominates members of the Board to the Board Committees based on their professional and personal qualities, and taking into account the proposals received from the Board members on forming the Committees.

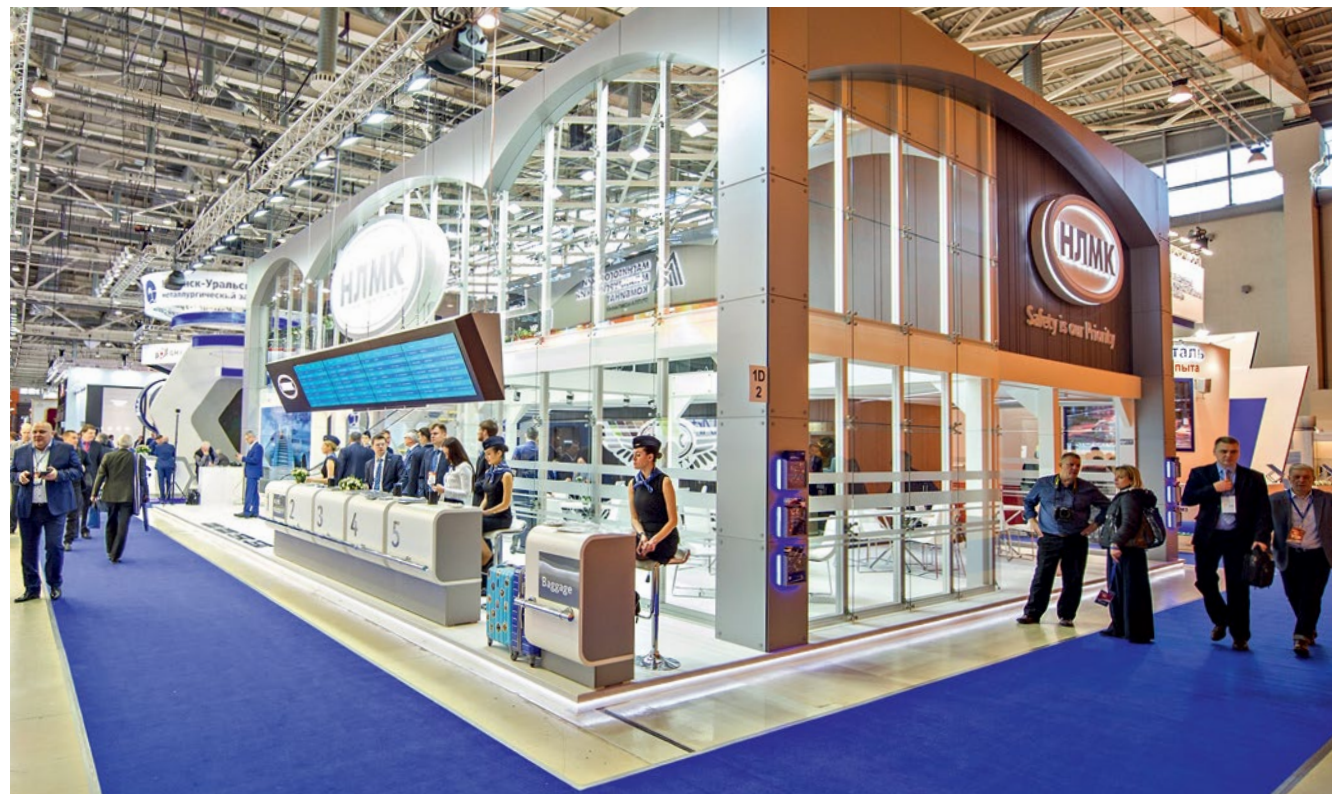
The Chairman of the Board of Directors is elected by its members among themselves by a majority vote of the total number of the Board members.

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

#### Independent members of the Board of Directors

In order to ensure the effective implementation by the Board of Directors of its functions, including those related to protection of shareholders' interests, the Company's Board of Directors includes independent directors. Independent directors on the Company's Board contribute to the formation of an 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 key role of independent directors is to increase the level of confidence in the Company among shareholders and investment community. Independent directors, who have been the majority of the Company’s Board since 2016, make a decisive contribution to the discussion and decision-making on issues that may affect the interests of shareholders, including devising the Company’s development strategy, assessing the conformity of the activities of executive bodies with the Company’s chosen strategy, preventing and resolving corporate conflicts, providing an objective assessment of the quality of work undertaken by the executive bodies, and establishing an efficient motivation system, ensuring that the Company’s activities are in the interest of all its shareholders. In addition, independent directors play a key role in the operation of the Board’s Committees.

The Corporate Secretary on behalf of the Company regularly conducts a preliminary analysis and assessment of the Board members’ compliance with the Independence Criteria.

Independent directors fully meet the independence criteria stipulated

by Regulations on the Company’s Board of Directors and the Corporate Governance Code recommended by the Bank of Russia.

In some exceptional cases in the process of assessment the Board of Directors may recognize an independent status of a member of the Board of Directors, despite them having some formal criteria of being related to the Company, if such relatedness does not affect the ability of the individual to exercise independent, impartial and fair judgements.

In the course of the independence assessment of Board members, performed by the Board of Directors in 2018, four out of five directors were deemed fully compliant with the independence criteria defined by Regulations on NLMK’s Board of Directors, with one director, having formal relationship with NLMK (Mr. Helmut Wieser has been member of the Board for more than seven (but less than twelve) years), recognized as independent due to the immateriality of relatedness upon the said criterion and the director’s ability to act in good faith and soundly in the interests of the Company and its shareholders.

### 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. Members of the Board of Directors have impeccable business reputation, knowledge, skills and experience in steelmaking, mining, science, economics, business management, and law.

As of 31 December 2018, the Board of Directors, elected at the Annual General Shareholders’ Meeting on 8 June 2018, consisted of nine members, including five Independent directors. The Board composition was changed during 2018: Marjan Oudeman was elected to the Board of Directors as an independent director.

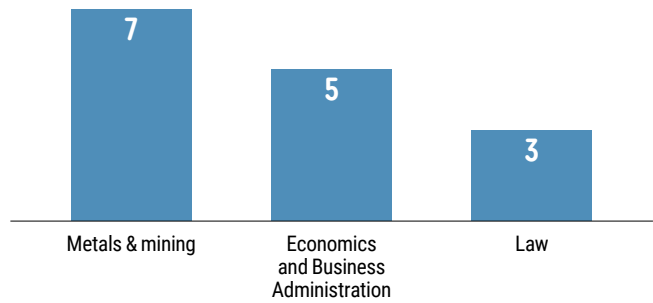
#### MEMBERS OF NLMK’S BOARD OF DIRECTORS AS ON 31 DECEMBER 2018

	Position	Directors’ length of tenure, years	Status	Participation in the Strategic Planning Committee	Participation in the Audit Committee	Participation in the Human Resources, Remunerations and Social Policy Committee
Vladimir Lisin	Chairman of the Board of Directors	22	Non-executive director	✓		✓
Oleg Bagrin	Member of the Board of Directors	14	Non-executive director	Chairman		✓
Thomas Veraszto	Member of the Board of Directors	3	Independent director	✓		✓
Helmut Wieser	Member of the Board of Directors	8	Independent director	✓		✓
Nikolai Gagarin	Member of the Board of Directors	17	Non-executive director		✓	
Karen Sarkisov	Member of the Board of Directors	9	Non-executive director	✓	✓	
Stanislav Shekshnia	Member of the Board of Directors	4	Independent director		✓	Chairman
Benedict Sciortino	Member of the Board of Directors	7	Independent director	✓	Chairman	
Marjan Oudeman	Member of the Board of Directors	1	Independent director	✓	✓	

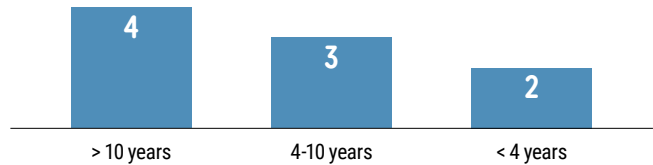
#### COMPOSITION OF NLMK’S BOARD OF DIRECTORS IN 2018

Composition of NLMK’s Board of Directors from 2 June 2017 until 8 June 2018		Composition of NLMK’s Board of Directors, elected on 08 June 2018	
	Position		Position
Vladimir Lisin	Chairman of the Board of Directors	Vladimir Lisin	Chairman of the Board of Directors
Oleg Bagrin	Member of the Board of Directors	Oleg Bagrin	Member of the Board of Directors
Thomas Veraszto	Member of the Board of Directors, Independent director	Thomas Veraszto	Member of the Board of Directors, Independent director
Helmut Wieser	Member of the Board of Directors, Independent director	Helmut Wieser	Member of the Board of Directors, Independent director
Nikolai Gagarin	Member of the Board of Directors	Nikolai Gagarin	Member of the Board of Directors
Karen Sarkisov	Member of the Board of Directors	Marjan Oudeman	Member of the Board of Directors, Independent director
Stanislav Shekshnia	Member of the Board of Directors, Independent director	Karen Sarkisov	Member of the Board of Directors
Benedict Sciortino	Member of the Board of Directors, Independent director	Stanislav Shekshnia	Member of the Board of Directors, Independent director
Franz Struzl	Member of the Board of Directors, Independent director	Benedict Sciortino	Member of the Board of Directors, Independent director

DIRECTORS' EXPERTISE AND PROFESSIONAL BACKGROUND

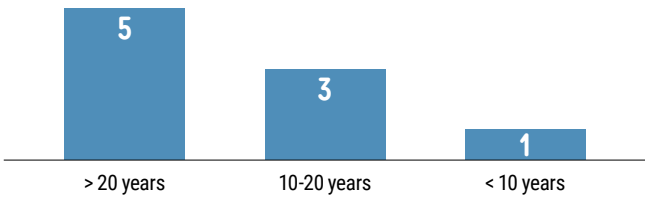


DIRECTORS' LENGTH OF TENURE\*

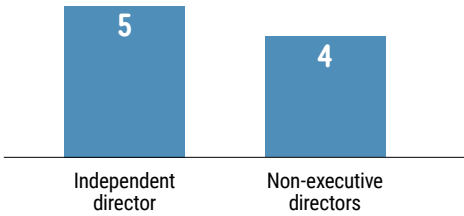


\* As on 31 December 2018

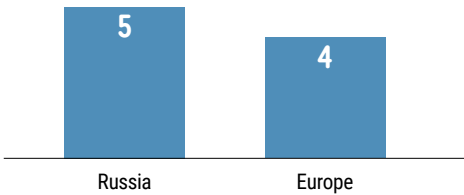
DIRECTORS' EXPERTISE IN THE STEEL SECTOR



COMPOSITION OF THE BOARD OF DIRECTORS BY DIRECTOR STATUS\*



DIRECTORS' LOCATION



NLMK SHARES OWNED BY MEMBERS OF NLMK'S BOARD OF DIRECTORS AND TRANSACTIONS PERFORMED WITH NLMK SHARES IN 2018

	Position	Share of the authorized capital stock of NLMK	Information on transactions with NLMK shares
Vladimir Lisin	Chairman of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions
Oleg Bagrin	Member of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions
Thomas Veraszto	Member of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions
Helmut Wieser	Member of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions
Nikolai Gagarin	Member of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions
Karen Sarkisov	Member of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions
Stanislav Shekshnia	Member of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions
Benedict Sciortino	Member of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions
Marjan Oudeman	Member of the Board of Directors	Not an NLMK shareholder	Did not participate in any transactions

Board of Directors biographies



Vladimir Lisin

<p><b>YEAR OF BIRTH: 1956</b></p> <p>A MEMBER OF THE BOARD OF DIRECTORS SINCE 1996, CHAIRMAN OF THE BOARD OF DIRECTORS SINCE 1998</p> <p>MEMBER OF THE STRATEGIC PLANNING COMMITTEE AND MEMBER OF THE HUMAN RESOURCES, REMUNERATIONS AND SOCIAL POLICY COMMITTEE</p>
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- ▶ 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.
- ▶ Graduate of Siberian Metallurgic Institute majored in Ferrous and Non-Ferrous Foundries. In 1990 graduated from the Higher School of Commerce with the Foreign Trade Academy. In 1992 graduated from the Academy of National Economy, 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. Knight of the Order of Alexander Nevsky. President of the International Shooting Sport Federation.



Oleg Bagrin

<p><b>YEAR OF BIRTH: 1974</b></p> <p>PRESIDENT (CHAIRMAN OF THE MANAGEMENT BOARD) SINCE 2012 UNTIL MARCH 2018. MEMBER OF THE BOARD OF DIRECTORS SINCE 2004</p> <p>CHAIRMAN OF THE STRATEGIC PLANNING COMMITTEE AND MEMBER OF THE HUMAN RESOURCES, REMUNERATIONS AND SOCIAL POLICY COMMITTEE</p>
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- ▶ President (Chairman of the Management Board) of NLMK since 2012 till March 2018. Member of NLMK Board of Directors since 2004.
- ▶ 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, Member of the Board of JSC Freight One. Director, Member of the Board of Directors of FLETCHER GROUP HOLDINGS LIMITED.
- ▶ Holds a graduate degree in Operations Research and a postgraduate degree in Economics from State Management University, Moscow, and a degree in Business Administration from the University of Cambridge, UK.

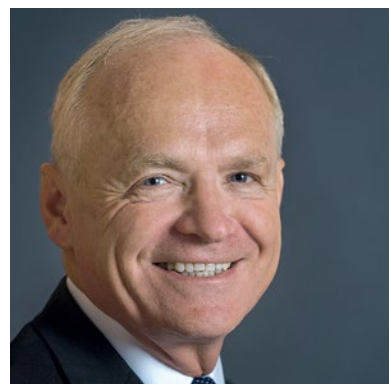


Benedict Sciortino

<p><b>YEAR OF BIRTH: 1950</b></p> <p>MEMBER OF THE BOARD OF DIRECTORS SINCE 2012 (INDEPENDENT DIRECTOR)</p> <p>MEMBER OF THE AUDIT COMMITTEE AND THE STRATEGIC PLANNING COMMITTEE</p>
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- ▶ 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.
- ▶ He 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.





Helmut Wieser

YEAR OF BIRTH:1953
MEMBER OF THE BOARD OF DIRECTORS SINCE 2011 (INDEPENDENT DIRECTOR)
MEMBER OF THE STRATEGIC PLANNING COMMITTEE AND MEMBER OF THE HUMAN RESOURCES, REMUNERATIONS AND SOCIAL POLICY COMMITTEE

► Helmut Wieser was an Executive Vice President of Alcoa and Group President responsible for Alcoa’s global mill products and rigid packaging businesses until November 2011. He also oversaw Alcoa’s businesses in the Asia Pacific region, with a focus on China, the Australian rolled products businesses and Alcoa’s operations in Russia. In addition, Helmut Wieser was a member of the Alcoa Executive Council, the senior leadership group that provides strategic direction for the company.

► He also served on the board of governors of the International Graduate University in Washington, D.C. on Capitol Hill. 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 CEO. He held a position of a member of the board (Independent director) of Rain Carbon Inc. since 2014 till March of 2018. Helmut Wieser is the member of the Advisory Board of COBEX GmbH. Helmut Wieser received a Master’s degree in Mechanical Engineering and Economics in 1981 from the University of Graz, Austria.



Nikolai Gagarin

YEAR OF BIRTH: 1950
MEMBER OF THE BOARD OF DIRECTORS SINCE 2001
MEMBER OF THE AUDIT COMMITTEE

► 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.

► Graduate of Lomonosov Moscow State University, majored in Law.

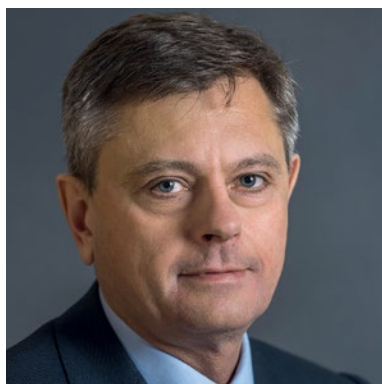


Karen Sarkisov

YEAR OF BIRTH: 1963
MEMBER OF THE BOARD OF DIRECTORS SINCE 2010. AIDE TO THE CHAIRMAN OF THE BOARD OF DIRECTORS ON EXTERNAL ECONOMIC RELATIONS SINCE 2009
MEMBER OF THE STRATEGIC PLANNING COMMITTEE AND MEMBER OF THE AUDIT COMMITTEE

► 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 BV.

► 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. Graduate of Tashkent State University, majored in Oriental Studies.



Stanislav Shekshnia

YEAR OF BIRTH: 1964
MEMBER OF THE BOARD OF DIRECTORS SINCE 2015 (INDEPENDENT DIRECTOR)
CHAIRMAN OF THE HR, REMUNERATIONS AND SOCIAL POLICY COMMITTEE WITH NLMK BOARD OF DIRECTORS

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

► Currently Stanislav Shekshnia is a Senior Partner of LEADERSHIP VECTOR, a Talent Equity Consulting practice. He focuses on leadership, leadership development, corporate governance and business in emerging economies The company has offices in Moscow, Paris, St. Petersburg, Almaty and Riga. Dr. Shekshnia also provides personal coaching to business owners and corporate executives.

► Dr. Shekshnia is an Affiliate Professor of Entrepreneurship at INSEAD. He has over 15 years of graduate level teaching experience in Russia, France and United States; and is the author, co-author, or editor of 7 books, and numerous articles, executive commentaries, interviews and case studies on entrepreneurship, leadership, people management, intercultural management and business and management in Russia

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



Thomas Veraszto

YEAR OF BIRTH: 1962
MEMBER OF THE BOARD OF DIRECTORS SINCE 2016 (INDEPENDENT DIRECTOR)
MEMBER OF THE STRATEGIC PLANNING COMMITTEE AND MEMBER OF THE HUMAN RESOURCES, REMUNERATIONS AND SOCIAL POLICY COMMITTEE

► 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.

► 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, Johns Hopkins University (the United States of America).



Marjan Oudeman

YEAR OF BIRTH: 1958

MEMBER OF THE BOARD OF DIRECTORS SINCE 2018 (INDEPENDENT DIRECTOR)

MEMBER OF THE STRATEGIC PLANNING COMMITTEE AND MEMBER OF THE AUDIT COMMITTEE

- ▶ Marjan Oudeman was the President of the Executive Board of Utrecht University (The Netherlands) from 2013 until June 2017.
- ▶ From 2010 to 2013, Mrs Oudeman was a member of the Executive Committee of AkzoNobel, responsible for HR and Organisational Development.
- ▶ Previously Mrs Oudeman was a member of the Executive Committee of Corus Group, Executive Director Corus Strip Products Division from 2007 to 2010. She also held positions of the CEO Corus Nederland BV, Managing Director Corus Strip Products IJmuiden from 2004 to 2007, and Managing Director Corus Packaging Plus from 2000 to 2004.
- ▶ Before joining Corus, Marjan Oudeman worked for Hoogovens Group NV, holding various corporate staff positions at Hoogovens Group NV in legal, corporate finance and controlling, culminating in 1998-2000 as a Member of the Management Board of the Steel Division of Hoogovens Group NV and Managing Director Hoogovens Packaging Steel.
- ▶ Mrs Oudeman holds positions in governing bodies of a number of entities, being a member of the Boards of Solvay SA, SHV Holdings, NV Aalberts Industries NV, UPM-Kymmene Corporation.
- ▶ Marjan Oudeman has extensive experience as a line manager in the steel industry and considerable international business experience.
- ▶ Oudeman has a law degree from Rijksuniversiteit Groningen in the Netherlands and an MBA in Business Administration from the University of Rochester, New York, USA and Erasmus University, Rotterdam, the Netherlands.



Franz Struzl\*

YEAR OF BIRTH: 1942

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

▶ In 1967 Franz Struzl started his career in Alpine Steelgroup, renamed afterwards to Voestalpine AG, Linz, Austria, and he devoted over 40 years to that company. 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.

\* He was member of the Board of Directors, member of the Strategic Planning Committee and member of the Audit Committee until 8 June 2018.

The Board of Directors' activity in 2018

In 2018, there were nine meetings of NLMK's Board of Directors, six of which were held by absentee ballot. A total of about 30 items were considered at the meetings.

The following are the main issues that were examined by the Group's Board of Directors in 2018:

1. STRATEGY AND PRIORITY AREAS:
- Approving the consolidated budget of the Group for 2019
  - Determination of priority areas for the Company's business.
2. APPOINTMENTS AND REMUNERATION:
- Reviewing proposals on nomination of candidates to NLMK's governing bodies (the Board of Directors, NLMK President (Chairman of the Management Board)) and inclusion of the nominees in the voting list to be elected to these governing bodies

- Providing recommendations to the Annual General Shareholders' Meeting regarding the payment of remuneration to members of NLMK's Board of Directors
  - Approval of composition of NLMK's Management Board
  - Election of Chairman of NLMK's Board of Directors
  - Forming NLMK's Board Committees
  - Recognition of independent status of nominees to NLMK's Board of Directors
  - Performance evaluation of NLMK's Board of Directors
  - Performance reports of NLMK's Board Committees.
3. INTERNAL CONTROL AND RISK MANAGEMENT:
- Approval of revised version of NLMK Group's Anti-Corruption policy and Corporate Ethics Code.

4. CORPORATE GOVERNANCE:
- Convocation of NLMK's General Shareholders' Meetings
  - Approving the agendas, draft documents and activities necessary for preparing and holding the Annual General Shareholders' Meeting
  - Including the item on approval of revised versions of internal corporate documents; recognition of internal corporate documents as null and void into the Extraordinary General Shareholders' Meeting agenda
  - Including the item on early termination of powers of NLMK's Internal Audit Commission members into the Extraordinary General Shareholders' Meeting agenda
  - Providing recommendations to NLMK's Annual General Shareholders' Meeting regarding profit distribution
  - Approving the 2017 NLMK report on interested-party transactions
  - Approving NLMK's 2017 Draft Annual Report





- Providing recommendations to the Annual General Shareholders' Meeting regarding the approval of NLMK's Auditor and remuneration to be paid for the Auditor's services
- Approving the meeting schedule for NLMK's Board of Directors.

#### 5. FINANCIAL REPORTING:

- Approving the Company's annual accounting (financial) statements, including the 2017 profit and loss statement, as well as the NLMK's IFRS 2017 Annual Consolidated Financial Statements.



### ON-SITE MEETING OF THE BOARD OF DIRECTORS

- On 5 March 2018, a meeting of NLMK's Board of Directors was held at NLMK La Louvière, the Company's main Belgian production site.

In addition to discussing the issues on the meeting's agenda, members of the Board of Directors took part in a workshop on cybersecurity.

Members of the Board of Directors together with the management visited NLMK La Louvière production site and inspected the hot and cold rolling mills. In general, members of the Board of Directors took a favourable view of this event, noting that the meeting with the management and visits to production facilities were quite fruitful. They also highlighted the importance and relevance of the cybersecurity session.

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

	Independent director	Participation in the Board meetings*	Audit Committee	HR, Remunerations and Social Policy Committee	Strategic Planning Committee
Oleg Bagrin		9 (9)		2 (2)	5 (5)
Thomas Veraszto	✓	9 (9)		2 (2)	5 (5)
Helmut Wieser	✓	9 (9)		4 (4)	4 (5)
Nikolai Gagarin		9 (9)	3(1)* (4)		
Vladimir Lisin		9 (9)		4 (4)	5 (5)
Karen Sarkisov		9 (9)	4 (4)		5 (5)
Stanislav Shekshnia	✓	9 (9)	4 (4)	4 (4)	
Benedict Sciortino	✓	9 (9)	4 (4)		5 (5)
Marjan Oudeman	✓	5 <sup>1</sup> (9)	2 (4)		2 <sup>1</sup> (5)
Franz Struzl	✓	4 <sup>2</sup> (9)	2 (4)		1 <sup>2</sup> (5)

\* The number in brackets denotes the number of NLMK's Board of Directors meetings during the tenure of this director

<sup>1</sup> Marjan Oudeman was elected to the Board of Directors at the Annual General Shareholders' Meeting held on 8 June 2018

<sup>2</sup> Franz Struzl was a member of NLMK's Board of Directors until 8 June 2018.

### Evaluation of the Board of Directors' performance

Improving the processes and procedures of the Board of Directors as a strategic management and controlling body is an important aspect of increasing the overall efficiency of the Company's management system and gaining investor confidence. In line with the recommendations of the Corporate Governance Code, recommended by the Bank of Russia, and the best international practices, the Company has been conducting an annual performance evaluation (self-assessment) of the Board of Directors' performance since 2016.

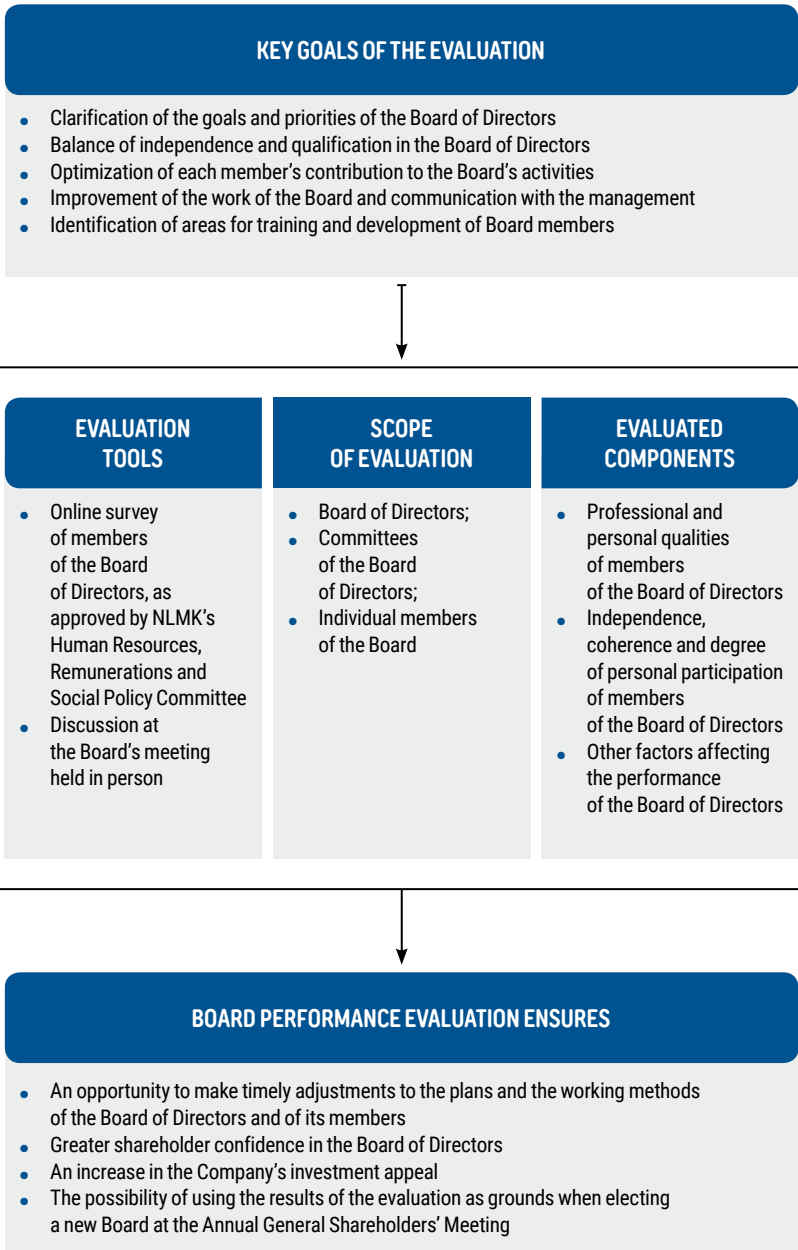
The formal evaluation procedure does not only cover the Board of Directors as a whole, but also assesses the work of the Board Committees and each member of the Board, including its Chairman.

The main purpose of the Board's performance evaluation is to determine the efficiency of its performance as a collective governing body and enhance the Board's role in achieving the Company's goal of successful development. Evaluation of the Board of Directors performance allows to determine the direction and dynamic pattern of changes in the Board of Directors' and its Committees' performance, to get a comparative analysis of their contribution to the successful development of the Company, as well as to identify areas for continuous improvement of the Board's practices.

If necessary, based on the results of the Board evaluation, the Chairman of the Board of Directors and the HR, Remunerations and Social Policy Committee of the Board of Directors put forward proposals aimed at improving the work of the Board of Directors and its Committees. Based on the results of individual evaluation of the Board members, aspects that need to be developed and strengthened are identified. Recommendations may be offered to improve the skills of individual members of the Board, as well as individual training programmes (training sessions) may be organized.

Within the framework of the formalized procedure, in January 2018 a self-assessment of the Board's performance was performed. Following the results of the self-assessment,

#### EVALUATION OF NLMK'S BOARD OF DIRECTORS



a number of areas were identified for the development of practices of the Board of Directors and its Committees. A report on the Board members' evaluation was prepared, and recommendations were given for further improvement and development of their activities. This evaluation confirmed the efficiency of the Board's and its Committees' performance in 2017; in 2018 the activity was focused

on improving the areas for development identified in the evaluation.

The results of the Board's performance evaluation and recommendations for further improvement of the activities of the Board of Directors, its Committees and individual members were considered at the in-person meeting of the Board of Directors in March 2018.



### Training and professional development for the Board members

With a view to develop and strengthen individual competencies and expand the knowledge of the Board members, the Company organizes annual training, including in the form of workshops.

The introduction of modern decision-making methods based on big data technologies, control robotization, mathematical methods of improving the quality of economic forecasts, and the use of computer methods for analyzing the validity and efficiency of selected strategies is largely responsible for the fact, that the Company organized a cyber security workshop in March 2018.

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

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

The main goal of the Programme is to ensure that the newly elected members of the Board of Directors are

promptly and efficiently introduced to NLMK Group's key operational and financial indicators, its systems of risk management, internal control and corporate governance.

Meetings with the President (Chairman of the Management Board), members of the Board of Directors, members of the Management Board, and top managers of the Company are organized as part of the Programme. Newcomers also have an opportunity to get acquainted with the Company's core facilities, technology and products.

An induction programme for Marjan Oudeman, a newly elected member of the Board of Directors, was organized in June 2018. As part of the Programme Ms. Oudeman had meetings with the Board members, the Company's executives, including President (Chairman of the Management Board), and visited production facilities of the Lipetsk site. In addition, Ms. Oudeman was given an opportunity to familiarize herself with material information on the Company's activities, its internal documents, financial statements, annual reports and other documents and information published on NLMK Group's official website (as per the list approved by the Programme), as well as information on the organization of the work of the Board of Directors, including information on the rights, duties and responsibilities of members of the Board of Directors.

### Conflict of interests

In accordance with the Regulation on the Board of Directors and the Anti-Corruption Policy of the Company, members of the Board of Directors shall refrain from acts that will or may lead to conflict between their interests and those of the Company. In the event of a conflict of interest, members of the Board of Directors shall promptly inform the Board of Directors of any conflict of interest and the grounds for it, before the start of the discussion on the item in respect of which the Board member has a conflict of interest.

Members of the Board of Directors shall abstain from voting on items in respect of which they have a conflict of interest. Where the nature of the item discussed or the specific aspects of a conflict of interest so require, the Board member who has the said conflict of interest should not be present at the Board's meeting when the item is discussed.

NLMK Board members had no conflict of interests in 2018.

## Committees of the Board of Directors

To ensure preliminary examination and study of the most essential matters in the area of the Company's activities, the Board of Directors has set up standing committees: the Strategic Planning Committee, the Audit Committee, and the HR, Remunerations and Social Policy Committee.

The Committees of the Board of Directors report to the Board of Directors and are its advisory bodies. Resolutions of the Committees are of a recommendatory nature, while the work of the Committees contributes to increasing the efficiency of the Board of Directors performance, improving the quality of draft resolutions and prior coordination of the positions of the Board members.

The Committees are formed taking into account the professional experience, special knowledge and skills of members of the Board of Directors.

Members of the Committees have expertise, required to make a significant contribution to the work of Committees. If necessary, the Board Committees may engage experts and consultants to work with the committees on a temporary or permanent basis, with no right to vote at decision-making on issues within the Committees remit.

The status, goals, objectives and functions of the Committees as well as their composition, formation and operation procedures are set out in Regulations on Committees, approved by the Company's Board of Directors and published on the Company's official website at [www.nlmk.com](http://www.nlmk.com).

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

### Strategic Planning Committee

The Strategic Planning Committee of the Board of Directors 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.

#### Committee composition as of 31 December 2018

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

The composition of the Committee changed in 2018.

Grigory Fedorishin, formerly Senior Vice President, Deputy Chairman of the Management Board, was Secretary of the Committee until 6 March 2018; as of that date Konstantin Arshakuni, Director for Strategic Development of NLMK, was appointed Secretary of the Committee.

#### COMPOSITION OF THE STRATEGIC PLANNING COMMITTEE IN 2018

##### Composition of the Committee from 2 June 2017 until 8 June 2018

	Position
<b>Vladimir Lisin</b>	Chairman of the Committee / member of the Committee*
<b>Oleg Bagrin</b>	Chairman of the Committee
<b>Thomas Veraszto</b>	Member of the Committee
<b>Helmut Wieser</b>	Member of the Committee
<b>Karl Doering</b>	Member of the Committee
<b>Karen Sarkisov</b>	Member of the Committee
<b>Benedict Sciortino</b>	Member of the Committee
<b>Franz Struzl</b>	Member of the Committee

##### Composition of the Committee as of 8 June 2018

	Position
<b>Oleg Bagrin</b>	Chairman of the Committee
<b>Thomas Veraszto</b>	Member of the Committee
<b>Helmut Wieser</b>	Member of the Committee
<b>Karl Doering</b>	Member of the Committee
<b>Vladimir Lisin</b>	Member of the Committee
<b>Marjan Oudeman</b>	Member of the Committee
<b>Karen Sarkisov</b>	Member of the Committee
<b>Grigory Fedorishin</b>	Member of the Committee
<b>Benedict Sciortino</b>	Member of the Committee

\* NLMK Group's Board of Directors at a meeting held on 13 February 2018 resolved to elect Oleg Bagrin as Chairman of the Strategic Planning Committee.



### Committee's activity in 2018

In 2018, the Strategic Planning Committee held five meetings.

The Committee reviewed and passed resolutions on the following issues:

- NLMK Group strategy results in 2013-2017
- Development of coke production and coal sourcing strategy
- Appointment of the Strategic Planning Committee Secretary
- Development programmes of Energy and Logistics functions
- Development of the Lipetsk site upstream operations and Stoilensky
- Key areas of sales portfolio management in 2018-2022
- Development strategy of Research & Development function
- NLMK Group's Strategy 2022;
- Status of NLMK Group Investment Programme: 2018 Results and 2019 Budget
- Schedule of the Strategic Planning Committee for 2019.

Development and key projects of NLMK USA, NLMK Russia Flat Products, NLMK Europe Strip, NLMK Europe Plate and electrical steels production were also discussed.

In 2019, the Committee plans to work actively on NLMK Group's environmental programme, information systems development programmes, increasing operational efficiency, and the development programmes of such functions as Energy, Sales, Research and Development, and NLMK USA, NLMK EU Strip and NLMK EU Plate divisions, as well as electrical steels production and rolling operations at NLMK Lipetsk. The Committee will also analyse the implementation of the Committee's instructions and NLMK Group's investment programme progress status.

### Audit Committee

The Audit Committee, chaired by an independent director, develops and submits recommendations to the Board of Directors on the following matters:

- Efficient supervision of the Company's financial and business activities, including annual independent audits of financial statements, the quality of services provided by the auditor, and

### PARTICIPATION OF THE COMMITTEE MEMBERS IN COMMITTEE MEETINGS IN 2018

	Position	Participation in Committee meetings in 2018
Oleg Bagrin	Chairman of the Committee	5/5
Thomas Veraszto	Member of the Committee	5/5
Helmut Wieser	Member of the Committee	4/5
Karl Doering	Member of the Committee	5/5
Vladimir Lisin	Member of the Committee	5/5
Marjan Oudeman*	Member of the Committee	2/5
Karen Sarkisov	Member of the Committee	5/5
Grigory Fedorishin	Member of the Committee	5/5
Benedict Sciortino	Member of the Committee	5/5
Franz Struzl**	Member of the Committee	1/5

\* NLMK Group's Board of Directors at a meeting held on 8 June 2018 resolved to elect Marjan Oudeman as member of the Committee

\*\* Member of the Committee until 8 June 2018

compliance with the requirements for auditor independence

- Control over the reliability and efficient functioning of the risk management, internal control and corporate governance systems, including the efficiency evaluation of risk management and internal control procedures established in the Company, corporate governance practices, and development of proposals on their improvement.

#### Committee composition as of 31 December 2018

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

The composition of the Committee changed in 2018.

Mikhail Makeev, Audit Director, was confirmed as the Secretary of the Committee.

### Committee's activity in 2018

In 2018, the Audit Committee held four meetings.

During the Committee meetings the following major items were discussed and corresponding decisions taken:

- Review of draft NLMK's 2017 IFRS Consolidated Financial Statements, including financial performance review and results of the audit of the statements performed by PricewaterhouseCoopers Audit (PwC)
- Review of the results of the audit of NLMK's 2017 RAS Accounting (Financial) Statements, including the review of the Auditor's Opinion Evaluation, issued by PwC, on NLMK's 2017 Accounting (Financial) Statements
- Review of draft interim abridged NLMK's IFRS Consolidated Financial Statements for Q1, H1, and 9M 2018, including financial performance review and results of the audit of the statements performed by PwC
- Review of the candidate to the position of the Group's auditor and their remuneration

### COMPOSITION OF THE AUDIT COMMITTEE IN 2018

Composition of the Committee from 2 June 2017 until 8 June 2018		Composition of the Committee as of 8 June 2018	
	Position		Position
Benedict Sciortino	Chairman of the Committee	Benedict Sciortino	Chairman of the Committee
Karen Sarkisov	Member of the Committee	Karen Sarkisov	Member of the Committee
Nikolai Gagarin	Member of the Committee	Nikolai Gagarin	Member of the Committee
Stanislav Shekshnia	Member of the Committee	Stanislav Shekshnia	Member of the Committee
Franz Struzl	Member of the Committee	Marjan Oudeman	Member of the Committee

- Review of the report on External Evaluation of NLMK's Internal Audit Function in 2016-2017, prepared by Deloitte & Touche CIS (Appraiser)
- Review of the Audit Department's (Internal Audit Service) draft road map for implementing the Appraiser's key recommendations
- Review of reports on the Audit Department's performance in Q3, Q4 2017, and FY 2017 and in Q1-Q3 2018
- Approval of the Audit Committee meeting plan for 2018
- Review of updated approach to planning of the IAS activity and generalized areas of internal audit's inspections and investigations for 2019.

### Financial reporting

NLMK Audit Committee reviews on a quarterly basis the Group's IFRS (International Financial Reporting Statements) consolidated financial statements, and NLMK's RAS (Russian accounting standards) annual stand-alone statutory financials. The Committee pays special attention to significant financial reporting judgements, comments to statements and accounting policies.

Along with the quarterly IFRS financials the Committee reviews and discusses with senior management and external auditors NLMK Group's financial condition, performance results, cash flows and when necessary seeks explanations on key changes in the Group's operating and financial performance.

### THE AUDIT COMMITTEE MEMBERS' PARTICIPATION IN THE COMMITTEE MEETINGS IN 2018

	Position	Participation in Committee meetings in 2018
Benedict Sciortino	Chairman of the Committee	4/4
Karen Sarkisov	Member of the Committee	4/4
Nikolai Gagarin	Member of the Committee	3(1)*/4
Stanislav Shekshnia	Member of the Committee	4/4
Marjan Oudeman**	Member of the Committee	2/4
Franz Struzl***	Member of the Committee	2/4

\* Participated by expressing their opinion in writing

\*\* NLMK Group's Board of Directors at a meeting held on 8 June 2018 resolved to elect Marjan Oudeman as member of the Committee

\*\*\* Franz Struzl was member of the Committee until 8 June 2018

### Risk management and internal control

NLMK's Audit Committee exercises control over the reliability and efficient functioning of the risk management, internal control and corporate governance systems and development of proposals on their improvement. In fulfilling its oversight responsibilities, the Committee reviews reports and the Group's updated risk map developed by the team of Vice President for Risk Management, internal audit and the external auditor reports, and holds regular meetings with the Audit Director and the external auditor's team.

### Internal Audit

NLMK Audit Committee is responsible for monitoring the operation and evaluating effectiveness of the internal audit function. This is done via discussions with the Audit Director and approval of the quarterly and annual internal audit plans. Progress reports, key findings, and issued recommendations are submitted to the Committee throughout the year to ensure that the actions taken by the executive management are efficient.

To ensure independence the Audit Director reports directly to the Board of Directors, has a right to raise any matter they believe is important,

an obligation to report to the Committee including on audit results above a certain materiality threshold and/or corresponding with other obligatory disclosure requirements and meets with the external auditors whenever required.

The Internal Audit Service takes an annual self-assessment to evaluate the compliance with the International Standards for the Professional Practice of Internal Auditors and the Code of Ethics as well as an independent external quality assessment once every five years, the results of assessments are submitted for consideration to the Audit Committee

#### External audit

In order to ensure confidence in the efficiency of the independent audit process, PwC and the Audit Committee of the Board of Directors maintain regular interaction. The independent auditor submits an annual audit plan to the Audit Committee, as well as quarterly progress reports.

### HR, Remunerations and Social Policy Committee

The Human Resources, Remunerations and Social Policy Committee, headed by an independent director, assists the Board of Directors with reviewing issues related to the development of efficient and transparent practices of remuneration paid to the Board of Directors, executive bodies, and other executives of the Company, human resource planning, and enhancing the Board's areas of expertise and performance.

#### COMPOSITION OF THE HR, REMUNERATIONS AND SOCIAL POLICY COMMITTEE IN 2018

Composition of the Committee from 2 June 2017 until 8 June 2018		Composition of the Committee as of 8 June 2018	
	Position		Position
Stanislav Shekshnia	Chairman of the Committee	Stanislav Shekshnia	Chairman of the Committee
Vladimir Lisin	Member of the Committee	Vladimir Lisin	Member of the Committee
Helmut Wieser	Member of the Committee	Helmut Wieser	Member of the Committee
		Oleg Bagrin	Member of the Committee
		Thomas Veraszto	Member of the Committee

#### Committee composition as of 31 December 2018

The majority of members of the Human Resources, Remunerations and Social Policy Committee are independent directors. The Committee includes an independent director, competent in matters of motivational management and personnel administration.

The composition of the Committee changed in 2018.

#### Committee's activity in 2018

In 2018, the Human Resources, Remunerations and Social Policy Committee held four meetings including two meetings in the form of absentee voting. The Committee passed resolutions on the following issues:

- HR strategy results in 2015-2017 and key areas for development in 2018-2022
- Goals and priorities of the Company's President for 2018-2022
- Review and approval of the results of NLMK's Board of Directors performance evaluation in 2017; selection of an independent consultant
- Approval of HR Committee meeting schedule for 2018-2019
- Update on the search for independent directors
- Eligibility of candidates to the position of independent directors to be voted on at NLMK's Annual General Shareholders' Meeting on the 2017 performance

- Professional qualification of candidates to NLMK's Board to be voted on at NLMK's Annual General Shareholders' Meeting on the 2017 performance
- Review of proposals to NLMK's Board of Directors on the amount of remuneration to be paid to Board members
- Achievement of NLMK Group's key performance indicators, target quantitative and project KPIs and 2017 bonuses to be paid to top executives
- Approval of the basic contract terms and conditions with NLMK's President (Chairman of the Management Board)
- Approval of an updated HR Committee meeting schedule for 2018-2019
- NLMK Group's Human Resources Strategy 2022
- NLMK Corporate University: achievements and challenges
- NLMK's Board of Directors performance evaluation.

In 2018, the Human Resources, Remunerations and Social Policy Committee continued to exercise its functions to ensure the interests of the Company, following the recommendations of the Corporate Governance Code and best global practices.

A regular performance evaluation of the Board of Directors was organized, including an online survey of members of the Board of Directors, in a format approved by the Committee, followed

by an interview of each Board member by the Chairman of the Committee. The results of the Board performance evaluation were reviewed at the meeting of the Board of Directors held in March 2018.

NLMK's Human Resources, Remunerations and Social Policy Committee resolved to assess the possibility of obtaining information on best global practices from an external consultant in 2019.

The issue of engaging an external consultant to the Board's performance evaluation is on the agenda of the HR, Remunerations and Social Policy Committee for 2019.

NLMK's Human Resources, Remunerations and Social Policy Committee took a positive view of holding an on-site Committee meeting in an extended format to include the entire Board of Directors that took place at NLMK La Louvière, the Group's main Belgian production site.

#### PARTICIPATION OF THE COMMITTEE MEMBERS IN COMMITTEE MEETINGS IN 2018

	Position	Participation in Committee meetings in 2018
Stanislav Shekshnia	Chairman of the Committee	4/4
Vladimir Lisin	Member of the Committee	4/4
Helmut Wieser	Member of the Committee	4/4
Oleg Bagrin	Member of the Committee	2* /2
Thomas Veraszto	Member of the Committee	2* /2

\* NLMK Group's Board of Directors at a meeting held on 8 June 2018 resolved to elect him as member of the Committee





# Corporate Secretary

The Company’s Corporate Secretary represents a link to the system of corporate governance 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 efficient operation of the Board of Directors and its Committees.

In addition to supporting the activities of the Board of Directors, NLMK 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.

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, enables the establishment of a dynamic and balanced corporate governance system, ensuring efficient interaction between the Company’s shareholders, Board of Directors, and the Management.

Functionally reporting to the Board of Directors and administratively reporting to NLMK’s President (Chairman of the Management Board), the Corporate Secretary is appointed and dismissed by the President (Chairman of the Management Board) following a resolution of the Board of Directors.

The Corporate Secretary oversees the Corporate Secretary Office. The Corporate Secretary’s activities are governed by Regulations on NLMK’s Corporate Secretary.

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



Valery Loskutov

MR. LOSKUTOV WAS BORN ON 6 MAY 1969 IN LIPETSK

- He graduated from the Lipetsk Polytechnic Institute and the Academy of National Economy under the Government of the Russian Federation with an MBA.
- For more than twenty years, he has been a member of the governing bodies of a number of Russian companies. Mr. Loskutov has been with NLMK since 1998, and since 2005 he has been NLMK's Corporate Secretary. Since 2017 Mr. Loskutov has been Secretary of the Human Resources, Remunerations and Social Policy Committee.
- Mr. Loskutov is a co-founder of National Association of Corporate Secretaries.
- For three years (2016–2018) Mr. Loskutov was ranked among TOP 50 corporate governance directors.
- In 2018 he won the Director of the Year XIII national award in the "Corporate Governance Director/Corporate Secretary" category.

# Management Board

## NLMK Management Board procedures

The Management Board is in charge of managing day-to-day operations of the Company, implementing the approved strategy and specific resolutions of the General Shareholders’ Meeting and 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 the most important issues.
- The list of issues in the Management Board’s remit is regulated by NLMK Charter and Regulations on the Management Board, available on the Company's official website at [www.nlmk.com](http://www.nlmk.com).



## Composition of the Management Board

NLMK Group’s Management Board as of 31.12.2018 consisted of nine members.

### COMPOSITION OF THE MANAGEMENT BOARD

Composition of the Management Board as of 31 December 2018	
	Position
Grigory Fedorishin	President (Chairman of the Management Board) <sup>1</sup>
Tatyana Averchenkova	Vice President, Operational Efficiency
Ilya Guschin	Vice President, Sales
Barend de Vos	Vice President, International Operations
Sergey Likharev	Vice President, Logistics
Sergey Filatov	Managing Director
Evgeny Ovcharov	Vice President, Risk Management
Sergey Chebotarev	Vice President, Energy
Mikhail Arkhipov	Vice President, HR & Management System <sup>2</sup>

<sup>1</sup> Appointed President (Chairman of the Management Board) on 12 March 2018  
<sup>2</sup> Vice President, HR & Management System, since 9 January 2018

Composition of the Management Board until 27 April 2018	
	Position
Grigory Fedorishin	President (Chairman of the Management Board) <sup>1</sup>
Tatyana Averchenkova	Vice President, Operational Efficiency
Ilya Guschin	Vice President, Sales
Barend de Vos	Vice President, International Operations
Sergey Likharev	Vice President, Logistics
Sergey Filatov	Managing Director
Stanislav Tsyrlin	Vice President, HR & Management System <sup>3</sup>
Oleg Bagrin	Member of the Board of Directors <sup>4</sup>

<sup>3</sup> Vice President, HR & Management System until 29 December 2017  
<sup>4</sup> President (Chairman of the Management Board) until 12 March 2018

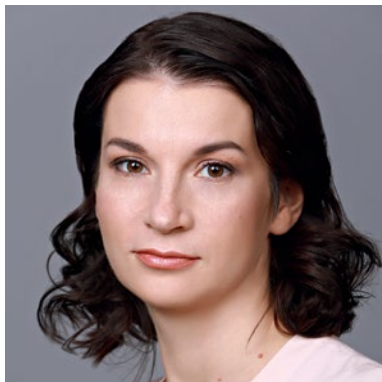
### Members of the Management Board biographies



#### Grigory Fedorishin

YEAR OF BIRTH: 1979
MEMBER OF THE STRATEGIC PLANNING COMMITTEE
PRESIDENT (CHAIRMAN OF THE MANAGEMENT BOARD) SINCE MARCH 2018

- ▶ Grigory Fedorishin graduated from the State Finance Academy, Moscow. He holds a master's degree in Business Administration from INSEAD business school, France & Singapore. Member of Certified Financial Analysts (CFA) association.
- ▶ Senior Vice President, Deputy Chairman of the Management Board, since March 2017 until March 2018. Vice President for Finance (CFO) from 2013 until 2017. In 2016 he also headed NLMK Group's Russia Long Division.
- ▶ From 2011 to 2013, he served as NLMK's Strategy and Business Development Director. From 2009 to 2011, he served as an investment manager at Libra Capital, a Moscow-based investment management company. From 2001 to 2009, he worked for PricewaterhouseCoopers consulting company, where he held positions up to director for business restructuring practice.



#### Tatyana Averchenkova

YEAR OF BIRTH: 1979
VICE PRESIDENT, OPERATIONAL EFFICIENCY
MEMBER OF THE MANAGEMENT BOARD SINCE 2017

- ▶ Ms. Averchenkova graduated from Lipetsk State Technical University, majoring in Economics & Management.
- ▶ Tatyana Averchenkova has been with NLMK since 2001. She served as Director for Controlling and held various senior management positions in the Strategy Department. In 2016, she was appointed Vice President, Operational Efficiency.



#### 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.
- ▶ Mr. Guschin joined NLMK in 2013. From 2009 to 2013, he worked for SIBUR Group, including as head of SIBUR International, the group's export division.
- ▶ From 2008 to 2009, he served as Financial Director at Skolkovo School of Management, 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

- ▶ Mr. de Vos holds a B.Eng. (Hons) Electrical and M.Eng (Industrial) from the University of Pretoria.
- ▶ From 2011 onwards, Director of NLMK Belgium Holdings as well as a number of its subsidiaries. He is CEO, Chairman of the Management Board of NLMK International B.V., leading the turnaround and operating efficiency programmes.
- ▶ Mr. de Vos joined Duferco La Louvière in Belgium in 2004 and served as a management board member of the NLMK/Duferco JV from 2007 to 2011.
- ▶ After starting his career as 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.



#### Sergey Likharev

YEAR OF BIRTH: 1964
VICE PRESIDENT, LOGISTICS
MEMBER OF THE MANAGEMENT BOARD SINCE 2014

- ▶ Sergey Likharev holds a PhD in Physics and Mathematics and a Masters of Business Administration from Cornell University, USA. From 1990 to 1993, he worked as a researcher at Lomonosov Moscow State University.
- ▶ 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 was 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.



#### 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 Honorary Metallurgist of Russia. Merited 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.

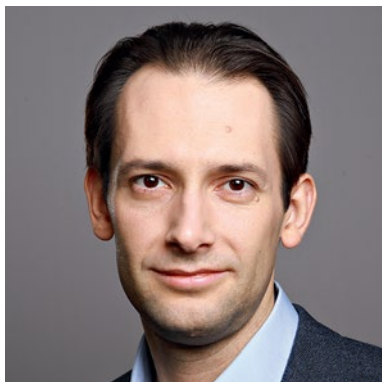




Evgeny Ovcharov

YEAR OF BIRTH: 1977
VICE PRESIDENT, RISK MANAGEMENT
MEMBER OF THE MANAGEMENT BOARD SINCE 2018

- ▶ Graduate of Lipetsk State Technical University. Ph.D., Ec.
- ▶ Evgeny Ovcharov joined NLMK in 1998. Mr. Ovcharov held the positions of Director for Internal Control and Risk Management, Head of Corporate Finance, and senior management positions at the Department of Economics and Finance. In 2016, he was appointed Vice President for Risk Management.



Mikhail Arkhipov

YEAR OF BIRTH: 1982
VICE PRESIDENT, HR & MANAGEMENT SYSTEM
MEMBER OF THE MANAGEMENT BOARD SINCE 2018

- ▶ Mr. Arkhipov graduated with honours from the Faculty of Sociology of Lomonosov Moscow State University.
- ▶ Mikhail Arkhipov joined NLMK in January 2018 as Vice President, HR & Management System. From 2013 to 2018, he was member of the Management Board and Vice President for HR at MTS Group. From 2009 to 2013, he held various positions at the HR Department at SIBUR up to HR Director. From 2004 to 2009, Mr. Arkhipov worked in senior management positions in HR at SUN InBev and KPMG.



Sergey Chebotarev

YEAR OF BIRTH: 1980
VICE PRESIDENT, ENERGY
MEMBER OF THE MANAGEMENT BOARD SINCE 2018

- ▶ Mr. Chebotarev graduated from Lipetsk State Technical University, majoring in Applied Mathematics. Ph.D., Tech.
- ▶ Sergey Chebotarev joined NLMK in 2000 as an economist in the Fuel and Energy Complex Department. He was Head of Energy Policy Management and Director for Energy Efficiency and Energy Markets, before being promoted to Vice President of Energy in 2016.

President (Chairman of the Management Board)

The President (Chairman of the Management Board) manages the Company’s day-to-day activities, arranges for the execution of resolutions passed by the General Shareholders’ Meeting and the Board of Directors, organizes the work of the Management Board, and ensures the timely adoption of resolutions by the Management Board.

The rights and obligations of the President (Chairman of the Management Board) are outlined in the prevailing legislation of the Russian Federation, as well as the President’s contract with the Company.

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

According to the prevailing corporate documents, the President (Chairman of the Management

Board) cannot simultaneously be the Chairman of the Board of Directors of the Company.

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

Activity of the Management Board in 2018

In 2018, there were 45 meetings of the Management Board, including 20 meetings that were held by absentee ballot. President (Chairman of the Management Board) determines the format of the Management Board’s meeting.

The following issues were considered at these meetings:

- Achievement of the 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
- Development programmes of NLMK’s divisions (functional areas), operations, including within the scope of Strategy 2022
- Operational Efficiency Improvement Programmes for divisions
- Recommendations to the Company’s Board of Directors (in particular, with regard to dividend payments and NLMK’s Draft 2017 Annual Report)
- Recommendations to the governing bodies of subsidiaries and affiliates
- Approval of transactions
- Efficiency of sales portfolio management
- Risk management system
- Approval of the Management Board’s meeting schedule for 2019.

SHARES OWNED BY MEMBERS OF THE MANAGEMENT BOARD IN 2018

	Position	Share of the authorized capital stock of NLMK	Information on transactions with NLMK shares
Grigory Fedorishin	President (Chairman of the Management Board) <sup>1</sup>	Not an NLMK shareholder	Did not participate in any transactions
Oleg Bagrin <sup>2</sup>	Member of the Board of Directors, President (Chairman of the Management Board) <sup>3</sup>	Not an NLMK shareholder	Did not participate in any transactions
Tatyana Averchenkova	Vice President, Operational Efficiency	Not an NLMK shareholder	Did not participate in any transactions
Ilya Guschin	Vice President, Sales	Not an NLMK shareholder	Did not participate in any transactions
Barend de Vos	Vice President, International Operations	Not an NLMK shareholder	Did not participate in any transactions
Sergey Likharev	Vice President, Logistics	Not an NLMK shareholder	Did not participate in any transactions
Sergey Filatov	Managing Director	Not an NLMK shareholder	Did not participate in any transactions
Stanislav Tsyrlin <sup>2</sup>	Vice President, HR & Management System <sup>4</sup>	Not an NLMK shareholder	Did not participate in any transactions
Evgeny Ovcharov <sup>5</sup>	Vice President, Risk Management	Not an NLMK shareholder	Did not participate in any transactions
Sergey Chebotarev <sup>5</sup>	Vice President, Energy	Not an NLMK shareholder	Did not participate in any transactions
Mikhail Arkhipov <sup>5</sup>	Vice President, HR & Management System <sup>6</sup>	Not an NLMK shareholder	Did not participate in any transactions

<sup>1</sup> Appointed President (Chairman of the Management Board) on 12 March 2018  
<sup>2</sup> Member of the Management Board until 27 April 2018  
<sup>3</sup> President (Chairman of the Management Board) until 12 March 2018

<sup>4</sup> Vice President, HR & Management System, until 29 December 2017  
<sup>5</sup> Member of the Management Board since 27 April 2018  
<sup>6</sup> Vice President, HR & Management System, since 9 January 2018

PARTICIPATION OF MEMBERS OF THE MANAGEMENT BOARD  
IN THE MANAGEMENT BOARD MEETINGS IN 2018

	Participation in meetings
Grigory Fedorishin	45/45
Oleg Bagrin	8 <sup>1</sup> /45
Tatyana Averchenkova	45/45
Ilya Guschin	45/45
Barend de Vos	45/45
Sergey Likharev	45/45
Sergey Filatov	45/45
Stanislav Tsyrlin	8 <sup>2</sup> /45
Evgeny Ovcharov	32 <sup>3</sup> /45
Mikhail Arkhipov	32 <sup>4</sup> /45
Sergey Chebotarev	32 <sup>5</sup> /45

- <sup>1</sup> Oleg Bagrin was member of the Management Board until 27 April 2018
- <sup>2</sup> Stanislav Tsyrlin was member of the Management Board until 27 April 2018
- <sup>3</sup> Evgeny Ovcharov was appointed member of the Management Board at the meeting of the Board of Directors held on 27 April 2018
- <sup>4</sup> Mikhail Arkhipov was appointed member of the Management Board at the meeting of the Board of Directors held on 27 April 2018
- <sup>5</sup> Sergey Chebotarev was appointed member of the Management Board at the meeting of the Board of Directors held on 27 April 2018



NLMK Management Board members had no conflict of interest in 2018.

Events after  
the reporting date

Konstantin Arshakuni, Secretary of the Strategic Planning Committee was appointed NLMK's Vice President for Strategy on 9 January 2019.

At a meeting held on 1 March 2018, NLMK Group's Board of Directors recommended the Company's shareholders to approve payment of FY2018 dividends in the amount of RUB 22.81 per ordinary share (taking into account paid interim dividends in the amount of RUB 17.01 per share, the outstanding amount to be paid in dividends is RUB 5.80 per share).

# Report on remuneration to governing bodies

Remuneration and  
compensation of members  
of the Board of Directors

Members of the Board of Directors are paid remuneration during the period of their duties execution, and they are also get coverage of expenses related to performance of their duties as members of the Company's Board of Directors. The Regulations on Remuneration of Members of the Board of Directors, approved by the General Shareholders' Meeting, establish the amount of remuneration and determine the terms and conditions as well as the procedure for remuneration payment. The Regulations are available on the Company's official website at [www.nlmk.com](http://www.nlmk.com).

It contains transparent criteria for determining the amount of remuneration paid to the Board members, and governs all types of compensation and benefits offered to them.

The levels of remuneration are sufficient to attract, motivate and retain competent and qualified 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. Remuneration is paid to members of the Board of Directors for reasonable and faithful exercise of their rights and their duties in the interests of the Company. Remuneration to members of the Board of Directors consists of a basic remuneration and a bonus.

The amount of the basic remuneration was approved on 5 June 2015 by resolution of the Annual General Shareholders' Meeting and amounts to \$160,000 (one hundred and sixty thousand).

A member of the Board of Directors is entitled to the basic remuneration if they participated in over half of the Board of Directors meetings over the reporting period.

Members of the Board of Directors are also paid additional remuneration for performing the functions of the Chairman of the Board

REMUNERATION OF MEMBERS OF NLMK'S BOARD OF DIRECTORS

Remuneration category	Remuneration amount
Basic remuneration	\$160,000
Additional remuneration for the performance of duties of the Chairman of the Board of Directors, considering their functions related to organizing the work of the Board of Directors	Up to 50% of the basic remuneration
Additional remuneration to a member of any Committee of the Board of Directors (who participated in over half of its meetings)	Up to 25% of the basic remuneration, and up to 50% of the basic remuneration to a member of two and more Committees
Additional remuneration to the Chairman of any Committee of the Board of Directors (who participated in over half of its meetings)	Up to 40% of the basic remuneration, and up to 80% of the Basic remuneration to the Chairman of two and more Committees

REMUNERATION TO BOARD OF DIRECTORS MEMBERS PAID  
IN 2017-2018, RUB '000\*

	2018	2017
Remuneration and compensation to members of the Board of Directors, incl.:	155,307	139,134
Remunerations, incl.:	148,389	136,977
basic remuneration	100,037	89,010
bonuses	48,352	47,967
Salary	-	-
Bonuses	-	-
Commission	-	-
Benefits	-	-
Reimbursed expenses	6,918	2,157
Other types of remuneration	-	-

\* Data for 2017 are represented in actual amounts. Remunerations to members of the Board of Directors for 2018 are determined on the basis of preliminary calculation in accordance with the Regulations on Remuneration to Members of NLMK's Board of Directors



of Directors, a member of one or more Committees of the Board of Directors, or for chairmanship in one or more Committees of the Board of Directors.

A member of the Board of Directors may receive a bonus that shall not exceed two basic 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 of the Human Resources, Remunerations and Social Policy Committee.

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

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

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

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

The Annual General Shareholders' Meeting on the 2017 performance, which was held on 8 June 2018, resolved to pay remuneration to members of NLMK Board of Directors in the amount of \$2.216 million.

## Remuneration and compensation of members of the Management Board

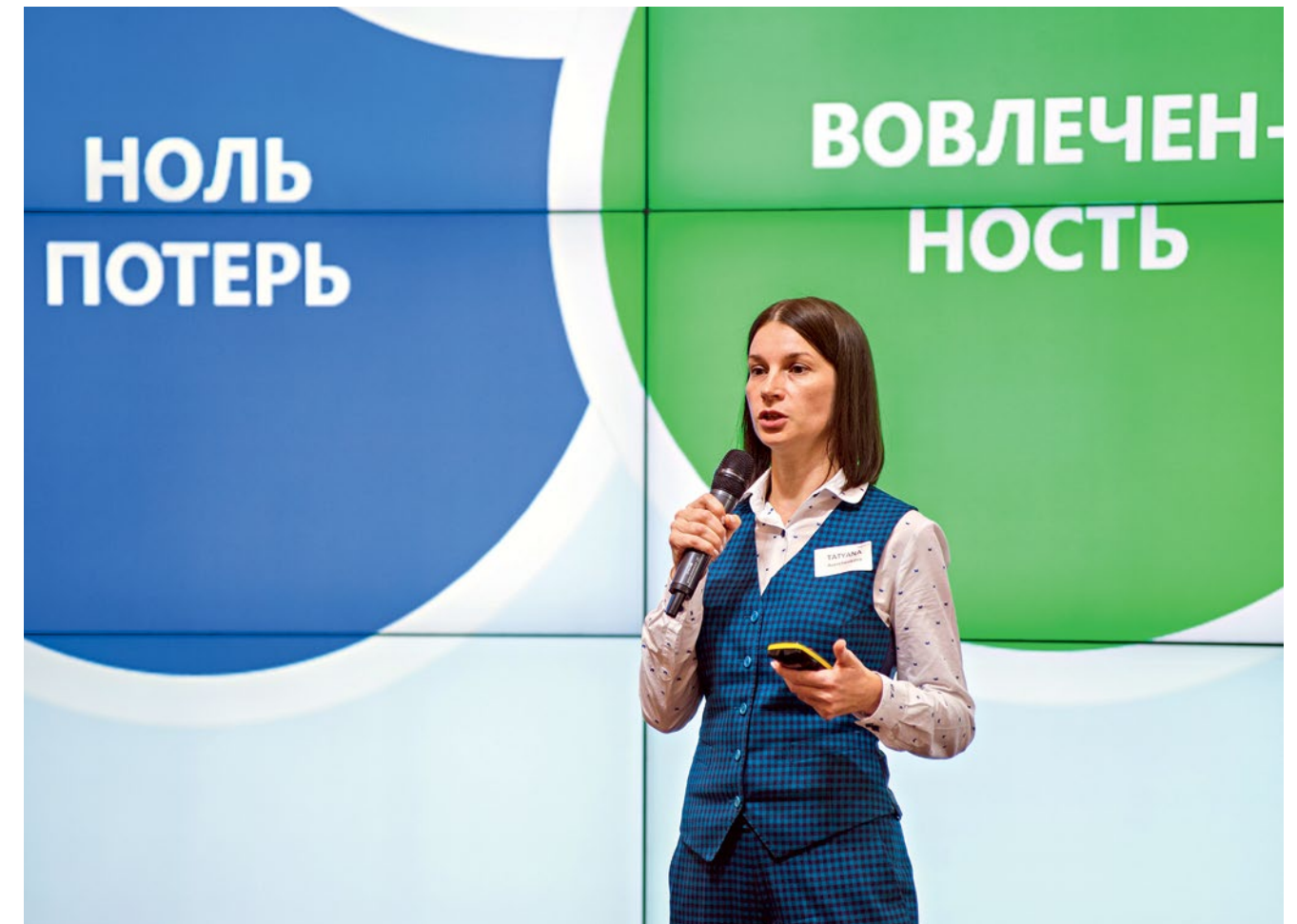
The Management Board remuneration system is aimed at ensuring their material interest in achieving strategic goals and increasing the economic efficiency of NLMK governance. The Company's approach to remunerating members of the Management Board creates sufficient motivation for their efficient work and allows the Company to attract and retain competent and qualified executives.

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

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

Short-term incentives are based on the existing system of key performance indicators (KPIs). The amount paid to members of the Management Board in bonuses depends on their KPIs achievement. The KPIs used to determine rewards for top management are related to NLMK's financial and operating performance and are intrinsically linked to shareholder value. They include operational performance, social responsibility and occupational safety, and organizational development indicators.

The Company also has a long-term incentive (LTI) programme for members of the executive bodies and other top executives of the Company. In March 2019, it is planned to approve a new long-term incentive programme in connection with the completion of the 2014–2018 LTI programme.



### INDIVIDUAL AMOUNT OF REMUNERATION TO BOARD MEMBERS PAID IN 2017-2018, RUB '000

	Total remuneration in 2018	Total remuneration in 2017
Vladimir Lisin	21,264	19,449
Stanislav Shekshnia	16,318	14,925
Oleg Bagrin	13,846	11,308
Nikolai Gagarin	12,363	11,308
Karen Sarkisov	14,835	13,569
Thomas Veraszto	12,363	11,308
Helmut Wieser	14,835	13,569
Marjan Oudeman	-	-
Benedict Sciortino	16,318	14,925
Franz Struzl	14,835	13,569

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
- Bonuses awarded to members of the Management Board are dependent on their progress against their key performance indicators (KPIs) and on the Company's overall performance during the reporting period
- Active involvement of members of the Management Board in the work of the Group's executive bodies.

### REMUNERATION TO MANAGEMENT BOARD MEMBERS PAID IN 2017-2018, RUB '000\*

	2018	2017
<b>Payments to Management Board members, incl.:</b>	<b>446,943</b>	<b>706,437</b>
Salary	205,195	256,517
Bonuses	234,900	425,698
Commission	-	-
Benefits	-	-
Refunded expenses	1,481	1,381
Other types of remuneration	5,367	22,841

\* Data for 2017 are represented in the actual amounts. May differ from previously published estimated liabilities by the amount of liabilities for achieving the Company's strategic objectives in 2017–2018 under the long-term incentive programme. The actual payment is expected in 2019. NLMK's 2018 financial statements take into account the estimated reserve for the payment of bonuses under the long-term incentive programme in the amount of RUB 1,760,495.7 thousand. Bonuses to members of the Management Board for 2018 include payment liabilities based on a preliminary reporting year-end calculation. 2017 dividend pay to members of the Management Board amounted to RUB 182,000.



# Operational control and risk management

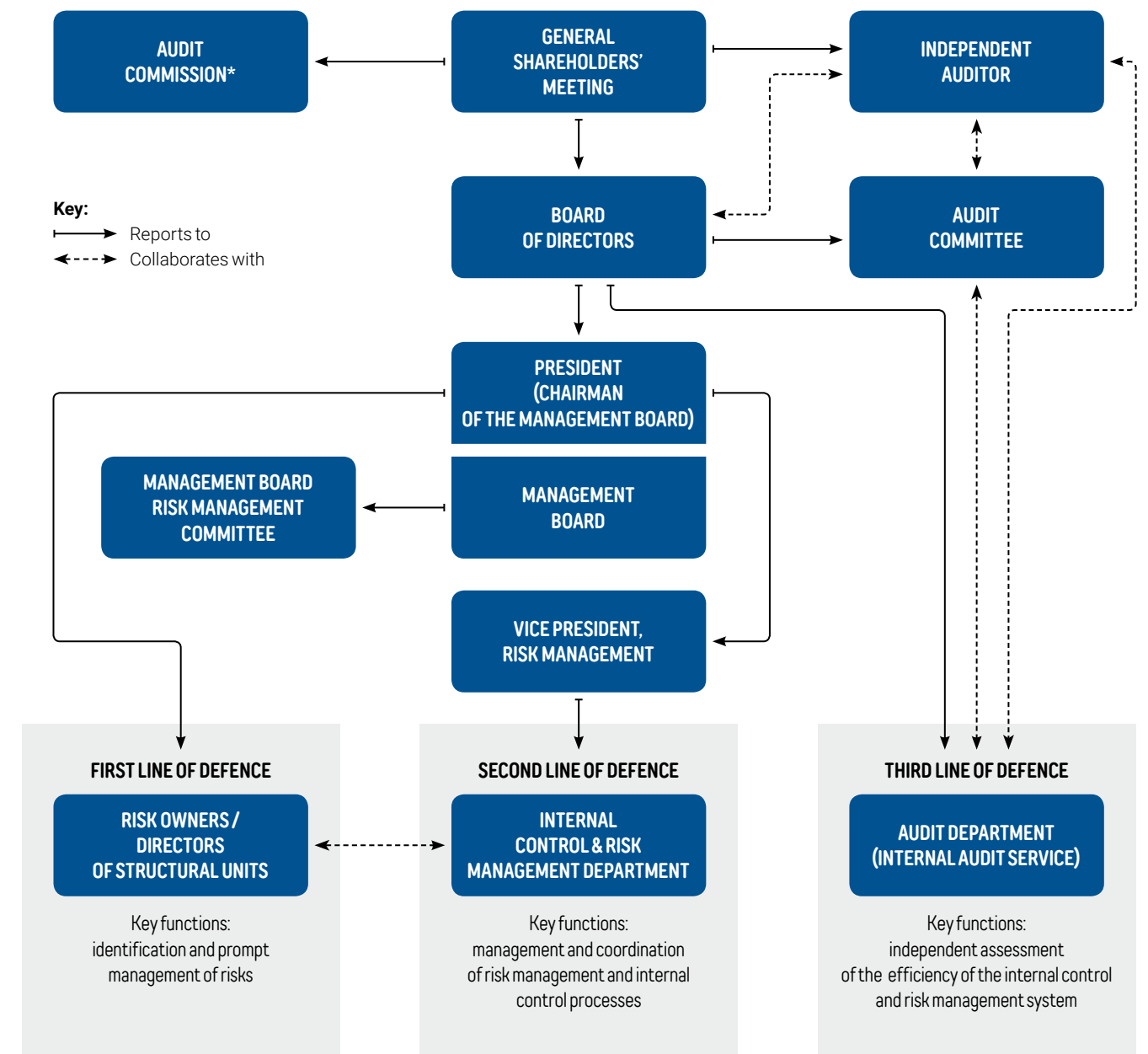
**A**s a major international steel producer, NLMK Group is subject to a variety of operational risks which could have a negative impact on the Group's business and on our stakeholders if materialized. In order to safeguard shareholder value and sustainable development, we employ

the latest operational control and risk management practices and methods.

NLMK's approach to operational control is founded on a clear division of authority and functions between the entities involved in NLMK's internal control and risk management system; it also takes into account NLMK's

'three lines of protection'. Control procedures apply to the Group's Russian and international operations, and are an integral component of key corporate decision-making activities and processes.

## ORGANIZATIONAL STRUCTURE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM



\* At an Extraordinary General Shareholders' Meeting in December 2018, a resolution was passed to abolish the Audit Commission. This decision was taken pursuant to changes to the prevailing legislation of the Russian Federation and in connection with the fact that the Company has an efficient risk management and internal control system in place. The key functions of the Audit Commission will be fulfilled in practice by the Audit Department (Internal Audit Service).



DIVISION OF INTERNAL CONTROL AND RISK MANAGEMENT FUNCTIONS AMONG CORPORATE GOVERNANCE SYSTEM PARTICIPANTS

Participant	Key functions
Board of Directors	<ul style="list-style-type: none"> <li>Defines principles for and approaches to the organization of the internal control and risk management system</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>Monitors the reliability and efficiency of the internal control and risk management system</li> <li>Monitors procedures to ensure the Group's compliance with legislative and stock exchange requirements, and with corporate ethical standards, rules, and procedures</li> <li>Analyses and assesses the implementation of NLMK's conflict of interest management policy</li> </ul>
Audit Department (Internal Audit Service)	<ul style="list-style-type: none"> <li>Assesses the reliability and efficiency of internal control and risk management system</li> <li>Assesses the corporate governance system</li> <li>Provides advice and recommendations, promotes knowledge sharing</li> </ul>
Management Board	<ul style="list-style-type: none"> <li>Defines strategy and approves critical risk management measures</li> <li>Ensures the effective functioning of the internal control and risk management system</li> </ul>
Vice President, Risk Management	<ul style="list-style-type: none"> <li>Organizes risk management and internal control operations</li> <li>Implements anti-corruption programmes and counter-corruption activities</li> </ul>
Management Board's Risk Management Committee	<ul style="list-style-type: none"> <li>Approves principles, strategy, and regulatory instruments for risk management processes and the internal control system</li> <li>Regularly reviews the Company's risk radar (a list of significant risks, indicating their weight and trends for the period) and ensures overall monitoring of the implementation of risk management measures</li> <li>Approves and implements general monitoring of risk management measures</li> <li>Regularly reviews the results of analysis and assessment of the internal control system, approves and ensures general monitoring of the implementation of measures to enhance it</li> <li>Approves and monitors adherence to corporate ethics and business culture norms within the Group</li> <li>Ensures overall organization of activity to enforce the Code of Corporate Ethics and Anti-Corruption Policy</li> <li>Regularly reviews reports on compliance with business ethics and anti-corruption principles</li> <li>Coordinates the work of subdivisions participating in the risk management process and internal control system</li> </ul>
Internal Control & Risk Management Department	<ul style="list-style-type: none"> <li>Assesses and regularly monitors the level of risks taken, assesses the efficiency of management activities</li> <li>Coordinates and provides methodological support with regard to the risk management process</li> <li>Develops regulatory and methodological documents relating to risk management and internal control</li> <li>Promotes and assesses the effectiveness of measures to counteract corruption and fraud implemented in accordance with the Group's Anti-Corruption Policy</li> <li>Records and processes incidents associated with deviations in the internal control system, plans and monitors corrective measures</li> <li>Systematically looks into the risk coverage by the internal control system in cooperation with line managers; plans and monitors implementation of corrective measures</li> <li>Builds a system for effective internal communication about risks</li> <li>Creates a risk- awareness culture</li> </ul>
Risk owners (business subdivisions)	<ul style="list-style-type: none"> <li>Identify risks</li> <li>Implement risk management measures</li> <li>Monitor key risk indicators (KRIs)</li> </ul>

# Internal control and risk management system

The internal control and risk management system that NLMK has in place is designed to ensure reasonable certainty that the Group's strategic and operational goals will be achieved, to create and protect Group value, and to ensure sustainable development through rapidly identifying, assessing, and effectively managing risks and opportunities.

The Company's Board of Directors, which determines the principles and approaches to the organization of the risk management system and regularly reports on the status of the Company's risks, plays a key role in the risk management process.

The Internal Control and Risk Management Department operates as a separate structural subdivision within NLMK. Its goals and objectives include analysing risks associated with key business processes, ensuring that risk management processes are effective, implementing monitoring procedures, and developing a corporate culture of risk awareness. The Department includes the following units and functional specialists: Corporate Risk, Internal Control, Repair and Construction Control, Qualifications and Tender Procedures, and a lead anti-corruption specialist.

## Our approach to risk management

Risk management is a continuous process aimed at reducing risk to an acceptable level and preventing events that could have a negative impact on the achievement of NLMK Group's business goals. The Group is committed to effectively and proactively managing risks and opportunities on a day-to-day basis, and to the ongoing development of a risk- awareness culture.

NLMK's risk management system has been developed to take account



of the challenges posed by the external environment and in accordance with the principles set forth in international risk management standards, including ISO 31000:2018 and COSO ERM:2017. The Regulations on the Corporate Risk Management System is the key internal document regulating NLMK's risk management. Internal documents have also been developed for managing individual risk categories, which are of relevance to the Group.

Management Board's Risk Management Committee is an important link in the risk management process. It conducts a detailed review of changes in the Company's risk profile, issues relating to the functioning of the risk management system, and methodological approaches to risk management during its meetings. The Management Board and the Board of Directors review the map of significant risks to which NLMK is exposed on an annual basis and take into account information on current and emerging risks in the course of decision-making. [GRI 102-11](#)

NLMK's functional areas are engaged in identifying and responding to risks relevant to their operations, with methodological support from the Internal Control and Risk Management Department. The effectiveness of measures to manage identified risks is monitored by the Department as part of the analysis of management reporting from risk-owning functional subdivisions;

this includes operational data at the business process level on current and planned KRI values, the status of risk management measures, and materialized risks.

NLMK is committed to the continuous development of its corporate risk management culture, which aims to identify and respond to risks in a timely and effective manner. With this aim in mind, the management consistently emphasizes the importance of risk management in internal corporate communications. The development of a risk-awareness corporate culture is also facilitated by systematic training in managing individual categories of risk, and by the integration of risk management in the daily activities of the Group employees.

Assessing the probability and impact of risks is one of the most significant factors in the making of considered management decisions, and NLMK therefore employs modern risk analysis practices and tools. By applying specially developed methods for assessing individual categories of risk, anticipated losses and the probability of risk realization can be determined with a very high degree of precision, and effective risk management measures can be developed.

The majority of significant risks to which NLMK is exposed are assessed on a quantitative basis, leading to better-informed management decisions.

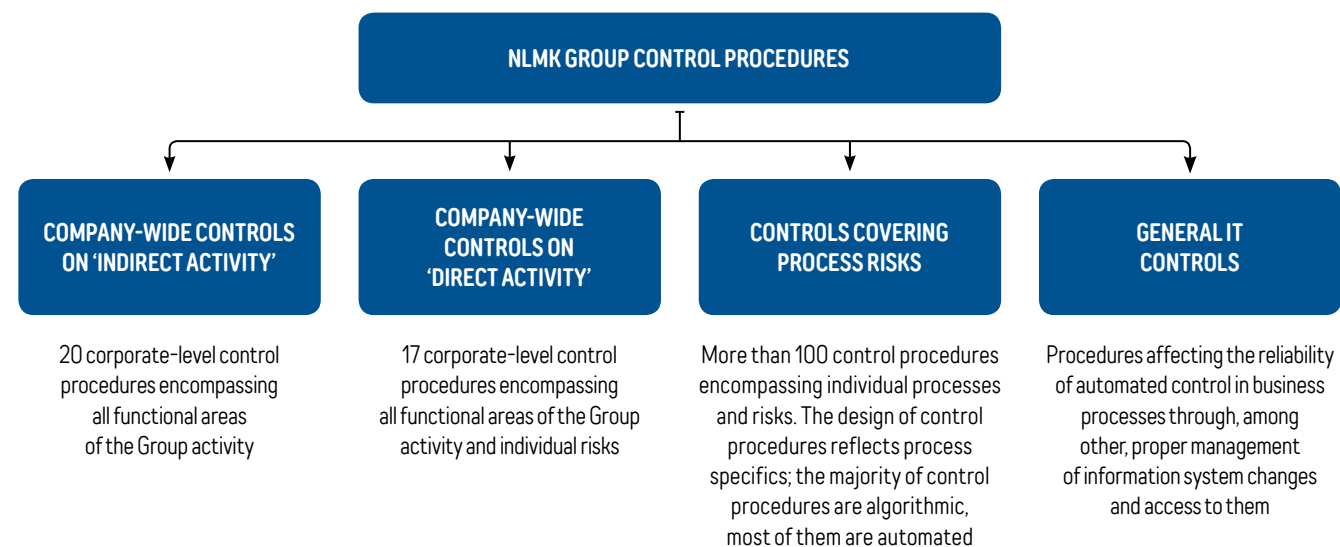
KEY PHASES IN THE RISK MANAGEMENT PROCESS



The Group assesses significant risks using scenario analysis models and stress testing.

The Company regularly monitors the efficiency of its risk management system and implements measures to improve it. The Audit Department (Internal Audit Service) plays a key role in the assessment of the risk management system. The Internal Control and Risk Management Department also conducts a regular self-assessment of the risk management system efficiency by comparing the Company's current practices with best practices, recommendations of professional standards, and practices implemented in similar companies.





## Our approach to internal control

Internal control encompasses all key NLMK Group business processes, and aims to ensure that assets are safeguarded and that business operations can be pursued effectively. The key document regulating NLMK’s internal control system is the Regulations on the Internal Control System.

The Internal Control Department, which is part of the Internal Control and Risk Management Department, works systematically to assess and develop control procedures and analyse risk in the key business processes of the Group in collaboration with functional heads, including: Procurement, Investment Projects Implementation, Sales, the Maintenance Management System and others. If necessary, the Internal Control Department works in conjunction with the Audit Department. The fact that the Company has three levels of control procedures in place makes it possible to cover numerous areas of the Group’s operations and ensure that business processes function reliably.

Senior management plays a key role in determining the design and ensuring the efficiency of the internal control system (‘tone at the top’). Performance and evaluation reports on the internal control system across business processes are presented for review by the Risk Management Committee once or twice each quarter. A regular independent reliability assessment of the internal control system is carried out by the Internal Control Department, which is also responsible for developing the system.

The Audit Department (Internal Audit Service) assesses the performance of the internal control system. Monitoring of the internal control system’s reliability is also carried out as part of assessments of the system across business processes performed by the Audit Department. The Management Board’s Risk Management Committee also reviews the results of these assessments.

For more efficient risk control, the Group makes use of the SAP GRC system. The SAP GRC Access

Control and SAP GRC Process Control modules, which were rolled out in 2017, allow distribution of the most critical authorizations to be controlled within the Company’s main ERP system. They also enable regular automated monitoring of significant deviations in business processes.

## 2018 performance

In 2018 the Company continued to improve its internal control and risk management system and develop approaches to risk management. The key outcomes resulting from the development of these approaches and improving the reliability of risk management systems are as follows:

- An automated credit management system. The system is designed to perform automated monitoring of product shipments, with the objective of restricting shipments when a payment is overdue. The project encompasses the Group’s Russian and international companies.
- Development and implementation of risk management approaches in innovative projects that are characterized by a high degree of uncertainty with respect to outcomes, a lack of experience in applying the technological solutions implemented both within NLMK Group and in global practice, and an absence of standard approaches to implementation.

- Further systematization and improvement of crisis response plans: negative developments, which could have a serious impact on business and commercial interests, the health and welfare of employees and local communities, and the environment.
- Improved accuracy of projected financial indicators included in NLMK Group’s budget, thanks to the involvement of the Internal Control and Risk Management Department in the budgeting process.
- Development and implementation of a portfolio management strategy for retail credit risk that takes into account the cost of protective measures.
- Replication of quantitative risk assessment methods for significant investment projects.
- Creation of a system for evaluating IT security risks.
- Updating the parameters of the property risks and business continuity risks insurance programme.

In 2018, as part of the development of a risk-oriented culture, the Internal Control and Risk Management Department organized training in investment risk management for all Russian companies, and conducted training presentations on credit risk management at the request of relevant subdivisions.

In addition the focus of the Internal Control Department in 2018 was analysis of production process risks. Key actions taken to develop and improve the reliability of the internal control system in 2018 include:

- Digitalization of real-time ferroalloy consumption in BOF operations with the launch of a project to monitor anomalies in ferroalloy utilization, audit of the adequacy and automation of weighing procedures at the Lipetsk site for controlling incoming and outgoing material flows.
- Implementation of a real-time flow analysis system for the weighing of scrap metal, analysis of the internal control system for transporting scrap metal at NLMK Kaluga.

- Risk assessment and implementation of control procedures for the raw materials procurement process, competitiveness analysis of panels of our most critical suppliers and contractors.
- Transition to the construction cost control based on market rates with application of the input method.

## Significant risks

NLMK Group has drawn up a list of significant (critical) risks. This includes both financial and non-financial risks for which the Group has assessed the probability of their materialization and/or their expected impact is high. Analysing critical risks and monitoring implementation of measures to manage risks of this kind are a continuing priority for NLMK Group’s management team.



- In connection with the growing significance of improvements to corporate IT system security across its global sites, a methodology for assessing cybersecurity risks was developed at NLMK in 2018. A list of current cybersecurity threats relevant to NLMK was established, scenarios for the realization of these threats determined, and the potential losses resulting from each scenario calculated. Assessing the vulnerability of current cybersecurity measures has allowed NLMK both to determine the probability that each scenario will be implemented in such a way as to take these vulnerabilities into account, and to evaluate the total potential losses resulting from the realization of negative incidents in a given area.



SIGNIFICANT RISKS FOR NLMK GROUP IN 2018

Risk name	Description	Change in risk level 2017–2018	Comments to changes	Quantitative assessment of risk	Management measures
<b>Price and currency risks</b>	Risk of reduced profits resulting from a negative change in market prices for finished products and in exchange rates. Assessed together due to strong statistical correlation.	Rise	Due to increasing volatility of prices for products and raw materials	Yes	<ul style="list-style-type: none"> <li>Support for an optimal long-term open currency position in key currencies to ensure 'natural' hedging</li> <li>Formula-based pricing of finished products and raw materials and supplies</li> </ul>
<b>Risks to business continuity</b>	Risk associated with production downtime caused by breakdown of key machinery	Rise	The estimate is based on the cost of equipment downtime. Due to high product prices in 2018, the cost of downtime also increased. At the same time, the duration and probability of downtime decreased or did not change	Yes	<ul style="list-style-type: none"> <li>Development and implementation of a maintenance and major repairs programme (preventative maintenance and major repairs)</li> </ul>
<b>Environmental risk</b>	Risk of occurrence of events with unfavourable consequences for the environment due to negative impact of NLMK Group's companies operations	Flat	The risk reduction effect due to systematic implementation of the environmental programme offset the increased risk through identification of new risk factors	Yes	<ul style="list-style-type: none"> <li>Implementation of cutting-edge conservation technology as part of a comprehensive environmental investment programme</li> </ul>
<b>Investment risk</b>	Risks of increased expenditure and shifting deadlines in relation to investment programme implementation	Reduced	Due to investment programme implementation	Yes	<ul style="list-style-type: none"> <li>Risk-based calculation of reserves and inclusion in project budgets</li> <li>Model for calculating project risks with subsequent review of the acceptability of the project risk level by the Investment Committee. Inclusion of risk minimization measures in project budgets</li> </ul>
<b>Credit risk</b>	Risk of losses stemming from contractors' payment default or from product non-delivery (accounts receivable and advance payments), or NLMK Group's bank deposits	Flat	The growth of receivables in absolute terms is offset by a decrease in the share of overdue and uncovered receivables	Yes	<ul style="list-style-type: none"> <li>Series of principles and approaches to credit risk management unified within the Group's Credit Policy. Includes restrictions on the maximum permissible volume of subcontractor liabilities, taking into account the use of various protective instruments</li> </ul>
<b>Trade restriction risks</b>	Risks of losses resulting from changes to tariffs, the application of non-tariff or other trade restrictions (in the procurement of raw materials, supplies, and equipment, and in the sale of products)	Flat	A number of risks materialized in 2018	Yes	<ul style="list-style-type: none"> <li>Monitoring and analysis of international customs statistics to identify sales channels most subject to risk, adaptation of the sales strategy to the growing risk of trade restrictions</li> <li>Management of a portfolio of collaborative projects with government bodies (participation in research, minimization of consequences)</li> </ul>
<b>IT and information security risks</b>	This risk is associated with the heavy dependency of NLMK business processes on IT systems and services, and on the flow of information requiring special organizational and technical measures to ensure that these remain secure and function reliably	Rise	Reassessment of external factors in line with the new methodology	Yes	<ul style="list-style-type: none"> <li>Implementation of comprehensive IT security projects</li> </ul>
<b>Occupational and industrial safety risks</b>	Occupational and industrial safety risks include events associated with occupational injuries, equipment breakdown, buildings, and structures decay, fire, explosion, uncontrolled emissions of hazardous substances, and transport accidents	-	-	No	<ul style="list-style-type: none"> <li>Development of a risk-based occupational and industrial safety programme (improvement of working conditions and industrial and fire safety, risk management)</li> </ul>
<b>Fraud and corruption risk</b>	These risks arise as a result of unlawful (fraudulent) activity on the part of employees, subcontractors, or third parties with the objective of exacting personal gain by damaging NLMK's interests	-	-	No	<ul style="list-style-type: none"> <li>Identification of those areas most exposed to corruption and fraud-related risks (obligatory declaration of conflicts of interest, psychophysiological assessment of employees in the risk area)</li> <li>Collegiality and restrictions on authorizations of decisions relating to work with subcontractors</li> <li>Promotion of the principles contained in the Anti-Corruption Policy and the Corporate Ethics Code</li> </ul>

Plans for 2019 and midterm

The Company is planning to further develop its internal control and risk management system by integrating a risk-based approach to the management of core business processes. Plans include expanding cooperation between the Internal Control and Risk Management Department and business process owners, and targeted implementation of risk management procedures in specific areas of the Group's operations.

Plans for 2019 include:

- Improvement of the Group's ability to adapt to negative events by creating plans to restore critical equipment in the event of accidents
- Analysis and unification of the existing regulatory framework for emergency response at sites, improving the status update process
- Introduction of optimal approaches to managing the credit risk of contractors, working on investment projects, taking into account the risk/reduced construction time ratio and the quality of equipment maintenance
- Development of a risk-based approach to prioritization of maintenance projects in the field of occupational and industrial safety, physical and economic security

- Development of a portfolio approach to assessing the overall risk of the Group, taking into account the correlation of factors
- Review of the main pools of suppliers and contractors for availability of qualified partners and exclusion of unreasonable intermediaries
- Approval of the principles of strategic partnership with contractors in the construction and fixed assets management
- Training of the Group's executives in approaches to compliance risk management when working with counterparties
- Full-scale migration to the use of the input method for assessing investment projects.

# Internal Audit

Internal audit is a source of reasonable guarantees for the management to achieve NLMK Group's strategic objectives. The activities of the Audit Department (Internal Audit Service) are aimed at improving the Group's performance by conducting objective audits in line with the risk-based approach and giving recommendations following the results of audits and knowledge sharing.

The Group's internal audit function is built in line with legal requirements and recommendations of professional standards and the Bank of Russia Corporate Governance Code, and meets the requirements of the best international practices. The Audit Department includes NLMK Lipetsk's Audit Department, NLMK Group Companies' Audit Department, Comprehensive Assessment and Information and Analytical Support, as well as a lead international audit specialist.

Internal audit is a centralized function, ensuring full coverage of the core activities of NLMK Group's companies, including international ones. Unified management of the internal audit function facilitates the use of uniform standard approaches to planning, auditing and reporting, as well as ensures effective exchange of information between specialists of the Internal Audit Service.

The Internal Audit Services' key functions include assessment of the internal control system and the risk management system efficiency as well as corporate governance assessment. In addition, the Internal Audit Service carries out consulting activities by providing professional opinion to internal customers on certain issues of financial and business activities.

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

## PRINCIPLES OF THE INTERNAL AUDIT SERVICE AND THEIR ENFORCEMENT

Principles of the Internal Audit Service	Principles enforcement tools and mechanisms
<b>Independence and objectivity</b>	<ul style="list-style-type: none"> <li>Audit Director functionally reports to NLMK's Board of Directors</li> <li>Audit Director is appointed (dismissed) by resolution of NLMK's Board of Directors</li> <li>Audit Director has the right of direct and free access to the Chairman of the Board of Directors, Chairman of the Audit Committee and President (Chairman of the Management Board) to provide information on identified significant risks</li> <li>Third parties are prohibited from interfering in the process and the results of the audit</li> </ul>
<b>Systematic and consistent approach</b>	<ul style="list-style-type: none"> <li>The Internal Audit Service is guided by a risk-based Audit Plan</li> <li>Distribution of resources between local (limited scope) and integrated audits of processes and subsidiaries in devising Audit Plan</li> <li>The Internal Audit Service prepares recommendations taking into account the costs/value ratio. Priority is given to systemic measures</li> </ul>
<b>Efficient use of resources</b>	<ul style="list-style-type: none"> <li>Lead auditors are appointed from among the most qualified auditors</li> <li>Engagement of internal and external experts (consultants)</li> <li>Timely status updates of the Company's management about the requirements (limitations) in the resources necessary for carrying out audits</li> </ul>
<b>Risk-based approach</b>	<ul style="list-style-type: none"> <li>Focus on areas, most subject to risk, when drawing up the Audit Plan and performing audits</li> </ul>
<b>Professionalism and professional attitude to work</b>	<ul style="list-style-type: none"> <li>More than 80% of the Internal Audit Service' team have internationally recognized internal audit diplomas (ICFM) and other professional certificates</li> <li>Continuous professional development and improvement of knowledge, skills and other competencies of the Internal Audit Service' team</li> </ul>
<b>Continuous audit quality improvement</b>	<ul style="list-style-type: none"> <li>Audit Director develops and keeps up-to-date the Quality Assurance and Improvement Programme, covering all activities of the Internal Audit Service</li> <li>Internal and external evaluations of the internal audit function for compliance of its activities and auditors with the definition of internal audit, the International Standards for the Professional Practice of Internal Auditors and the Code of Ethics</li> <li>Audit Director presents the results of the Quality Assurance and Improvement Programme for consideration to the Board of Directors (Audit Committee) and the President (Chairman of the Management Board)</li> </ul>

The activities of the internal audit function are governed by the Regulations on the Audit Department, approved by the Company's Board of Directors. The Regulations are available on the Company's official website at [www.nlmk.com](http://www.nlmk.com).

With a view to unify approaches to internal audit and to ensure efficient control of financial and business activities at all the its sites, the Group

has adopted a number of internal corporate documents, including:

- Regulations on Risk-based Planning
- Regulations on Audit Arrangement and Conducting
- Internal Control System and Business Process Risks Assessment Methods
- Guidelines for Internal Control and Risk Management System Comprehensive Assessment

In addition to assessing the reliability and efficiency of the risk management and internal control systems and the quality of corporate governance, the Internal Audit Service pays attention to aspects related to the Group's sustainable development. For instance, the Internal Audit Service assesses compliance with operational health and safety rules in the Group's companies that have been sampled for audits. At the request of interested parties, limited scope audits are carried out, for example, in the field of environmental protection with respect to emissions and waste management.

The Internal Audit Service regularly monitors implementation of recommendations given following the audits, which ensures consistency of the internal audit function. The monitoring is considered completed only if there is a report of the audited department on implementation of recommended actions.

In order to continuously improve the internal audit function, the Internal Audit Service conducts external and internal quality assessments. The annual internal self-assessment evaluated the Department's maturity level and compliance with the International Standards for the Professional Practice of Internal Auditors. The results of this

self-assessment are used to identify risks of the Internal Audit Service and develop measures to minimize them. One of the ways to collect information for self-assessment is a survey of stakeholders, which is aimed at collecting opinions on the efficiency of key internal audit processes.

The independent external quality assessment is performed once every five years to obtain an independent opinion on the compliance of the Company's internal audit function with the best international practices. After its 2017 independent quality assessment, Deloitte issued a positive opinion that the Internal Audit Service's activities are generally in line with International Standards for the Professional Practice of Internal Auditors and Code of Ethics.

## 2018 performance

In 2018, the Internal Audit Service performed an assessment of availability and efficient functioning of controls required for risk management and internal control at NLMK and the Group's core companies. It also reviewed the implementation of initiatives at the request of interested parties, as well as initiatives aimed at confirming the reliability of 2017 financial statements in the framework of the audit commissions' activities.

## Plans for 2019 and midterm

In 2019, the Internal Audit Service plans to implement initiatives set forth in the applicable legislation on joint-stock companies and the Regulations on NLMK's Audit Department, namely:

- Assess the reliability and functioning of risk management and internal control for NLMK Group's key business processes that have been sampled in accordance with the risk-based approach.
- Follow up on implementation of recommendations given after the corporate governance quality assessment performed by internal auditors in 2017.

Moreover, starting from 2019, the Internal Audit Service plans to proceed to the development of long-term action plans, which will be periodically revised based on the influence of internal and external factors.







## Anti-corruption compliance and fair business practices

### Approach to corporate conduct and business ethics

NLMK Group is guided by high ethical standards, principles of business transparency and zero tolerance to any form or manifestation of corruption in its day-to-day operations.

The Company makes every focused effort to prevent and counteract corruption and fraud. The matter of timely detection and response to wrongdoings are in the area of constant attention of the Company's management.

The Company's values, principles, standards and norms of business conduct are laid out in NLMK Group's Code of Corporate Ethics

and Anti-Corruption Policy, adopted by the Board of Directors. The Anti-Corruption Policy and the Code of Corporate Ethics are available in Russian and English on the corporate portal and on NLMK Group's official website. [GRI 102-16, 205-2](#)

The Company's employees and management familiarize themselves with the provisions of the Code of Corporate Ethics and the Anti-Corruption Policy against their signature when the revised versions of documents are enacted, as well as when they are hired. Job descriptions of all the Company's employees contain an obligation to comply with

the provisions of the Anti-Corruption Policy and the Code of Corporate Ethics. [GRI 102-16](#)

A significant event in terms of improving the anti-corruption system in 2018 was the introduction of changes to the Anti-Corruption Policy and the Company's Code of Ethics. The main changes affected such important areas as feedback, informing employees about business conduct and respect for human rights. Approval of the Anti-Corruption Policy and the Code of Corporate Ethics of the Company, as well as familiarization of employees with revised versions of documents is planned in 2019.

The Company also expects its business partners to adhere to basic values and principles of good business conduct. The Company's business partners familiarize themselves with the provisions of the Code of Corporate Ethics during qualification, selection and conclusion of a contract. [GRI 102-16](#)

An obligatory appendix to all contracts with the Group's business partners, with the exception of those contracts that contain an anti-corruption clause, is the Agreement on Anti-corruption Terms. The agreement establishes obligations of each of the parties to take measures aimed at preventing violations of the applicable anti-corruption legislation.

The Audit Committee of the Board of Directors, the President (Chairman of the Management Board) and the Risk Management Committee of the Management Board play the key role in establishing an efficiently

operating anti-corruption system. Vice President for Risk Management is in charge of implementing anti-corruption programmes and countering corruption in the Company. [GRI 102-16](#)

The main mechanisms and tools to combat corruption and fraud used in the Company are:

- Development, communication to all stakeholders and implementation of internal corporate documents
- Informing and training employees in the field of anti-corruption issues
- Hot line on combating corruption
- Identification, assessment and impact on corruption and fraud risks of business processes
- Inclusion of the requirement to comply with the provisions of the Anti-Corruption Policy and the Code of Ethics in the job descriptions of employees and agreements with counterparties.

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

### Assessment of corruption risks

Identification, analysis and assessment of risks associated with corruption and fraud are carried out at all levels of management and in all Group companies. The risk of corruption and fraud is one of the significant corporate risks of NLMK Group, controlled by the Group's management. [GRI 205-1](#)

Experts of Internal Control and Risk Management Department are consistently working to identify the sources of fraud and corruption risks and prevent their materialization in collaboration with the Security Department. [GRI 205-1](#)

### Conflict of interests

Declaration of conflict of interests is a mandatory annual procedure for more than 3,000 of the Group's employees whose sphere of activities is related with higher risks of corruption and bribery. In addition, all employees have the opportunity to independently declare conflict of interest by filling in an electronic questionnaire. All situations that show signs of conflict of interest, whether declared by

employees or identified by control services, are promptly analyzed in accordance with the Group's procedure, and, if necessary, measures are taken to resolve these issues.

### Political engagement

NLMK Group does not finance any political party or movement or their representatives. However, NLMK Group recognizes the right of its employees to take part in political activity after hours, if it is not related to the discharge of their duties. In no way whatsoever a political or social stance of employees may be regarded as a political or social stance of NLMK Group.

### Anti-corruption hot line

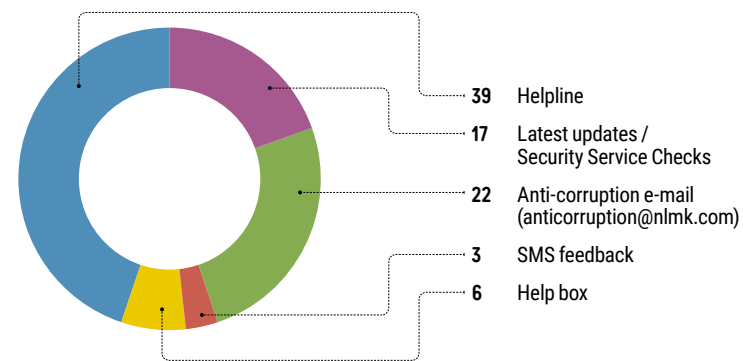
The Company has introduced a number of feedback mechanisms for collecting and analyzing information on the facts of impending or accomplished corruption and fraud, unethical and unfair behaviour and other wrongdoings (anti-corruption hotline):

- A 24-hour helpline (for calls from the Lipetsk site dial 06, for long-distance and international calls dial +7 (4742) 44-07-30)
- Help Box mail box for written notifications (Lipetsk)
- Written notifications sent to 2 Metallurgov sq., Lipetsk 398040, (you can address your letter to a specific person and mark it "personal")
- SMS feedback centres: telephone numbers of production sites
- Personal meetings with executives
- Management feedback section on the corporate portal
- Anti-corruption e-mail anticorruption@nlmk.com
- E-mail for questions related to ethics and receiving gifts in excess of a certain amount (ethics@nlmk.com).

All requests are promptly analyzed in accordance with the procedure adopted by the Group, and corrective measures are taken if necessary.



## NUMBER OF COMPLAINTS VIA FEEDBACK CHANNELS IN 2018, PCS.



### 2018 performance

In 2018 more than 2,000 employees, whose duties relate to the areas, subject to corruption and fraud risks, took a distance-learning course on Conflict of Interest. [GRI 205-2](#)

More than 3,000 employees of the Group's Russian companies passed the conflict of interest declaration procedure, confirmed that they had familiarized themselves with the provisions of the Code of Corporate Ethics, Anti-Corruption Policy and Regulations on Prevention, Detection and Settlement of a Conflict of Interest. The rest of the Company's employees were given sight of the applicable internal documents when these documents were enacted or when they were hired. [GRI 205-2](#)

All business partners are informed about the principles of good conduct in the process of accreditation and when the contract is concluded. In 2015-2018, a total of 8,469 accredited and potential business partners - suppliers of products, works and services - were informed about these principles. [GRI 205-2](#)

Each complaint with signs of corrupt actions or intentions received through feedback channels is thoroughly checked by the Security Service, the Risk Management and Internal Control Department and the HR Department. Of the 87 complaints received in 2018 via feedback channels, the information was partly or fully confirmed on 26 of them, and systemic corrective measures were taken. [GRI 205-3](#)

Corruption and fraud facts confirmed in 2018, dealt with, among other things, the unfair behaviour of suppliers, the provision of false information, unethical behaviour, as well as deliberate actions against property and resources for personal gain.

According to the results of official inspections and investigations in 2018, 7 employees of the Company were brought to disciplinary responsibility; employment relationships were terminated with 21 employees; 10 complaints were filed with local police departments. [GRI 205-3](#)

Following the complaints received through the help line, qualification of five business partners was cancelled; in three cases, the qualification status of the supplier was revised.

There were no court cases on corruption against NLMK Group or its employees during 2018.

### Plans for 2019 and midterm

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

## Internal Audit Commission

Item 1, Article 85 and Item 1, Article 78.1 of the Federal Law "On Joint-Stock Companies" stipulate that public companies must have a risk management and internal control system in place. It also states that an internal audit commission can be set up only if it is provided for by the Company's Charter.

The Company has an efficiently functioning risk management and internal control system in place, therefore the function of the Internal Audit Commission as a body responsible for carrying out continuous efficient monitoring of financial and business operations no longer was in line with up-to-date requirements. With a view to harmonize the Company's financial and business operations control system and introduce best practices in this area, and taking into account the applicable Russian legislation, the Extraordinary General Shareholders' Meeting held on 21 December 2018 resolved to abolish the Internal Audit Commission, make appropriate changes to internal corporate documents and terminate the powers of members of the Company's Internal Audit Commission early.

The key functions of the Internal Audit Commission, that is auditing the Company's financial and business operations, are, in practice, carried out by the Company's Audit Department (Internal Audit Service), which is responsible for objective internal audits.

The head of the Internal Audit Service is appointed and dismissed by NLMK's President (Chairman of the Management Board) on the basis of the Board of Directors' resolution. Functionally they report to the Board of Directors, and administratively to the President (Chairman of the Management Board) of the Company.

## Independent Auditor

The Company engages an independent audit organization to audit and confirm the reliability of NLMK Group's IFRS (International Financial Reporting Standards) consolidated financial statements and NLMK's RAS (Russian Accounting Standards) accounting (financial) statements. In June 2018, NLMK's Annual General Shareholders' Meeting approved PricewaterhouseCoopers Audit (hereinafter - PwC) as the Company's auditor.

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

PwC has been the auditor of the Group since 2003. The Board's Audit Committee, responsible for evaluating the efficiency of current independent auditor, was satisfied with the quality of provided services and, following the results of 2016 tenders, recommended the Board of Directors and the General Shareholders' Meeting to re-appoint PwC as the Group's auditor for 2017-2019.

In addition to providing auditing services to confirm the reliability of financial statements, NLMK Group companies may engage PwC and other PwC companies to provide consulting (non-audit) services. The management of NLMK Group and, in particular, the Audit Committee, perform necessary procedures, and is sure that these services do not affect the independence of the auditor and are not related to financial reporting.



### COMPLIANCE WITH THE AUDITOR'S INDEPENDENCE PRINCIPLE

► In order to comply with the requirements for audit independence and ensure a high level of professionalism, PwC has several systems that ensure audit independence and maintain a high level of professionalism and quality of the services provided. For example, PwC rotates key audit personnel on a regular basis (at least once in 7 years) with the latest rotation in 2017.

### Remuneration of Independent auditor

NLMK's Board of Directors has determined the value of remuneration for the provision of audit (review) services of NLMK's 2018 interim and annual IFRS consolidated financial statements, as well as for the audit of the 2018 RAS statements in the amount of RUB 66,095,814 (VAT excluded) (\$1,051,000).

### REMUNERATION PAID TO THE INDEPENDENT AUDITOR FOR 2018 (EXCLUDING VAT)

Types of services	NLMK Group (with NBH), \$ '000	including: NLMK, \$ '000
Audit and reviews	2,369.9	1,051.0
Non-audit services	380.1	102.5
<b>Total</b>	<b>2,750.0</b>	<b>1,153.5</b>



# Information for shareholders and investors

## Ordinary shares

The Group's share capital is divided into 5,993,227,240 shares with a nominal value of RUB 1 each. NLMK's shares are traded on the MICEX and RTS trading platforms of the Moscow Stock 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
- MOEX Russia Index
- MICEX Metals & Mining Industrial Index
- FTSE Russia IOB Index
- MSCI Emerging Markets and MSCI Russia indices

### 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 6.98% of share capital as of 31 December 2018.

The Company's depositary bank is Deutsche Bank Trust Company Americas.

### Market capitalization

In 2018, average market capitalization of the Company on the London Stock Exchange was \$15.1 billion (+21% yoy). At the end of 2018, NLMK share price was \$2.29, or \$22.88 per GDS, consistent with capitalization of \$13.71 billion (-10% yoy).

### Taxation

#### 1. LEGAL ENTITIES

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

#### 2. INDIVIDUALS

The personal income tax rate is 13% for Russian residents (Item 1, Article 224 of the Russian Tax Code) and 15% for non-residents (Item 3.2, Article 224 of the Russian Tax Code).

**Note:** Information on taxation is provided for general information purposes only. Potential and existing investors should consult with their own advisors regarding the tax consequences of investing in the Company's shares, including Global Depositary Shares (GDS).

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 Exchange

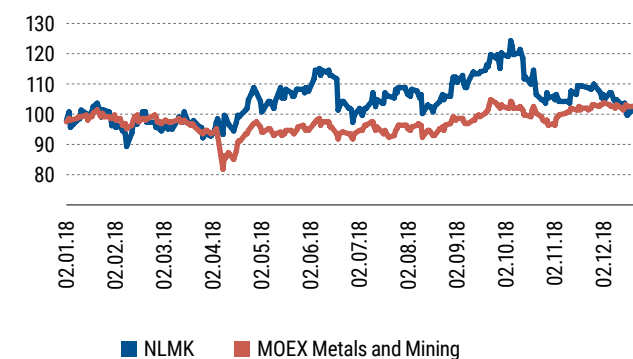
### NLMK GLOBAL DEPOSITARY SHARES ON THE LONDON STOCK EXCHANGE

GDS price (\$)	2018	2017	%
Maximum	27.85	25.68	8%
Minimum	22.01	17.60	25%
Average	25.15	20.80	21%
End of year	22.88	25.52	-10%

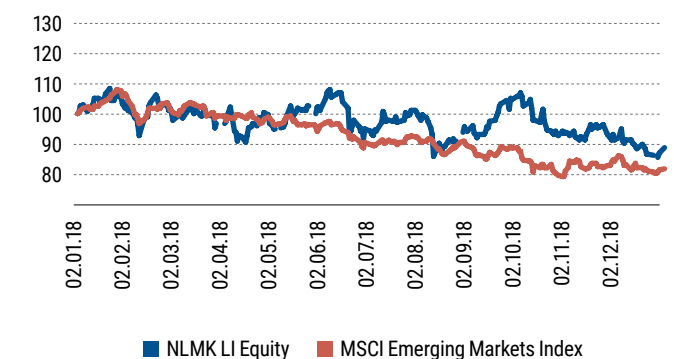
### ORDINARY NLMK SHARES ON THE MOSCOW STOCK EXCHANGE

Share price (RUB)	2018	2017	%
Maximum	184.00	148.25	24%
Minimum	137.95	100.70	37%
Average	158.05	122.09	29%
End of year	157.42	147.22	7%

### NLMK SHARES ON THE MOSCOW STOCK EXCHANGE (INDEX, 01.01.2018 = 100)



### NLMK SHARES ON THE LONDON STOCK EXCHANGE (LSE), (INDEX, 01.01.2018 = 100)



## Dividends

### Dividend Policy

According to the dividend policy, effective on 31 December 2018, dividends are determined as follows:

- If Net Debt/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 shareholders in line with the Board's recommendations.

### Dividends on GDS

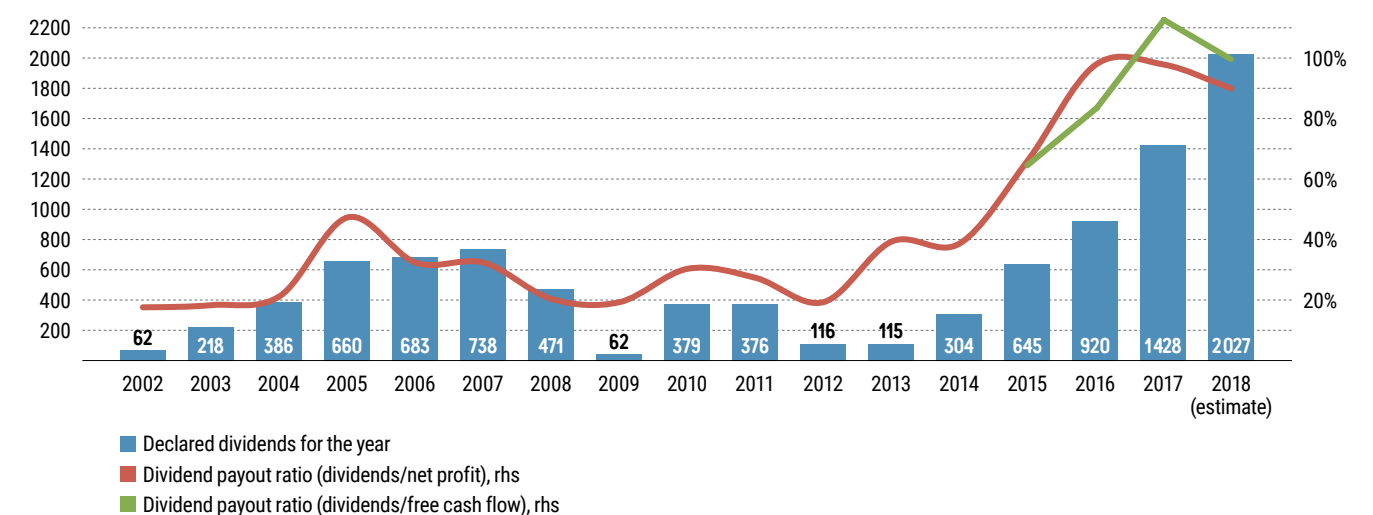
Any dividends paid on shares certified by GDS will be declared and paid to the Depositary in rubles or foreign currency, converted into US dollars by the Depositary (in the case of dividend payment in a currency other than US dollars), and distributed to the holders of GDS, net of fees and Depositary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

### Events after the reporting date

The Board of Directors recommends that NLMK's Annual General Shareholders' Meeting pay (declare) 2018 dividends for ordinary shares in the amount of RUB 22.81 in cash per ordinary share (taking into account the interim dividends in the amount of RUB 17.01 per ordinary share, the outstanding amount to be paid in dividends is RUB 5.80 per ordinary share), which is equivalent to 102% of NLMK Group's 2018 free cash flow.

On 1 March 2019, the Board of Directors approved updated NLMK Dividend Policy, which is available on the Company's website.

### NLMK DIVIDEND PAYMENTS, \$ M





## Corporate documents

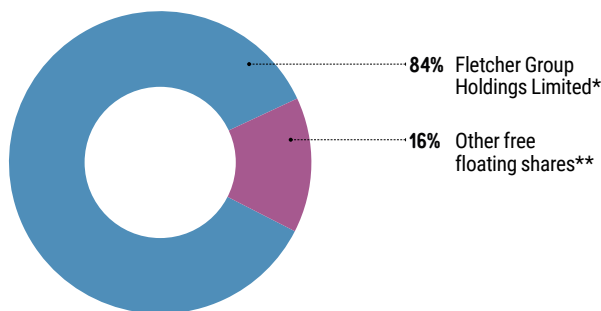
The Group’s corporate documents, including NLMK Charter, are available at [www.nlmk.com](http://www.nlmk.com).

## Financial reporting and disclosure

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

## Equity structure

EQUITY STRUCTURE  
AS OF 31 DECEMBER 2018



\* 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 (Deutsche Bank Trust Company Americas is NLMK’s depositary bank) and shares traded on the Moscow Exchange

## Financial calendar for 2019

Date	Event
18 January	Q4 and 12M 2018 NLMK Group Trading update
7 February	Q4 and 12M 2018 NLMK Group IFRS consolidated financial results. Conference Call
13 February	RAS (Russian Accounting Standards) 2018 Financial Results for the Group’s Major Companies
1 March	Meeting of the Board of Directors. Recommendations of the Board of Directors on Q4 2018 dividend payments
4 March	Capital Markets Day
15 April	Q1 2019 trading update
19 April	Annual General Shareholders’ Meeting (Q4 2018 Dividends Declaration)
15 April – 23 April	Meeting of the Board of Directors. Recommendations of the Board of Directors on Q1 2019 dividend payments
22 April – 26 April	Q1 2019 Financial Results (IFRS). Conference Call
3 June – 7 June	Extraordinary General Shareholders’ Meeting (Q1 2019 Dividends Declaration)
15 July	Q2 2019 Trading Update
22 July – 26 July	Q2 2019 IFRS Financial Results. Conference Call
22 July – 26 July	Meeting of the Board of Directors. Recommendations of the Board of Directors on Q2 2019 dividend payments
23 – 27 September	Extraordinary General Shareholders’ Meeting (Q2 2019 Dividends Declaration)
15 October	Q3 2019 Trading Update
21 – 25 October	Q3 2019 Interim IFRS Financial Results. Conference Call
21 – 25 October	Meeting of the Board of Directors. Recommendations of the Board of Directors on Q3 2019 dividend payments
16 – 20 December	Extraordinary General Shareholders’ Meeting (Q3 2019 Dividends 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@rnr.ru](mailto:info@rnr.ru)  
Website: <http://www.a-rnr.ru/>

### Depositary bank

Deutsche Bank  
Trust Company Americas  
New York Headquarters  
60 Wall St., New-York, NY, 10005 USA  
London Office  
Winchester House  
1 Great Winchester Street  
London EC2N 2DQ  
UK

### Contacts

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New York: +1 212 250 91 00  
Moscow: +7,495,642-06/-16  
E-mail: [adr@db.com](mailto:adr@db.com)

### Valery Loskutov

Corporate Secretary  
Telephone: +7 (4742) 44 49 89  
E-mail: [loskutov\\_va@nlmk.com](mailto:loskutov_va@nlmk.com)

### Investor Relations

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E-mail: [ir@nlmk.com](mailto:ir@nlmk.com) [GRI 205-53](#)





## About NLMK | 2018

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

The world is changing rapidly. Today, NLMK Group together with other global companies determines the future of steelmaking. In many aspects, 2018 was a year of achievements for NLMK Group.

### Grigory Fedorishin

President of NLMK Group



## Governance | 2018

► This brochure aims to showcase NLMK Group's corporate governance and risk management practices.

In its activities, NLMK Group adheres to best international practices and the highest standards of corporate governance.

### Stanislav Shekshnia

Independent director,  
member of NLMK Group's Board of Directors



## Our team | 2018

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

We are proud of what we have achieved and fully recognize that our achievements were made possible thanks to the contribution of our entire team, united by the common goal of leadership for NLMK Group.

### Grigory Fedorishin

President of NLMK Group



## Environment | 2018

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

Our firm belief is that, if we want to grow sustainably and if we look at the same sustainability of the company, competitive shareholder returns simply are not enough. In 2018 we disclosed our CO<sub>2</sub> emissions data.

### Marjan Oudeman

Independent director,  
member of NLMK Group's Board of Directors