## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder dialogue</td>
<td>4</td>
</tr>
<tr>
<td>Our approach to stakeholder engagement</td>
<td>4</td>
</tr>
<tr>
<td>Corporate communications</td>
<td>9</td>
</tr>
<tr>
<td>Supply chain management</td>
<td>10</td>
</tr>
<tr>
<td>Our approach to supply chain management</td>
<td>12</td>
</tr>
<tr>
<td>2018 performance</td>
<td>15</td>
</tr>
<tr>
<td>Plans for 2019 and the medium term</td>
<td>15</td>
</tr>
<tr>
<td>Human rights</td>
<td>16</td>
</tr>
<tr>
<td>Managing human rights issues</td>
<td>17</td>
</tr>
<tr>
<td>2018 performance</td>
<td>19</td>
</tr>
<tr>
<td>Plans for 2019 and the medium term</td>
<td>19</td>
</tr>
<tr>
<td>Our employees</td>
<td>20</td>
</tr>
<tr>
<td>Our approach to staff management</td>
<td>22</td>
</tr>
<tr>
<td>Our employees</td>
<td>23</td>
</tr>
<tr>
<td>Evaluation and remuneration</td>
<td>26</td>
</tr>
<tr>
<td>Training and development</td>
<td>28</td>
</tr>
<tr>
<td>Social policy</td>
<td>31</td>
</tr>
<tr>
<td>Plans for 2019 and the medium term</td>
<td>35</td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td>36</td>
</tr>
<tr>
<td>Our approach to managing occupational health and safety</td>
<td>37</td>
</tr>
<tr>
<td>2018 performance</td>
<td>42</td>
</tr>
<tr>
<td>Plans for 2019 and the medium term</td>
<td>43</td>
</tr>
<tr>
<td>Developing local communities</td>
<td>44</td>
</tr>
<tr>
<td>Our approach to managing external social activities</td>
<td>46</td>
</tr>
<tr>
<td>2018 performance</td>
<td>48</td>
</tr>
<tr>
<td>Plans for 2019 and the medium term</td>
<td>51</td>
</tr>
</tbody>
</table>
Our approach to stakeholder engagement

Maintaining transparent, trust-based stakeholder engagement over the long term is the foundation on which NLMK Group’s sustainable development is built.

In developing our approach to managing stakeholder engagement we are guided by international and corporate standards, and we strive to determine and take into account the interests and needs of the Company’s key stakeholders. The general principles for our communication and engagement with stakeholders can be found in our Corporate Ethics Code, Corporate Governance Code, Supplier Code of Conduct, Anti-Corruption Policy, Human Rights Policy, and other NLMK corporate documents, published on NLMK’s website.

Key NLMK stakeholder groups comprise Company employees; shareholders and the investment community; Company clients; foreign, national and regional government authorities; local communities; suppliers and contractors; and trade unions.

NLMK keeps a list of stakeholders and prioritizes them according to the mutual influence and convergence of respective interests. The Company’s stakeholder map is based on the needs and interests of stakeholders and NLMK, as well as expert assessments from the Company’s management, and is regularly reviewed. The stakeholder map saw no significant changes during the reporting period compared to 2017.

NLMK uses various means to engage with stakeholders, thereby allowing the Company to rapidly identify risks and new opportunities when working together with stakeholders. In 2018 the Company continued to have an active dialogue with all stakeholders.

Results of stakeholder engagement

Stakeholders

Consumers

Importance for NLMK:

Consumers of NLMK products are manufacturers in various regions and industries: steelmaking, construction, the automotive industry, machine-building and shipbuilding, and pipe manufacturing. Our transparent relations with consumers serve to increase their satisfaction and loyalty and result in increased sales of NLMK products.

Stakeholder interests:

- Meeting contractual obligations
- Providing high-quality products
- Developing a product range policy
- Competitive prices
- Timely and reliable deliveries
- Developing sales channels network
- Monitoring consumer satisfaction
- Organizing coordinating councils
- Addressing customer complaints
- Conducting and participating in public events, business meetings, and negotiations
- Conveying information through the media and publications on our website

Forms of engagement:

- Developing sales channels network
- Monitoring consumer satisfaction
- Organizing coordinating councils
- Addressing customer complaints
- Conducting and participating in public events, business meetings, and negotiations
- Conveying information through the media and publications on our website

NLMK’s stakeholders comprise Company employees; shareholders and the investment community; Company clients; foreign, national and regional government authorities; local communities; suppliers and contractors; and trade unions.

NLMK keeps a list of stakeholders and prioritizes them according to the mutual influence and convergence of respective interests. The Company’s stakeholder map is based on the needs and interests of stakeholders and NLMK, as well as expert assessments from the Company’s management, and is regularly reviewed. The stakeholder map saw no significant changes during the reporting period compared to 2017.

NLMK uses various means to engage with stakeholders, thereby allowing the Company to rapidly identify risks and new opportunities when working together with stakeholders. In 2018 the Company continued to have an active dialogue with all stakeholders.

Key results in 2018:

1. Quicker handling of client complaints.
2. Organizing coordinating councils; the results were used to improve the quality of future products and services.
3. Developing an online store and expanding the store to other regions where NLMK operates. 10% of clients transitioned to online sales services.
Employees

Importance for NLMK:
Our workforce is key to the Company’s stability, and to ensuring that the business operates and grows successfully.

Stakeholder interests:
- Decent compensation and an incentive system
- Potential for professional development and career growth
- Comfortable, safe workplaces
- Compliance with employment laws and other regulations

Forms of engagement:
- Organizing regular trainings in safety techniques and implementing programmes to improve working conditions
- Introducing social support for employees and their families and for retirees (former employees)
- Providing continuing education, training and staff development programmes
- Regular meetings with various levels of management
- Monitoring employee engagement
- Managing performance
- Informing employees about Company activities and opportunities for professional growth through company newsletters, magazines, NLMK TV, and social media

Shareholders and the investment community

Importance for NLMK:
Shareholders own the Company and influence its course of development. The Company strives to safeguard their interests. To ensure that NLMK remains an attractive investment, the Company aims to provide the investment community with information about our performance that is as complete and up-to-date as possible.

Stakeholder interests:
- Consistent improvement in the Company’s financial and non-financial performance
- Growth in the Company’s value
- Management transparency and disclosure
- Investment attractiveness and stability

Forms of engagement:
- Disclosing information in various public sources
- Organizing visits for investors to Group sites
- Participating in Russian and international investment conferences
- Convening one-to-one and group meetings with investors
- Conducting investor days in which the Company’s senior management team participates
- Conducting Annual Anonymous Investor Perception Studies

Government authorities

Importance for NLMK:
As a large international manufacturing company with a presence in eight countries and five regions of the Russian Federation, NLMK encounters government regulations in various areas of its operations every day. Against the backdrop of intense competition and market volatility in a regulatory environment, which provides opportunities for long-term planning and stable business management, is essential.

Stakeholder interests:
- Compliance with legislative requirements
- Meeting tax obligations
- Developing regions where the Company operates
- Increasing social engagement in areas where the Company operates
- Reducing the environmental footprint

Forms of engagement:
- Conducting meetings with representatives of foreign, national, regional, and municipal state authorities
- Participating in advisory boards, expert working groups, and public hearings
- Engaging through industry-specific and public associations
- Annually disclosing to governments information about payments
- Participating in policy-making processes in accordance with procedures stipulated by law

Suppliers and contractors

Importance for NLMK:
The quality of goods and services provided by suppliers and contractors has a direct impact on the quality of our products, as well as on the stability of NLMK production processes.

Stakeholder interests:
- Transparent, competitive tender procedures for procuring goods and services
- Conducting negotiations with potential partners
- Organizing work by category managers
- Making feedback forms for counterparties available on the corporate website
- Conducting business meetings with suppliers and participating in conferences and industry associations
- Evaluating and auditing suppliers and contractors to ensure reliability, status, production capacity, and compliance with occupational health and safety and environmental requirements

Forms of engagement:
- Conducting preliminary supplier screening
- Developing competitive tender procedures for goods and services
- Conducting negotiations with potential partners
- Organizing work by category managers
- Making feedback forms for counterparties available on the corporate website
- Conducting business meetings with suppliers and participating in conferences and industry associations
- Evaluating and auditing suppliers and contractors to ensure reliability, status, production capacity, and compliance with occupational health and safety and environmental requirements

Shareholders and the investment community

Key results in 2018:
1. Capital Markets Day 2018, where issues important to the investment community were discussed and areas of engagement were presented.
2. 200 meetings with investors.
3. Three investor visits to NLMK, Steltalin, and NLMK Kaluga production sites.
4. General Shareholders’ Meetings.

For additional information see the Information for Shareholders and Investors section.

Key results in 2018:
1. Media coverage of NLMK’s initiatives in media, including print, TV, and social media.
2. 1000 employees submitted questions and requests through the corporate portal.
3. 50% increase in the number of investors participating in the NLMK annual investor day.
4. 100% improvement in the Company’s performance in the Digitalized Procurement Processes category at the National Corporate Procurement Summit.

For additional information see the Supply Chain Management section.

OUR TEAM

Stakeholder dialogue

Importance for NLMK:
For additional information see the Corporate Communications and Employees sections.

Key results in 2018:
2. Approval of the NLMK Group Employee Health corporate programme.
3. Launching a corporate volunteering programme, including social and environmental projects.
4. Organizing the international AllNLMK contest, with over 500 employees participating. The contest, entitled “Shared Free Heroes”, was based on the theme of occupational health and safety.
5. During the reporting period 1,000 employees submitted questions and requests through the corporate portal.

For additional information see the Corporate Communications and Employees sections.

Supply chain management

Importance for NLMK:
The company’s stakeholders, from employees to customers, depend on the reliability, quality, and on-time delivery of goods and materials. The NLMK procurement team is focused on ensuring that the business operates and grows successfully.

Stakeholder interests:
- Transferring the volume of goods and materials purchased from third parties
- Developing competitive tender procedures for goods and services
- Conducting negotiations with potential partners
- Organizing work by category managers
- Making feedback forms for counterparties available on the corporate website
- Conducting business meetings with suppliers and participating in conferences and industry associations
- Evaluating and auditing suppliers and contractors to ensure reliability, status, production capacity, and compliance with occupational health and safety and environmental requirements

Forms of engagement:
- Conducting preliminary supplier screening
- Developing competitive tender procedures for goods and services
- Conducting negotiations with potential partners
- Organizing work by category managers
- Making feedback forms for counterparties available on the corporate website
- Conducting business meetings with suppliers and participating in conferences and industry associations
- Evaluating and auditing suppliers and contractors to ensure reliability, status, production capacity, and compliance with occupational health and safety and environmental requirements

Key results in 2018:
1. Creation of a single service centre and unified procurement management within the Company.
2. The Company was the Competitive Procurement Leader award in the Digitalized Procurement Processes category. The award ceremony took place in Moscow at the National Corporate Procurement 2018 Summit.
3. 15 audits of suppliers of goods and services.
4. The volume of goods and materials purchased from third parties for the Group’s Russian companies amounted to RUB 197.9 billion.

For additional information see the Supply Chain Management section.

Occupational health and safety

Importance for NLMK:
For additional information see the Supply Chain Management section.

Key results in 2018:
2. Approval of the NLMK Group Employee Health corporate programme.
3. Launching a corporate volunteering programme, including social and environmental projects.
4. Organizing the international AllNLMK contest, with over 500 employees participating. The contest, entitled “Shared Free Heroes”, was based on the theme of occupational health and safety.
5. During the reporting period 1,000 employees submitted questions and requests through the corporate portal.

For additional information see the Corporate Communications and Employees sections.

Developing local communities

Importance for NLMK:
For additional information see the Supply Chain Management section.

Key results in 2018:
1. Media coverage of NLMK’s initiatives in media, including print, TV, and social media.
2. 1000 employees submitted questions and requests through the corporate portal.
3. 50% increase in the number of investors participating in the NLMK annual investor day.
4. 100% improvement in the Company’s performance in the Digitalized Procurement Processes category at the National Corporate Procurement Summit.

For additional information see the Supply Chain Management section.
**RESULTS OF STAKEHOLDER ENGAGEMENT**

**Local communities**

**Importance for NLMK:**

The long-term stability of NLMK’s business depends, in large part, on the socioeconomic stability of the regions where we operate. NLMK’s contribution to developing local communities has a positive impact on stakeholder loyalty as well as the Company’s overall reputation.

**Stakeholder interests:**

- The Company contributing to solving problems in local communities
- Jobs for local people
- Safety production practices and a limited environmental footprint
- A conscientious approach to doing business

**Forms of engagement:**

- Conducting dialogues with representatives of local communities to inform them about the Company activities in the regions where we operate
- Publishing corporate reports
- Publishing information via the media and on our website
- Organizing thematic conferences and events

**Key results in 2018:**

1. $1.08 billion was invested in social programmes.
2. The Steel Tree grant programme expanded its geographical reach.
3. Over 50 volunteer events were held, aimed at solving problems in local communities.

For additional information see the Developing Local Communities section.

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**Trade unions**

**Importance for NLMK:**

Trade unions are important partners for NLMK, providing workers with social welfare and employment-related guarantees.

**Stakeholder interests:**

- Compliance with employment legislation and protecting employee interests
- Compliance with the sectoral tariff agreement
- Compliance with the terms of collective bargaining agreements

**Forms of engagement:**

- Conducting collective bargaining agreements
- Signing collective bargaining agreements and joint declarations
- Working together on various commissions and committees
- Holding employee conferences

The key areas of NLMK’s work with unions include signing collective bargaining agreements and other agreements intended to ensure decent working conditions and bonus and compensation systems. Effective engagement with trade unions helps bolster NLMK’s image as an employer.

The main trade unions with which NLMK interacts in NLMK’s primary labour organization, the Russian Ore Mining and Smelting Union. Through its HR Department, the Company works with union representatives on an ongoing basis.

**Key results in 2018:**

1. Regular meetings with trade union representatives.
2. A joint conference with trade unions on issues related to social and labour partnerships.
3. Training for trade unions on current issues in HR and social policy.

For additional information see the Our Employees section.

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**Corporate communications**

In 2018, NLMK Group completed implementation of a unified internal information space encompassing all 53.3 thousand of its employees across seven countries. This internal communications system successfully:

- Explains the Group’s strategic goals and values to employees
- Facilitates the inclusion of every team member in the continuous improvement process
- Strengthens the Group’s brand as an employer
- Delivers information in a timely manner and provides a feedback mechanism
- Ensures convenient access to corporate services
- Develops horizontal links between colleagues

A variety of communications channels function within the Group, and the Public Relations Department has continued to develop these over the course of the reporting year.

**Corporate portal**

The corporate intranet portal lies at the heart of our internal communications. In 2018, NLMK Group launched a new unified corporate portal which, unlike similar portals in the majority of industrial companies, can be accessed not only by office staff, but by all employees, including shop-floor employees. Today, 31,000 users log on to the portal every month. The number of users has increased by 55% since 2017.

The NLMK Group portal is now a major intranet project hosted on the Btrix24 platform. The internal communications community has declared it the best internal portal in Russia: last year, it took first place in both the Media Leader and InterCom 2018 competitions.

**Corporate magazine and newspapers**

In 2018, the design and format of all five NLMK corporate newspapers was updated to reflect modern trends. Up to 90% of the material in these newspapers now features direct links to our intranet portal, and an emphasis has been placed on visuals and new presentation formats, expanding the interactive possibilities of traditional communications formats and contributing to the development of internal media. Our corporate magazine, NLMK, is published in Russian, English, and French.

**NLMK PR Partnership Institute**

In 2018, a PR Partnership Institute was established for internal NLMK Group communications. More than 20 of the Group’s functional areas now have their own PR partner, an employee from the Public Relations Department who is actively involved in addressing the functional area’s business issues and providing communications support.
Supply chain management

Key figures for 2018

197.9 RUB BN
a total amount of goods and materials purchased from third parties by Russian companies

56 audits of suppliers of goods and services conducted

Material topics

▶ Supplier environmental assessment

Key events in 2018

▶ Opening a centralized procurement support office in the city of Lipetsk
▶ Winner of the Competitive Procurement Leader award in the Digitalized Procurement Processes category at the Russian national Corporate Procurement 2018 Summit

United Nations Global Compact principles

Principle 8  Businesses should undertake initiatives to promote greater environmental responsibility
Principle 10  Businesses should work against corruption in all its forms, including extortion and bribery

Global Sustainable Development Goals

An efficient supply chain is key to the sustainable operation of the Group and the fulfilment of NLMK’s commitments. The Group regularly partners with more than 3,500 suppliers of goods and materials as well as contractors, from whom it procures a wide range of goods and services, including equipment, ferrous, non-ferrous metals, refractory products, spare parts, etc.

The main principles that govern the Group’s procurement activities are:

▶ A focus on goals, objectives, and outcomes
▶ Honesty and transparency
▶ Mutually beneficial cooperation
▶ Continuous improvement
▶ Qualified and motivated staff
▶ Teamwork and commitment to the spirit of the organization
▶ A proactive approach
Our approach to supply chain management

The procurement process at the Group is coordinated by a dedicated team and designed in such a way as to ensure that high-quality goods are procured in a timely and accurate manner and that the procurement process is as transparent and competitive as possible.

The main purpose of the procurement team is to meet the expectations and needs of specific groups of NLMK stakeholders, including shareholders, employees, customers, and regulatory bodies. The key objectives of the procurement team are to unify and standardize procurement systems and processes, ensuring that they all have the same level of maturity. The main documents that govern procurement activities at the Group are:

- The Supplier Code of Conduct
- Regulations governing the organization and conduct of contractor audits
- The Procurement Team Cooperation Regulations
- Corporate-level regulations describing the process for working with contractors: the Regulation on Contractor Qualifications, the Regulation on Selecting Contractors, the Regulation on Contractor Assessment, and the Regulation on Selecting Contractors in Cooperation with the Tender Committee.
- Documents describing standard processes, including the Standard for Acceptance and the Standard for Claim Settlement.
- Category strategies.

The organizational structure of the Group’s procurement team consists of centralized and decentralized elements, which helps make the procurement process and cooperation with suppliers efficient as possible. Interrelated procurement structures, policies, and procedures ensure that the approaches taken across all of the Group’s companies are consistent.

The OpEx Procurement and CapEx Procurement teams are represented by category managers, who are responsible for the entire procurement process, from the moment that a procurement request is received from an internal customer to the moment that a supplier is selected.

In order to ensure a reliable and uninterrupted flow of goods and materials to the Group’s companies, the procurement team has developed over 50 category-based strategies. Procurement strategies for certain categories of goods are developed to take into account potential risks and determine scenarios depending on the level of risk and potential losses, and they also include plans to prevent any identified risks from arising.

Managing risks associated with the late, incomplete, or incorrect supply of goods and services is key to ensuring a reliable supply chain and the continuity of the Group’s operations. For this reason, relations with contractors that supply critical categories of goods and materials represent an important area for the Group. The Group conducts a number of additional checks on these suppliers, including evaluations of their financial solvency. It also conducts an annual assessment of supply accuracy indicators.

The level of criticality is also taken into account when selecting suppliers and developing a category-based strategy.

The bulk of the Group’s procurement is carried out centrally, with local procurement classified in a separate category and supervised by the heads of local procurement departments. The creation of a centralized procurement support office in Lipetsk in 2018 helped boost the efficiency of procurement processes. Having a single service centre for processing transactions will reduce costs, improve levels of internal customer satisfaction, and speed up procurement procedures.

The Group is particularly focused on digitizing and automating procurement activities. Most key procurement processes have been automated, and the majority of the Group’s tender procedures are carried out electronically using the SAP SRM (Supplier Relationship Management) system. NLMK’s achievements in automating procurement activities in 2018 were recognized within the broader professional community. For example, the Group won the Competitive Procurement Leader award in the Digitalized Procurement Processes category at the Russian National Corporate Procurement 2018 Summit.

The survey results are collected and carefully analysed, and measures are then developed to further improve the team’s work.

As a major consumer of a number of goods and services, the Group is able to have a positive impact on reducing production, social, and environmental risks within the supply chain. The Group cooperates with suppliers of goods and contractors that demonstrate a commitment to sustainability principles. In addition, in accordance with the Group Procurement Policy, the Group undertakes to purchase goods and services that have as few negative impacts on society and the environment as possible during their lifecycle.

As part of efforts to increase responsibility across the supply chain, NLMK focuses on assessing occupational health and safety risks at contractors, ensuring that suppliers of categories of goods used in the production of automotive body sheet hold certificates of compliance under ISO/TS 16949, and assessing contractors that provide waste collection services.

Assessing performance

A system of key performance indicators (KPIs) is used to monitor and control the performance of suppliers and procurement staff, eliminate losses sustained in procurement processes, and achieve savings for the Group. The KPIs, which are approved on an annual basis, include the following: availability, cost-efficiency, cost avoidance, inventory turnover, and on-time deliveries.

Procurement staff also conduct regular satisfaction surveys of major internal customers in order to improve the quality of the procurement process. The survey results are collected and carefully analysed, and measures are then developed to further improve the team’s work.

Supply chain responsibility

As a large consumer of a number of goods and services, the Group is able to have a positive impact on reducing production, social, and environmental risks within the supply chain. The Group cooperates with suppliers of goods and contractors that demonstrate a commitment to sustainability principles. In addition, in accordance with the Group Procurement Policy, the Group undertakes to purchase goods and services that have as few negative impacts on society and the environment as possible during their lifecycle. As part of efforts to increase responsibility across the supply chain, NLMK focuses on assessing occupational health and safety risks at contractors, ensuring that suppliers of categories of goods used in the production of automotive body sheet hold certificates of compliance under ISO/TS 16949, and assessing contractors that provide waste collection services.

Selecting and screening suppliers and contractors

An efficient and reliable supply chain is key to the stable operation of all divisions within the Group. The Group carefully selects and screens suppliers and contractors, and expects a great deal from its counterparties in terms of complying with deadlines, OTIF (on-time in-full) requirements, and
quality standards for supplied goods and materials. All suppliers and contractors that work at hazardous production facilities at NLMK companies are screened.

In order to work with NLMK Group, it is imperative that suppliers and contractors operate ethically and conscientiously. In this regard, all potential counterparties are invited to familiarize themselves with the Supplier Code of Conduct at the screening stage and to confirm that they agree with its provisions.

The Group also expects its suppliers and contractors to comply strictly with all applicable legal requirements, including environmental protection and occupational health and safety regulations. The checklist developed by the Group for assessing potential contractors hence reflects state requirements for occupational safety and environmental protection, and suppliers and contractors operating at Group sites must meet these requirements.

Evaluating and auditing suppliers and contractors

The Group annually assesses the quality, efficiency, and reliability of all current suppliers and contractors. It also monitors compliance with delivery deadlines throughout the year. If the Group has a negative experience with a supplier, the Group’s Conciliation Committee may decide to discontinue its partnership with the supplier or to impose restrictive measures.

The procurement team can also work with the supplier to create a development plan aimed at improving the supplier’s performance. Conducting systematic audits of suppliers and contractors that provide services to the Group’s Russian companies is another important tool for managing partnerships with these organizations.

Each year, the Group conducts around 50-80 audits of suppliers and contractors. When drawing up annual audit plans, the Group's specialists take into account critical areas that impact the continuity and safety of production and product quality, including, among others, the contractor’s technical equipment, staff competence levels, quality control measures, maintenance and repairs, and compliance with legal requirements in the spheres of occupational health and safety and environmental protection.

When auditing suppliers of goods, the Group pays special attention to the counterparty’s compliance with obligatory standards in the areas of occupational safety and reducing its environmental footprint. Audits of contractors include a more detailed review of issues related to safe working conditions and compliance with environmental regulations.

When auditing contractors that conduct hazardous work or large volumes of work, or companies that are the Group’s main contractors, the Group considers the following aspects in detail:

- Availability of equipment
- Provision of human resources
- Provision of technical resources
- Issues related to occupational health and environmental protection

Audits of contractors involve checking that the necessary documents are present and authentic, and also include directly monitoring the work of contractor employees and ensuring that they meet the requirements stipulated on the screening checklist. The contractor’s status is determined and a report is prepared on the basis of the audit results. The report should specify the measures necessary to eliminate and prevent the recurrence of any identified issues.

For more detailed information about supplier and contractor environmental assessments, see the Supplier Environmental Assessment section of the Environmental Protection chapter.

Conciliation Committee

The Conciliation Committee is NLMK Group’s collegial body that was set up to review situations involving inappropriate, unethical, or unreliable supplier behaviour. Some of the issues that fall within the remit of the committee include violations of the pricing policy, occupational health and safety rules, and environmental protection requirements.

2018 Performance

There were no significant changes in the Group’s supply chain structure during 2018.

Our employees

2018

- 12

Issues related to occupational health

- 15

- 9,443

- 1

Provision of human resources

- Volume of procurement, RUB million (excl. VAT)

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<thead>
<tr>
<th>Category</th>
<th>2017</th>
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<tr>
<td>Coal and coal concentrates</td>
<td>8,724</td>
<td>33,176</td>
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<tr>
<td>Raw materials (excluding the main raw material categories)</td>
<td>21,774</td>
<td>85,447</td>
</tr>
<tr>
<td>Provision of repairs and maintenance</td>
<td>24,774</td>
<td>86,862</td>
</tr>
<tr>
<td>Refractory products</td>
<td>14,214</td>
<td>32,176</td>
</tr>
<tr>
<td>Provision of technology</td>
<td>9,443</td>
<td>24,774</td>
</tr>
<tr>
<td>Iron ore (concentrate, pellets, and ore)</td>
<td>8,724</td>
<td>32,176</td>
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<tr>
<td>Processing equipment</td>
<td>7,754</td>
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<tr>
<td>Coatings</td>
<td>6,580</td>
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<tr>
<td>Grade 5 (potassium, electrode, additive, coke)</td>
<td>2,514</td>
<td>85,447</td>
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<tr>
<td>Fuels and lubricants</td>
<td>1,812</td>
<td>32,176</td>
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Plans for 2019 and the medium term

The Group’s plans to develop its supply chain include updating the regulation governing the organization and conduct of contractor audits, and improving the checklists that are used to screen contractors. The Group also intends to continue with its work to further automate procurement processes and to centralize the procurement of global categories of materials and raw materials. More specifically, the Group’s plans include automating the exchange of primary documentation with suppliers, by establishing either an electronic document management system or the SUS (Supplier Self Service) module within the SAP SRM system. The procurement team also plans to introduce a supplier catalogue management tool, which will allow internal customers to independently select their desired names.
Managing human rights issues

Respecting human rights is a key underlying principle in all NLMK operations. In carrying out its activities, the Company does not tolerate human rights violation related to discrimination based on sex, age, religion, race, ethnicity, physical traits, or identity, or any other form of discrimination. NLMK also devotes particular attention to ensuring the right to freedom of association and collective bargaining, as well as issues concerning child labour and forced or compulsory labour.

Our corporate ethics dictate that we consistently adhere to the generally accepted principles and norms of international law as well as applicable employment laws in all countries of the world, regardless of the business practices in those countries. In its activities, NLMK is governed by the provisions of the following documents:

- The International Bill of Human Rights
- The main conventions of the International Labour Organization (ILO Conventions)
- The UN Guiding Principles on Business and Human Rights
- The UN Global Compact
- Transforming our World: the 2030 Agenda for Sustainable Development (UN)
- The ISO 26000 Guidance on Social Responsibility
- The laws of the Russian Federation and other countries in which NLMK Group companies operate.

Together with international norms, our human rights efforts are regulated by internal corporate documents: NLMK Group’s Corporate Ethics Code, Anti-Corruption Policy, and collective bargaining agreements. One important event in the Company’s evolving approach to managing these issues during 2018 was approving NLMK Group’s Human Rights Policy. The goal of the policy is to ensure that human rights are observed in Group activities everywhere we operate.
INTEGRATING FUNDAMENTAL HUMAN RIGHTS PRINCIPLES INTO NLMK GROUP ACTIVITIES

Fundamental principles

Prohibition of forced labour and child labour
NLMK Group only signs employment contracts with individuals that meet the minimum age requirements stipulated by prevailing legislation. The Company does not make use of child labour. The Company also forbids the use of forced labour, penal and military labour, slavery, and human trafficking. All employment at the Company is exclusively voluntary in nature.

Prohibition of discrimination
NLMK Group does not tolerate discrimination based on sex, religion, or any other grounds in its staff management activities, including hiring, and adheres to the same principles when determining wages.

Respect for the right to a minimum wage
Ensuring decent working conditions, including competitive salaries, and providing both employees and retirees with a social benefits package are key priorities for NLMK Group.

Support for freedom of association and collective bargaining
NLMK Group fulfils all of the requirements set forth in collective agreements, and regularly engages with trade unions. The Company also ensures that conditions are in place to facilitate the creation of associations to represent NLMK employees and interests by making corporate communications tools available and by supporting employee volunteering initiatives.

Providing safe working conditions
In organizing production, the Company prioritizes the health and safety of its employees above all. The Company’s management team monitors and reduces risks associated with hazardous working conditions, increasing safety levels at the production sites of every NLMK company year-on-year.

In accordance with the Human Rights Policy adopted by NLMK Group, a number of changes were made to the Corporate Ethics Code during the reporting year. Human rights were added to the list of the Company’s fundamental ethical values, norms for respecting and protecting human rights were included in appropriate sections of the Corporate Ethics Code, and the bibliography was supplemented with international human rights documents.

NLMK’s efforts to protect human rights in all regions of operation are coordinated by the HR Department, with the involvement, if necessary, of experts from other functional areas of the Company (in particular, the Occupational Health and Safety team), in order to safeguard its corporate interests and to manage risks. The Company’s senior management team is always involved in making important decisions.

The Company shares its Human Rights Policy with stakeholders, including employees, subcontractors, and business partners.

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The Company is continuously improving its approaches to environmental policy and energy management, with a view to reducing the negative impacts of production on the environment and on the health of stakeholders.

NLMK endeavours to improve its competency in human rights, drawing on best practices from colleagues in various industries and international organizations to introduce responsible, fair business principles into our corporate culture.

NLMK therefore participates in organizations which support and foster human rights principles. For example, the Company is a member of the Committee on Corporate Social Responsibility and Demographic Policy of the Russian Union of Industrialists and Entrepreneurs (RSPP). In 2018, the Committee organized a human rights event in which the Group played an active role.

During the reporting period the Company also took part in a major event supported by the UN that included human rights topics.

2018 performance

During the reporting period NLMK recorded no cases of discrimination related to human rights violations, including violations of the right to freedom of association and collective bargaining or violations concerning child labour and forced or compulsory labour.

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RUSSIAN BUSINESS AND HUMAN RIGHTS ROUNDTABLE

▶ On 20 December 2018, NLMK representatives participated in an anniversary roundtable of the Russian Union of Industrialists and Entrepreneurs (RSPP), entitled Russian Business and Human Rights. The roundtable was marking the 70th anniversary of the Universal Declaration of Human Rights. Company representatives learned about fundamental international and Russian standards for human rights and employment relations in business, assessed the practical experience of Russian business leaders in introducing responsible business principles regarding human rights into their corporate practice, and reviewed the results of a comparative analysis of human rights provisions in the Governing Principles for Entrepreneurial Activities and Russian law.

SUSTAINABLE DEVELOPMENT: RUSSIA’S ROLE

▶ On 15 November 2018, NLMK Group experts took part in a discussion entitled sustainable development: Russia’s role. The purpose of the event was to organize presentations and discussions of the results of current research projects concerning ways to involve the business world in efforts to achieve the UN Sustainable Development Goals (SDGs). Taking into account the research and recommendations discussed, in 2019 representatives of the UN Global Compact national network plan to draft and present a collective action plan based on the results of a survey of Russian businesses. The survey asked businesses about their current involvement, as well as the potential for getting major Russian companies involved in achieving the SDGs.

Plans for 2019 and the medium term

Given the international nature of NLMK operations and stakeholders’ interest in protecting human rights, the Company will continue to enhance its approach to human rights issues.

In future reporting periods we plan to perform a number of activities aimed at implementing the provisions of NLMK’s Human Rights Policy in the operations of all Group companies, including those outside Russia. Another task will be to develop methodological approaches to assessing how well our activities comply with the principles enshrined in the current NLMK’s Human Rights Policy. Company representatives will also continue to play an active role in important events dedicated to protecting human rights.
Our employees

Key figures for 2018

14% increase in investment in staff training and development

4.7% turnover rate at NLMK Group

>6,000 training programmes completed at the Corporate University

Material topics

- Employment
- Training and education
- Diversity and equal opportunities

Key events in 2018

- Implementation of a staff appraisal system based on NLMK key skills
- Development of the NLMK Employee Health programme
- Launch of a corporate volunteering programme
- Launch of the Corporate University

United Nations Global Compact principles

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Global Sustainable Development Goals

- Good health and well-being
- Quality education
- Decent work and economic growth
Our approach to staff management

The Company has set itself ambitious goals to achieve business growth and improve efficiency levels. These goals can only be attained through continuous staff training and development, together with the enhancement of employee incentive systems, which is a key priority of NLMK’s human resources policy.

We are committed to applying a unified approach to managing human resources issues, including at our international companies. NLMK Group’s Human Resources Department is responsible for all staff-related issues, including hiring and retaining qualified employees, developing systems to reward and motivate them, and developing their professional skills.

NLMK Group conducts staff management activities in accordance with the following internal and external documents:
- International declarations, including the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work
- The NLMK Group Corporate Ethics Code
- Collective bargaining agreements
- General corporate regulations on staff management.

Our key personnel management goals are to attract and retain the best professionals in their field. In order to achieve these goals, the following key areas of HR policy activity were identified for the reporting period:
- Increasing labour productivity
- Creating a decent incentive and reward system
- Improving approaches to NLMK manager training at all management levels
- Involving employees in the continuous improvement process
- Developing a vocational training system
- Continuing to integrate our international companies into the Group’s HR processes
- Digitalizing HR processes and implementing best HR practices

The Company works closely with employees, using a variety of communication channels for more information see the Stakeholder Dialogue section. Particular attention was paid during the reporting period to using the Company’s internal magazine and newspapers to engage employees.

PROFESSIONALS ARE THE FUTURE

- In 2018 the third issue of NLMK Group’s quarterly corporate magazine was devoted to HR policy issues and key trends in the Company’s evolving approach to training and innovation.

The magazine documented ongoing activity around staff development, and also devoted significant attention to progress being made in the development of NLMK Corporate University.

The issue also featured contributions from employees at the Group’s Russian and international companies, who spoke about specific aspects of their professions.

NLMK HR MANAGEMENT STRUCTURE

vice president, HR and management system

hR services and incentive schemes development

staff training and development

coLlaboration with corporate functional areas

cooperative culture and employee engagement

process reengineering

social policy unit

cooperation with international divisions

Our employees

The average NLMK Group headcount during 2018 was 53,3 thousand people, of whom 50,000 (94%) were employed at the Company’s Russian sites, 2,200 (4%) at European divisions, and 2% in the USA. The average headcount increased by 0.4% during the reporting period; this is the result of the Investment 2022 programme aimed at increasing the volume of steel production by 1 million tonnes.

Approximately 97% of NLMK Group employees work under permanent contracts, and around 3% under fixed-term contracts.

The nature of the steel industry is such that the proportion of men among shop-floor employees (76%) outweighs the proportion of women (24%) – this has historically always been the case. As for administration and management staff, women account for 53% of all specialists, 84% of office employees, and 16% of managers.

NLMK employees represent various age groups, which attests to the lack of age discrimination in NLMK Group’s HR policy. In 2018, 25% of all employees were aged over 50, 35% were aged between 30 and 50, and 20% were under 30. Of those in management positions, 72% were aged between 30 and 50, and 22% were aged over 50.

NLMK is committed to supporting gender diversity within its governance bodies in a way that takes into account the specific nature of the Company’s activities. As of 2018, NLMK Group’s Board of Directors and Management Board was made up of both men and women.
Labour productivity

NLMK invests considerable efforts into improving employees’ professional competence, refining the technologies and optimizing business processes. Improving labour productivity remains a strategic priority for the Company, and is a key element of its plan to develop NLMK Production System.

The Company has experienced a stable positive labour productivity trend over the past few years, achieving in 2018 a figure of 328 tonnes of steel per person for NLMK Group.

Turnover

The low employee turnover rate demonstrates the organization’s ability to maintain a consistent staff structure. Thanks to our successful efforts over many years to create decent working conditions, financial and non-financial incentive schemes, as well as a system of training and career opportunities, the Group has enjoyed a stable rate of employee turnover, which stood at 4.7% in the reporting period.

Staff recruitment

As part of achieving strong performance, the Company understands the importance of attracting and retaining experienced and highly qualified staff.

When assessing applicants the Company does not tolerate discrimination on grounds of gender, age, or any other factors. NLMK always complies with applicable legal requirements, particularly respecting the employment of women in hazardous roles. For example, Russian legislation places restrictions on the use of female labour in hazardous conditions and in situations involving the movement of heavy weights. The Company adheres strictly to these requirements.

In 2018, 6,781 people joined the NLMK team, 60% of whom were hired to replace retired employees. 83% of newly hired employees were employed at the Group’s Russian companies.

ROBOTIZING HR FUNCTIONS

In 2018, an HR robot was used for the first time at NLMK Lipetsk for the large-scale recruitment of employees to blue-collar positions. Applicants that had responded to open vacancies at NLMK and who were considering employment in a production role were contacted. The robot interviewed over 180 candidates, of whom around 25% either have already taken up positions at the Company or are considering job offers.

The Company created 380 jobs in 2018, the majority of which were linked to increased production and the commissioning of new facilities (65%) and the development of support and auxiliary services (35%).

NLMK is committed to boosting employment in the regions where it operates; we hence prioritize local applicants during the recruitment process.

Due to the specific nature of roles in the steel industry, which involve working in hazardous conditions, particular care and attention is paid by recruitment specialists to the employment of people with disabilities. The Company complies with all respective legal requirements in this area.
Evaluation and remuneration

NLMK Group employees receive competitive remuneration. Financial remuneration for employees consists of a basic salary and a bonus. The NLMK remuneration system has been developed in accordance with the best Russian and international practices. The Company also takes the views of trade union organizations into account when elaborating local remuneration regulations.

A major project to assess specialist and managerial roles was conducted in 2018. This will, in future, make it possible to determine salary levels on the basis of employees' skills and level of responsibility, as determined by the respective assessment project. The transition to remuneration in accordance with this assessment is planned for 2019.

Each year the Company indexes the basic salary of employee to inflation in the regions of operation. The average salary of NLMK Group employees at Russian companies in 2018 was RUB 60,800 – a 7% increase on 2017. At our international companies, remuneration is determined based on collective bargaining agreements and employment legislation, and also includes annual indexing of income.

The Company does not tolerate any discrimination on grounds of gender or other factors in the implementation or future development of its remuneration system.

NLMK employs a systematic approach to assessing and determining remuneration levels for all employee categories. Employee performance is managed using two key tools: MBI² and MBO³.

In 2018, much effort was put into implementing the staff appraisal system, with the aim of boosting individual employee salaries at NLMK’s Russian companies based on MBI assessment results. A differentiated review of the basic remuneration, based on performance assessments, provides a means for encouraging employees to work effectively in order to facilitate reaching production targets, developing employee potential, motivating efficient and high-performing employees, and ensuring that salaries remain competitive with those of other employers.

In the next reporting period NLMK Group plans to extend the system to 100% of employees at its Russian companies. A pilot trial of the system is planned in 2019 for specialists and managers at our international companies, with the system set to cover all employees in this category by 2021.

Assessments of specialists and managers to determine the variable component of their salary is conducted every year based on the KPIs specified by the MBO policy. The bonus for employees not covered by the MBO system is also determined monthly on the basis of their attainment of approved performance indicators.

Key achievements in developing the staff appraisal system in 2018 included:

- Completion of position grading and using the results to develop a competitive remuneration system.
- Transitioning from ‘flat’ annual indexing of the fixed component of salaries to a system of individual salary growth, based on performance assessment results.
- Cascading of the MBO system to line manager level (foremen and managers of working groups and sections).
- Introducing at our international companies the principles and approaches used to appraise specialists and managers at Russian companies under the MBO system.

In 2018, 17,931 NLMK Group employees (33% of all staff) underwent official performance reviews.

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In 2018, 17,931 NLMK Group employees (33% of all staff) underwent official performance reviews.
Employee proficiency and qualifications are an important factor in ensuring sustainable development at NLMK. A key objective for the Human Resources Department vis-à-vis staff development and training is to ensure that employees receive the necessary level of training in occupational knowledge and skills in order to enable them to perform at a high level.

For this reason, NLMK invests considerable resources in the training and development of its employees. Investment allocated to staff training measures in 2018 amounted to RUB 301.8 million, a 14% rise on the amount allocated in the previous reporting period. Much of this increased investment went on vocational training and internal conferences, as prescribed by strategies in Fixed Asset Management System Development and Operational Efficiency, and on increasing the provision of in-house training.

The staff training and development process comprises a number of stages, which include not only educational programmes for Company employees, but also work with potential future employees: students from secondary and higher educational institutions.

Cooperation with educational institutions
As part of its work with schools, the Company carries out a wide range of informative and educational activities and competitions, including organizing trips to its companies and encouraging the study of technical subjects, holding competitions and quizzes about metalworking, and supporting the most promising students and their teachers. We work closely with vocational training and higher education institutions, proposing changes to course content to reflect NLMK practices, organizing various types of work experience at Group sites, operating funded programmes for teachers and students, and conducting additional and dual education programmes.

Effective cooperation with schools and institutions of secondary and higher education not only allows us to attract young professionals that are already familiar with the working life at NLMK, but also to ensure that the Company is perceived as being an attractive employer in the regions where we operate.

Vocational training
Given the nature of the Company’s operations, a significant role is played by vocational training and orientation programmes for NLMK employees. These programmes include trainings that qualify employees to access production sites and work with equipment, together with specialist vocational training. Training takes place at NLMK’s own sites or in collaboration with certified third-party training institutions. For example, the Lipetsk site has an educational centre that holds state-licensed trainings in over 380 occupations.

We also invest significant financial resources and efforts into vocational training for employees in corporate functional areas. In response to the results of vocational skills assessments, a centralized training programme is being developed, aimed at improving skills and eliminating deficiencies in key competencies.

The programme, which consists of four modules, has promoted the development of sales and negotiating skills through training sessions customized to reflect the nature of the Company and the strategic objectives of the Sales functional area. Training groups comprised employees from NLMK’s Russian and international companies. The programme was launched in the first quarter of 2018 and came to an end in the fourth quarter. Between modules, programme participants spent 4-6 weeks independently practicing their skills, working with actual Company clients.

During the reporting period work began on developing and implementing another vocational training programme for the Finance and Economics functional area. Participants in this programme set themselves the goal of developing their skills in three key competency groups: business planning and analysis, managerial accounting and reporting, business performance (KPI) management and efficiency improvement programmes.

VOCATIONAL COMPETITIONS

- NLMK regularly holds corporate events for employees, timed to coincide with professional holidays, sporting events, and vocational competitions. In 2018, for example, the Company helped organize the WorldSkills Russia 2018 vocational skills competition as part of a cooperation agreement with the international non-profit movement WorldSkills Russia, which operates under the auspices of the Russian Ministries of Education and Labour and the Agency for Strategic Initiatives. WorldSkills is an international non-profit movement, which aims to enhance the prestige of vocational professions and to develop vocational education (for more information go to https://www.worldskills.org/).

The regional stage of the WorldSkills Russia 2018 Young Workers Championship took place over three days at 13 vocational education institutions in the Belgorod region. 100 secondary and higher education students, as well as representatives from NLMK Group companies, took part in competitions testing 15 different skills. The competitions were refereed and judged by over 130 specialists from throughout Russia. Chemical analysis technician Irina Dorokhina, an employee at Stoilensky, won the regional round of the WorldSkills Russia 2018 Young Workers Championship in the Laboratory-Based Chemical Analysis skills category.
NLMK Group is establishing its own English language centre, the Corporate University, in the city of Lipetsk, which will also house NLMK’s Corporate University.

▶ A transformable exhibition space of up to 300 m² will create new possibilities for showcasing work by talented NLMK employees. The new building will also feature a 600-seat concert hall. 2018 saw the completion of construction work on the Corporate University’s ground floor. The centre is expected to open at the end of 2019.

The remaining Corporate University modules are under development. Over 6,000 employees underwent Corporate University training in 2018.

In addition to management training at the Corporate University, we launched an internal programme for the Company’s middle management in 2018, as part of efforts to cultivate a talent pool. The programme consists of a number of modules, and is chiefly based on the NLMK corporate skills that are essential for effective management.

Training at NLMK’s Corporate University is based around nine fundamental programmes: The Company, Leadership, Project Management, Promotion of a Safety Culture, NLMK Production System, Managerial Standards, Production System Tools, Finance, and Information Technology. In 2018, three of these training programmes were conducted by in-house coaches, including senior NLMK managers, and a corporate programme providing training in English. By boosting the share of employees with English language skills, we help improve Company employees’ access to global best practices in the industry and enable NLMK Group’s international divisions to share experiences more extensively.

The Corporate English language-training programme attracted 200 participants in 2018, a figure which is expected to rise to 350 in 2019.

NLMK also devotes particular attention to other areas of training, which are particularly important for business development, such as language learning. During the reporting period the Company conducted a corporate programme providing training in English. By boosting the share of employees with English language skills, we help improve Company employees’ access to global best practices in the industry and enable NLMK Group’s international divisions to share experiences more extensively. The Corporate English language-training programme attracted 200 participants in 2018, a figure which is expected to rise to 350 in 2019.

Management training NLMK continues to develop its internal management training process. Since 2017 a structural subdivision of the Company, the Corporate University, has taken on the role of training and developing Company managers, while at the same time promoting a strategic vision for Group management vis-à-vis training. The Corporate University is a source of internal competencies in priority areas for the Company, and is also a strategically important tool for developing employees in accordance with NLMK’s long-term objectives.

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NLMK provides additional benefits for employees which are aimed at supporting their health, improving working conditions, caring for their families, and various corporate events are also organized.

The NLMK housing programme operates in a number of areas. In cases established by internal regulations, the Company will reimburse the cost of privately rented accommodation as part of a compensation package, help employees to purchase their own homes by reimbursing a portion of interest payments on a mortgage, and organize the provision of service apartments and hostels.

During the reporting period, 487 employees received compensation for privately rented accommodation, 72 families of NLMK Group employees were able to purchase an apartment in the cities of Lipetsk and Kaluga on favourable mortgage terms, and 137 people were living in subsidized corporate accommodation.

The corporate loyalty programme for NLMK employees was also enhanced in 2018, in partnership with a bank that services payroll projects at major Russian companies. Under the programme, employees have access to discounts and special offers from retailers in the cities where the Group has major companies: Lipetsk, Stary Oskol, and Moscow. Employees can also suggest retail partners with whom they would like discounts to be agreed. In addition, the programme offers NLMK employees a concierge service for booking various services.

NLMK Group employees can participate in non-state pension programmes at companies with additional contributions made by the Company. These programmes provide employees with additional pension payments once they become eligible to receive their pension.

Medical services at NLMK Group companies are provided by three infirmaries and 29 medical centres. Employees are also able to undergo treatment at health resorts and to take restorative holiday time, either at NLMK’s 10 resorts and spas or in other regions of the country. An audit of corporate medical assets was conducted in 2018, its results will serve to establish ways in which the Group’s medical assets could be more effectively managed in 2019.

Our international companies likewise actively implement social programmes for their employees, including insurance and healthcare programmes. NLMK, for example, has worked with a trade union organization to implement a programme entitled ‘Benefits for Your Life’. This programme provides employees and their families with access to a variety of medical services on favourable terms, additional paid leave according to their length of service, and other social services.

**Staff satisfaction survey**

Each year, NLMK Group monitors the working conditions of its employees, asking them for feedback about working conditions and internal communications. An additional detailed staff satisfaction survey was conducted during the reporting period, entitled ‘NLMK Group Social Programmes: Assessing Employee Satisfaction’. Almost 16,000 employees from a number of Group’s Russian companies completed it. The survey pinpointed a number of potential improvements to social programmes, including healthcare provision and the organization of corporate events. The survey also revealed that employees were interested in participating in corporate volunteering programmes, and identified volunteering areas that were of the most relevance and importance to staff.

The survey results were taken into consideration by the HR Management functional area during the implementation of social policy projects; the NLMK Group Employee Health programme in particular was designed with the results of the survey in mind. The Company plans to conduct a staff satisfaction survey for social programmes at least once every three years.

**Trade unions and collective bargaining agreements**

With respect to its HR policy, the Company complies fully with the requirements set forth in collective bargaining agreements and holds regular meetings with representatives of trade unions. Collective bargaining agreements are in force at all Group companies, including at our international companies. As of 2018, collective bargaining agreements covered 100% of employees at NLMK Group’s Russian companies.

Measures were taken in 2018 to develop parameters for determining the conditions under which key benefits are offered.

**Supporting retired employees**

NLMK Group devotes special attention to employees that have retired from the Company. In addition to giving them regular financial assistance, we also provide them with additional social programmes. Further information about the measures and programmes implemented by NLMK for the benefit of its retired employees can be found in the Developing Local Communities section.

**Volunteering**

In 2018, NLMK’s vision for corporate volunteering was reviewed by the Management Board. Three key areas for the development of the concept were determined for all Group companies:

- The environment: including taking action to clean up and improve NLMK sites and environmentally sensitive areas, eco-quests for children and young people, and eco-expeditions
- Healthy living: including events to promote healthy lifestyles, and involving local people in regions where NLMK operates in accessible sporting events, and furnishing sports facilities
- Social assistance: assistance for vulnerable groups, including helping children, pensioners, and people with disabilities, and providing urgent assistance for urgent community needs without employer involvement among others.

**NLMK GROUP’S EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS, 2014–2018, %**

- Russia: 100% for all years
- Ukraine: 100% for all years
- Kazakhstan: 100% for all years
- Other countries: 100% for all years
An NLMK Volunteer community was created on the internal NLMK portal in 2018, giving employees a place where they can exchange volunteering ideas. Between May and December 2018, over 500 employees took part in volunteering sessions in Lipetsk, Yekaterinburg, Revda, and Zarinsk. In 2018 the Company held its first events to mark International Charity Day (9 September) and International Volunteer Day (5 December). NLMK plans to hold more of these events on an annual basis. International Charity Day on 5 September was marked with events at various Group sites. On 9 September, for example, NLMK organized an environmental volunteering event in Lipetsk entitled ‘Green Hearts’. Around 200 people took part in the event, including activists from NLMK’s volunteering division, participants in the Young Leader programme, employees at NLMK companies, and members of their families. At the end of the event, participants were presented with NLMK volunteer certificates.

As part of International Volunteer Day, a trip was organized for NLMK corporate volunteers from Lipetsk to visit Soul Bazaar, Russia’s largest charity fair. The fair has been held in Moscow just before the start of the Christmas and New Year celebrations since 2010, and 36 companies and 40 non-profit organizations took part in 2018. Corporate volunteers from NLMK joined volunteers from Soul Bazaar and a team from the Jewish Museum and Tolerance Centre on a visit to the sites of non-profit organizations, as part of a trip intended to introduce participants to key areas of non-profit activity.

Corporate sport
NLMK Group is committed to ensuring that its employees have access to everything they need to do sports. The Company supports sports halls and centres on the sites of its companies, maintains corporate sports facilities, hires external halls and facilities for team sports, provides employees with subscriptions to swimming pools and gyms, and arranges employee discounts at fitness centres. Corporate contests and tournaments are held on a regular basis. The 4th NLMK Group Corporate Games were held in 2018 in Lipetsk, welcoming 270 representatives from each Russian company to compete in 10 different disciplines. Around 400 employees pass Russia’s Ready for Labour and Defence physical fitness test every year. The Company spends around RUB 40 million annually on organizing sporting activities for employees, holding popular sporting events, and maintaining sports facilities.

Employees at our international companies also regularly take part in sporting events. In 2018 at NLMK Strasbourg, for example, employees participated in the Ekiden Marathon, a relay event, for the third time.

Plans for 2019 and the medium term
Human resources management is a key element influencing NLMK Group’s development. Accordingly, we plan to take an active approach to human resources development, refining our existing strategies and implementing new initiatives and technologies. Starting in 2019, and following our project to evaluate specialist and managerial roles, we plan to determine salaries on the basis of employee grade. We plan to increase the number of Group employees included in the MBI key skills appraisal and MBO bonus systems.

The Company will continue to work not only to improve its training programmes to develop employees’ vocational skills, but also to build the Company’s talent pool.

With respect to internal social policy, we plan to develop a regulatory document in 2019 with the key goal of formalizing the Company’s approaches to social issues.

Work to implement the NLMK Group Employee Health programme will continue in 2019 with the introduction of accident and critical illness insurance for all employees at NLMK Group’s Russian companies, together with other projects. The Company’s plans for 2019 also include setting up an NLMK Group Corporate Volunteering Council, whose mandate will include examining employee initiatives on a competitive basis.
Our approach to managing occupational health and safety

Occupational safety is an absolute priority for NLMK Group. The Group’s strategic goal is to achieve a zero injury rate at all companies by continuously improving the occupational health and safety (OHS) management system.

The Group’s approach is based on strict compliance with Russian and international OHS regulations, the introduction of best practices, monitoring key risk factors, and the maintenance and development of a safety culture among NLMK employees and contractors. Occupational health and safety are integral components of a large-scale project to develop NLMK Production System.

To ensure a high level of safety at work, the Company is guided by a set of internal principles that shape the OHS culture throughout the Group.

In order to implement these principles, the Group undertakes to:

- Effectively identify and minimize existing unacceptable risks, thus controlling the level of risk to the life and health of the Group’s employees and contractors
- Constantly increase the competencies of managers, employees, and contractors in the area of occupational health and safety
- Comply with Russian and international OHS regulations
- Ensure that OHS indicators are made available.

Key figures for 2018

-31%
The injury rate reduction the Group and its contractors

$125.5 M
invested in the development of safe production

Material topics

- Occupational health and safety

Key events in 2018

- The Provisions on OHS incidents, which regulate issues related to workplace safety, were approved.
- The top three risk categories at NLMK Group production sites were identified and projects to minimize risks in these categories were developed.
- Safe behaviour is now included in the list of criteria evaluated during an employee’s annual review.

Global Sustainable Development Goals

OUR EMPLOYEES ARE OUR MOST HIGHLY PRIZED ASSET. PROTECTING THEIR LIVES AND HEALTH IS A PRIORITY FOR OUR PRODUCTION OPERATIONS

OCCUPATIONAL HEALTH AND SAFETY ARE AN INTEGRAL PART OF OUR BUSINESS AND AT THE HEART OF OUR DECISIONS TO DEVELOP AND IMPROVE BUSINESS PROCESSES

ALL ACCIDENTS, INCIDENTS, AND OCCUPATIONAL ILLNESSES CAN AND MUST BE PREVENTED

SAFE OPERATIONS ARE THE RESPONSIBILITY OF EVERY EMPLOYEE

NLMK OHS PRINCIPLES

1. Our employees are our most highly prized asset. Protecting their lives and health is a priority for our production operations.

2. Occupational health and safety are an integral part of our business and at the heart of our decisions to develop and improve business processes.

3. All accidents, incidents, and occupational illnesses can and must be prevented.

4. Safe operations are the responsibility of every employee.

In order to implement these principles, the Group undertakes to:

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- Constantly increase the competencies of managers, employees, and contractors in the area of occupational health and safety.
- Comply with Russian and international OHS regulations.
- Ensure that OHS indicators are made available.
OHS issues are regulated at all management levels within NLMK Group. The Group ensures that all NLMK employees and contractors are involved in measures to improve workplace safety. The President (Chairman of the Management Board) plays a key role in regulating the Group’s approach to production safety. He determines the Company’s OHS development strategy and approves the foundational document, the OHS Policy.

In order to analyse the effectiveness of the OHS management system, the Management Board receives a monthly report containing information about accidents at work over the past month, together with general information on OHS initiatives and activities. In addition, at Management Board level, the results of accident investigations are reviewed, decisions are made to launch corporate measures within the Company, and the attainment of OHS KPIs is reviewed.

The Vice President for Occupational Health and Safety and the Environment manages OHS issues at all Group companies, including international ones. Each of the Group’s companies has an OHS team. Dedicated occupational safety teams operate in the factory shops of the largest companies. All participants in the OHS management structure, including international companies, collaborate to ensure that a unified approach is adopted to improving safety at all NLMK companies.

The main document governing NLMK’s OHS management system is the OHS Policy, which was approved by the Group’s President in 2015. In 2018, the provisions on OHS Incidents were approved. These regulate the procedure for dealing with incidents, the operation of the alert system, and the procedures for recording incidents, and for conducting investigations and implementing remedial measures. Since autumn 2018, the approved provisions have functioned as a single regulatory document for the entire NLMK Group, including international companies. The provisions do not have to be adapted to each specific company in the Group.

OHS MANAGEMENT STRUCTURE

THE LIST OF CORPORATE DOCUMENTS ALSO INCLUDES:
- Occupational health and safety risk management regulations
- Fire safety regulations
- Regulations on machine enclosures
- Road safety regulations
- Regulations governing the safe operation of lifting equipment
- Contractor management regulations
- Regulations governing working at height

The OHS standards are approved in accordance with existing corporate regulations at company level. The Group is currently elaborating a classification system for regulatory documents, including OHS documents, in order to systematize the scope and levels of influence of different groups of documents.

Efficacy of OHS efforts

Since 2018, our main focus has been on developing a culture of safety at NLMK. Particular attention has been paid to improving the level of safe behaviour by conducting both internal and external training sessions for Group employees and contractors.

The Group has established the following areas as being strategic objectives:
- Zero fatal accidents involving employees and contractors
- Achieving by the end of 2022 a total Lost Time Injury Frequency Rate (LTIFR)* among employees and contractors of not higher than 0.5
- Raising awareness among staff vis-à-vis personal safety.

As part of the strategy a list of projects and programmes to be implemented has been developed for each separate area of OHS.

The Group has developed a KPI system for tracking progress in improving the effectiveness of OHS management. For each level of employee, starting with the Group President, a performance indicator is established that is associated with a decrease in the LTIFR. At company level, business performance is also defined by absence of recurring critical incidents over the past 36 months.

Safe behaviour at production sites is included in the list of criteria used to evaluate employees. These criteria affect the level of an employee’s remuneration as well as their future career development (for more information see the Our Employees section).

OHS investments

The Group invests annually in this area in order to attain the goals that are defined within the OHS Strategy rapidly and to a high standard.

In 2018, OHS costs were up by 28% on the previous reporting period, amounting to around $125.5 million.

Each NLMK Group company submits its planned measures and projects to monitor OHS risks for review by the Investment Committee on an annual basis. As part of the Maintenance and Major Repairs Programme, the Investment Committee determines the allocation of funds for OHS projects. A detailed implementation schedule is prepared for each project, and a risk assessment is conducted.

During the reporting period, a number of projects dedicated to improving production safety were implemented in the following main areas:
- Occupational health and safety
- Risk management
- Fire safety
- Improving working conditions for employees.

Management system and certification

NLMK is committed to establishing an OHS management system that operates effectively and covers 100% of employees and contractors. As of the end 2018, the number of employees covered by the OHS management system was 54,879, or 100% of the headcount. Furthermore, in 2018 the Company achieved a 100% coverage of contractor employees under the OHS management system.

The Group also certifies the OHS management system at individual companies. NLMK Vesurna, NLMK DanSteel, NLMK Strasburg, NLMK Lipetsk, and VIZ-Steel are all certified for compliance of OHSAS 18001:2007. Over 30,000 employees were covered by an OHS management system certified by a third party. In 2018, a working group was set up to achieve ISO 45001:2018 certification. By the end of the reporting period, our international company NLMK DanSteel was certified under the new ISO 45001:2018 standard.

OHS risk assessment

NLMK Group applies a risk-oriented approach to OHS management. In 2018, an incident analysis was conducted for each subsidiary, and the following top-three risk categories were identified at the Group:
- Moving and rotating mechanisms
- Work at height
- Falling objects.

By analysing incident statistics, the Group was able to determine the course that it should pursue to develop its OHS efforts: a project focusing on occupational risk assessment was launched within the Production System. During the reporting period measures aimed at minimizing identified risks began to be implemented. In particular, 80% of production operations at the Russian companies of NLMK Group, where the level of risk is higher, have been transformed in order to minimize the risk of incidents. Efforts to minimize and eliminate risks in the workplace will continue in 2019.

Staff training and engagement

The Group conducts all OHS training programmes prescribed by state regulations. NLMK also implements additional measures to bolster the safety culture at the Group and to improve employee engagement.

* The LTIFR indicates the frequency of accidents that lead to loss of working time (not including fatalities). The formula for calculating this ratio is as follows:

\[ \text{LTIFR} = \frac{\text{number of accidents with loss of working time}}{\text{actual amount of time worked by all employees}} \times 1,000,000 \]

\[ \text{LTIFR} \text{ per employee} = \frac{\sum_{\text{accidents}} \text{time lost}}{\text{total working hours}} \times 1,000,000 \]
Since 2017 all of the Group’s companies have been running a corporate training programme entitled In Search of Safety; its aim is to involve employees in the hazard identification and risk assessment process. Under this programme, company employees identify potential workplace risks, and area managers evaluate risks identified by employees in order to elaborate further measures to minimize or eliminate them. A target indicator of 100% coverage of NLMK Group companies, including foreign assets, was set for the programme, and this figure was achieved during the reporting period. New Group employees are trained in this programme during their first 10 days on the job. In 2018, 34,682 employees across all Group companies participated in the programme.

The Group has implemented Promotion of Safety Culture training programme, which was developed at the NLMK Corporate University (see the Our Employees section). The main aim of the programme is to create a unified vision of OHS management that is shared by leaders at all levels within NLMK Group, and thereby improve the culture of safe behaviour and create and maintain safe working conditions at the Group. In 2018, the managers of all companies, over 6,000 employees, were trained under this programme.

In order to raise employee awareness surrounding occupational health and safety, the Group hosts an OHS conference every year. Participants traditionally include OHS team managers and employees, including from NLMK’s foreign locations, as well as representatives from trade unions. The conference examines the current issues and challenges facing OHS teams, and discusses potential solutions and initiatives in the field of OHS.

In addition, Group representatives regularly take part in OHS conferences and seminars organized by various international and Russian organizations. For example, each year NLMK participates in conferences and seminars held by the Worldsteel Association (WSA) to share best OHS practices with international and Russian organizations.

Emergency preparedness and incident reporting
NLMK prioritizes efforts to prevent and respond to emergencies. Each company has developed regulations on preventing and managing the consequences of both man-made and natural disasters. The schedule of planned emergency training sessions for 2018 included sessions on fires, gas leaks, acid/kali spills, molten zinc leaks or spillages, and power outages.

In accordance with the Provisions on OHS Incidents, approved in 2018, NLMK adopts a no-blame policy. This prescribes that the Group does not apply any disciplinary sanctions against employees or contractors that report accidents and injuries at work. To enable employees to contact the OHS team promptly, NLMK companies publish information sheets that provide contact details of responsible persons. NLMK has implemented a unified system for recording OHS incidents, critical incidents that endanger the lives of employees and contractors should immediately be brought to the attention of the OHS Vice President. Serious injuries and incidents should be reported within 24 hours.

At the Group’s companies heads of OHS teams conduct regular inspections, during which any employee or contractor can ask a question or put forward a suggestion. The Group also has an OHS hotline (details are available on the corporate portal) that any employee or contractor can use to send messages and questions related to OHS.

Partnerships with contractors
Our OHS standards fully apply to contractors that partner with NLMK. Information about contractors is taken into account when calculating incident statistics and setting targets, as well as when planning OHS training and awareness activities.

In 2018, a corporate regulation on OHS and environmental management by contractors was adopted, setting forth how to comply with safety requirements when working with contractors. Local standards for companies were developed, training events were held, and contractor employees were notified in accordance with this regulation.

Collaboration between NLMK and contractors begins at the preparatory stage and continues throughout the period during which work is conducted. NLMK Group evaluates contractors involved in the production process at companies for compliance with OHS requirements, in accordance with a specially developed methodology. Based on the results of the evaluation, a rating is awarded that may affect whether the Group decides to continue working with the contractor in question. The Group provides tools for motivating contractor employees to comply with OHS rules.

Partnership lies at the heart of the Company’s strategic approach to working with contractors. Where a contractor is exposed to certain OHS risks, the Company can help improve the OHS system so that the working relationship with the contractor can continue going forward.

As part of the contractor management process, OHS specialists actively collaborate with the Department of Internal Control and Risk Management, the procurement service, and the Safety Department.

Assessing the maturity of the OHS system
NLMK has implemented a unified approach to the internal evaluation of the OHS system. Each year, OHS team employees complete maturity assessment reports. This report is a tool that is used to assess the extent to which the OHS approaches that are in place at each company comply with corporate regulations. A quantitative assessment of the Group’s compliance with each of the existing corporate regulations is compiled based on these reports. In the event of there being any inconsistencies, remedial measures are developed and changes are made to the current approach to OHS management. To improve the quality of OHS system assessments, the Group is working to establish an internal institute of OHS auditors.

NEW TECHNOLOGIES TO PROMOTE SAFETY

The SAP Forum 2018, an annual event, was dedicated to business projects that take advantage of virtual reality. NLMK presented a new business solution: using HTC Vive virtual reality headset technology to monitor processes at companies. The system can track the location of employees, determine whether they are in danger, and train new employees in the skills they need to work at a company. This is an innovative solution that also provides a virtual space in which to simulate a non-standard situation where an employee must make the right decision to avert dangerous consequences.
In the spring of 2018 occupational health and safety was the key topic highlighted in the NLMK corporate magazine. The aim of this initiative was to develop a safe production culture and to draw attention to OHS issues through the NLMK Group. Employees shared stories from their working lives, while aspects of the Company’s policy relating to OHS requirements for contractors were highlighted separately. The issue also featured an interactive game entitled Little Steelmaker for the children of employees, which was designed to help teach the importance of safety at work from an early age.

HAZARD-FREE HEROES INTERNATIONAL COMPETITION

In 2018 the theme for the annual #TeamNLMK international competition was occupational health and safety. Employees were asked to find a creative way to highlight the importance of safety rules and to explain how staff can ensure not only their own safety, but also that of their relatives, friends, and colleagues. Competition winners were chosen and presented with awards. One of the main prizes was a trip to France.

**2018 performance**

In 2018 the Group carried out extensive work to reduce injury and occupational illness. In addition to improving the OHS management system, developing partnerships with contractors, and implementing training activities, during the reporting period NLMK actively promoted the development of a safety culture through internal employee engagement channels. For example, in 2018, one issue of the corporate magazine was devoted entirely to the topic of OHS, as was the annual #TeamNLMK competition.

**Work-related incidents**

Thanks to efforts to improve the NLMK safety system, including developing methods for responding to emergencies and incidents at work, we are able to minimize the consequences of incidents when they occur.

In 2018, 287 injuries were reported at NLMK Group companies, of which 89 resulted in disability and 25 in injuries to employees and contractors, including fatal and severe injuries.

The system for recording work-related injuries at NLMK Group is based on common industry specific methods that have been adopted by the Worldsteel Association. NLMK regularly provides the WSA with relevant statistics in order to access comparative information for the industry. The main indicator used by the Group is the LTIFR, which is calculated on a monthly basis for each subsidiary, taking into account data for both NLMK employees and contractors. During the reporting period, the LTIFR dropped to 0.77, a 33% reduction on the figure for 2017.

The Group also keeps records of all work-related injuries and determines the TRIFR, which is calculated every month for each subsidiary, with data on contractors included. In 2018, the TRIFR fell to 2.14 for Group employees and 2.51 for contractors, which indicates a decline in the total number of injuries across all Group companies. The Group identified and eliminated the systemic causes of work-related injuries that occurred.

The Company deeply regrets three fatal accidents that occurred at its sites in Lipetsk and Noviye Sergi in 2018. The accidents were investigated to identify the root causes and re-evaluate the relevant risks. In order to avoid such accidents in the future, the Company developed an action plan consisting of close to 60 projects.

An important outcome of the reporting period was the fact that there were no fatalities among contractors.

**“SAFETY BEGINS WITH EACH OF US”**

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**Plans for 2019 and the medium term**

Going forward we will continue to implement programmes and measures to improve safety, reduce injuries, and develop a culture of safety among the Group’s employees and contractors. Zero fatal accidents will be NLMK’s key goal in upcoming periods.

We will continue to carry out planned activities to minimize and eliminate the top-three risk categories identified during the current reporting period. The Group will continue to hold training programmes for NLMK employees and contractors through its Corporate University.

The Group also plans to establish an internal audit institute for assessing the effectiveness of the OHS system at its companies, and intends to develop a regulation governing LOTO (log-out tag-out) systems to ensure control over hazardous energy sources at NLMK companies.

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**NLMK GROUP’S LTIFR COMPARED WITH THE INDUSTRY AVERAGE**

**TRIFR* (RIS) FOR NLMK GROUP EMPLOYEES AND CONTRACTORS**

**NLMK GROUP’S TRIFR COMPARED WITH THE INDUSTRY AVERAGE**
Developing local communities

Key figures for 2018

- 2.7 RUB BN NLMK’s total social investment
- 289 RUB M NLMK’s total investment in external social programmes

- >5,000 people participated in grant-funded Steel Tree projects

Material topics

- Indirect economic impacts
- Local communities

Key events in 2018:

- Transformation and expansion of the Steel Tree grant competition.
- Implementing measures to facilitate sustainable development in the regions where NLMK Group operates, including through collaborations with relevant non-profit organizations.

Global Sustainable Development Goals

- 

Stakeholder dialogue
Supply chain management
Human rights
Our employees
Occupational health and safety
Developing local communities
Our approach to managing external social activities

As a major extraction, steelmaking, and steel product manufacturing company, NLMK has a significant impact on the environment as well as local communities. The Company’s extractive and production capacity is located in cities and regions across Russia, Denmark, Belgium, Italy, France, and the USA. The CSR Programme thereby encompasses a broad range of activities. 

Local community engagement and the implementation of projects that fall under NLMK’s external social policy are coordinated by the Social Policy Unit within the Human Resources Management functional area, together with the Governmental Relations and the Company’s social partners. The CSR Programme addresses the chief aim of these subdivisions in terms of developing local communities is to determine common interests shared by the Company, employees, local communities, and governmental and local administrative bodies related to the sustainable development of the Company and the regions in which it operates, and creating a pleasant environment for both employees and local communities. 

NLMK’s social and charity activities support and develop the regions in which it operates and aim to pursue these interests in collaboration with the Company’s social partners, the Miloserdiye (Compassion) charity fund for social assistance, and the Levy Charity Fund to support veterans. The Miloserdiye Fund is a long-standing trusted partner of NLMK in the Lipetsk and Belgorod Regions and in Altai Territory. The Sverdlovsk Region is home to the Care, Assistance, and Compassion charity fund, which supports the development of sport, the preservation of the cultural heritage, and the Lipetsk and Belgorod Regions. The fund may have some outstanding costs. The Levy Charity Fund is home to the Care, Assistance, and Compassion charity fund, which supports the development of sport, the preservation of the cultural heritage, and the Lipetsk and Belgorod Regions. The Levy Charity Fund is home to the Care, Assistance, and Compassion charity fund, which supports the development of sport, the preservation of the cultural heritage, and the Lipetsk and Belgorod Regions.

Our employees

Stakeholder dialogue

Supply chain management

Human rights

Developing local communities

Our employees

ORGANIZATIONAL STRUCTURE OF EXTERNAL SOCIAL POLICY MANAGEMENT

Vice President, Human Resources Management System

HR Department

Vice President, Risk Management

Government Relations

Social Policy Unit Director

External Social Policy

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The Miloserdiye Fund has received a number of awards: it was named Benefactor of the Year by the Lipetsk Chamber of Commerce and Industry, and is also a two-time recipient of the Golden Badge for Services to the City of Lipetsk. In 2017, the Chairman of the Miloserdiye Fund Board, Sergey Melnik, was presented with Lipetsk Municipality’s highest honour, the Mitrofan Klyuev medal, for his many years of charity work. The fund may have some outstanding achievements to its name, but it is nevertheless continuing to evolve. One important step in 2018 was the launch of the fund’s new website, which enables visitors to make their own social contribution via a crowdfunding platform.

NLMK also operates various volunteering and charity programmes and conducts research on the needs of local communities in areas where it has a presence, determining these through surveys and public hearings, as well as various internal corporate communication channels. NLMK is committed to enhancing the tools it uses to collaborate and engage with communities.

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In 2017 the Steel Tree grant competition was launched in Lipetsk by NLMK. As part of a volunteering initiative, NLMK allocated a total of RUB 288 million to external social programmes, including support for veterans and retired employees.

Development of mass and children’s sports

The development of sport for all and children’s sport is a priority within the Company’s social activity. NLMK provides everything that is necessary for company employees, their family members, and indeed local communities to be able to take part in sport, allocating resources to the upkeep of sports facilities and providing assistance to children’s and young people’s sporting academies and groups, as well as sports clubs and promising athletes.

For example, NLMK covers all costs for the Lipetsk Metallurg sports club in Lipetsk, and the Olympic Reserve School No. 13 for Children and Young People, which emerged around the club. The school trains world-class athletes in skeet shooting: around half of the current Russian skeet shooting team areformer students. A total of RUB 64 million was allocated to developing sport for all and children’s sport in 2018, or 22% of the Company’s total investment in external social programmes.

Supporting veterans and retired employees

NLMK places considerable emphasis on supporting veterans and retired employees. This includes organizing regular trips and other cultural events, regular exhibitions of creative work by veterans, and sporting tournaments and healthy lifestyle activities. One important aspect of our work with veterans is computer training, which helps elderly people use computers, mobile apps, and the Internet to find useful information, access electronic services, and communicate with family and friends online.

In order to strengthen ties between generations, NLMK works with local veterans organizations and trade unions to host meetings with veterans, organize visits to war memorial sites, and give lessons in brave conduct in schools and colleges.

A total of RUB 89 million was allocated to support veterans and retired employees in 2018, which accounts for 31% of NLMK’s total investment in external social programmes.

Developing education

The main areas of scientific and educational development pursued in NLMK’s social policy comprise multifaceted support for relevant educational institutions in the regions where NLMK operates, and support for high-quality technical education for young people. The Company provides targeted funding for scientific and educational activities in educational institutions, and also organizes and sponsors conferences dedicated to scientific research, as well as scientific and technical competitions for students. In order to introduce the next generation of employees to the Company, NLMK organizes open houses and trips to production facilities for schoolchildren, as well as industrial internships at NLMK facilities for students from relevant educational institutions. NLMK also finances a range of grants. The Company also allocates significant resources to improving facilities at nursery schools, schools, secondary schools, vocational institutions, children’s centres for the creative arts, children’s homes, and residential schools.

In 2018, a total of RUB 53 million was allocated to developing science and education in regions where NLMK operates; this represented 18% of the Company’s social investment in external social projects.

Grants for developing children’s play and development facilities

As part of the Steel Tree programme, in 2018 a number of projects put forward by finalists in the Young Leader of Altai Koks 2018 competition were implemented, helping to furnish children’s play areas in nursery schools in Zarinsk, Altai Territory. The winning projects were proposed by Roman Neklyudov and involved volunteers, and included the cosmetic refurbishment and equipping of play and development areas in Zarinsk’s nursery schools. The projects were financed by a grant from NLMK’s social partner, the Miloserdie Charity Fund. In addition, around 200 Zarinsk inhabitants took part in the fund’s campaign to raise money for the projects, as did the city administration.

Grants for top students

NLMK’s grant programme, which has been in place since 2000, is aimed at supporting and developing students’ academic potential while at the same time growing NLMK’s long-term talent pool. As part of this programme, in 2018 the best students from Lipetsk State Technical University (LSTU) and Voronezh State University (VSU) received additional monthly student grants from the Company. The recipients were 30 of the top students from LSTU and 10 of the top students from VSU. All recipients will be offered priority employment opportunities at NLMK after completing their university studies.

Volunteering projects in education

As part of a volunteering initiative, NLMK employee Maxim Moliachev organized an urban educational festival called Let’s Talk the Facts to Know! The festival included fascinating live talks in the TED and PechaKucha formats on interesting and topical subjects concerning personal development, societal development, and technology. The Quantum children’s technology park was the venue for a volunteer educational event entitled Science Battle. The main aim of the event was to stimulate children’s interest in physics and chemistry. It took the format of a contest pitting chemists against physicists, during which children had the chance to take part directly in preparing and conducting experiments in these two enthralling sciences.

Charity activity is pursued at a number of the Company’s international companies through specially organized Charity Councils. A vision for corporate charity activity is also actively implemented, under which employees are given the opportunity to make their own personal contribution to resolving specific social issues by becoming volunteers.

In 2018, NLMK’s US subdivision carried out another campaign to collect food to help families in need at Thanksgiving. In total around 2,500 kilograms of food were collected, 400 kilograms more than last year.
In 2018, NLMK provided financial support to the non-profit organization Hoosier Burn Camp in Indiana, USA. The camp provides support to children that have suffered physically and emotionally as a result of sustaining severe burns. It organizes holidays for injured children at health camps and runs projects to provide them with psychological support.

NLMK also provides situational assistance: in the event of an emergency in a region where NLMK operates, the Company provides financial and human resources to normalize the situation and to help those affected. Following winter storms and destructive events on some islands in the Caribbean in 2018, for example, specialists from NLMK’s European division visited some of their major clients, producers of corrugated plate in Guadeloupe.

NLMK representatives performed a detailed inspection of the island of Dominica and identified the worst-affected regions. NLMK provided assistance that was chiefly used to help repair the roof of the island’s central hospital. In 2018, a total of RUB 58 million was allocated to social support in the regions where NLMK is active, which amounted to 20% of the Company’s total investment in external social programmes.

Supporting healthcare
Projects in this area aim to support the development of medical centres, including through procuring essential healthcare equipment, and to provide targeted assistance for the seriously ill, including by helping pay for expensive operations, medicines, and rehabilitation.

A healthcare initiative from NLMK is also helping to fund the construction of the Church of the Intercession in Lipetsk’s Left Bank district. Since construction work began on the church in 2006, the Company has provided around RUB 3 million in charity contributions to help with the acquisition of building materials and components for a heating system. NLMK has also helped the diocese of Lipetsk craft cupolas and crosses for the church.

SUPPORTING CULTURAL TRADITIONS AND VALUES

The Miloserdiye Charity Fund, NLMK’s social partner, provides the Martha and Mary Centre for Children with Special Needs (The Elizabethan Garden) with charity aid to support projects to provide material and psychological assistance to children. Teachers, psychologists, and speech therapists work with children at the centre to help them acquire essential skills.

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Developing culture and arts
As part of efforts to support culture and the arts, NLMK Group provides assistance to organizations that promote cultural history and education in regions where NLMK operates, and makes financial contributions to the preservation and proper maintenance of cultural and architectural monuments and other sites of cultural and historic value.

NLMK also supports the activities of corporate museums, including NLMK’s Novolipetsk Museum in Lipetsk, the Demidov Centre in Revda, Sverdlovsk Region, and museum sites at Stalinsk and Altai-Koks. Over 21,000 people visited our corporate museums in 2018, 28% of whom were schoolchildren.

In order to formulate a strategy for developing its corporate museums, NLMK organized a trip for its specialists and managers to a Russia-wide thematic conference entitled A Factory of Spaces, hosted by some of the best museums in the country and the industry. As part of a collaboration with the Blagosfera Foundation and Cultural Initiatives and Charity Activity, NLMK employees attended a guided tour of some of Moscow’s public buildings (the Nekrasov Library and the ZIL Cultural Centre).

A total of RUB 20 million was allocated to developing culture and the arts in 2018, which amounted to 7% of the Company’s total investment in external social programmes.
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 CO2 emissions data.

Marjan Oudeman
Independent director, member of NLMK Group’s Board of Directors

nlmk.com

We have developed a dedicated section on the Company website at www.nlmk.com to enable investors to review environmental and social questions, as well as corporate governance (Environmental, Social, Governance) when they are considering investment.