Leadership in sustainability

November 2019
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• **Key highlights**
  - Corporate governance
  - Health & Safety
  - Environment
  - Tailings dam management
  - Social
  - ESG Ratings
## LEADERSHIP IN SUSTAINABILITY - KEY HIGHLIGHTS

**NLMK’s principles of sustainable development as per Sustainable Development policy:**

- Creating long-term shareholder value
- Caring about health, wellbeing and development of employees
- Treating environment responsibly
- Delivering value-added products to our customers
- Adhering to high ethical standards in conducting business
- Respecting interests, developing and supporting local communities
- Maintaining transparency & high quality information disclosure

## NLMK IS THE UN GLOBAL COMPACT’S PARTICIPANT

### ENVIRONMENT

- **21%**
  - NLMK’s CO₂ emissions are lower than industry average by 21% in 2018

- **97%**
  - Of water used in production is recycled

- **4th**
  - Every 4th tonne of steel is made of scrap

- **52%**
  - Reduction in air emissions intensity (per tonne of steel) 2000-2018

- **0**
  - No waste water discharges

### HEALTH & SAFETY

- **61%**
  - Reduction in LTIFR since 2013

- **15k**
  - Almost 15K employees passed safety trainings in 2018

### SOCIAL

- **6k**
  - In 2018, >6,000 workers were trained at NLMK’s Corporate University

- **4.7%**
  - Only 4.7% turnover rate
• Key highlights

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

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

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

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

The company’s Board of Directors:

- Reputable board with superior track record.
- Directors are not over-boarded with mandates.
- Board performance is evaluated annually.

Remuneration system based on clear KPIs, including ESG targets.

THE MAJORITY OF THE BOARD IS INDEPENDENT

<table>
<thead>
<tr>
<th>Year</th>
<th>Independent directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>38%</td>
</tr>
<tr>
<td>2018</td>
<td>55%</td>
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</tbody>
</table>

THE MAJORITY OF THE COMMITTEES ARE CHAIRLED BY INDEPENDENT DIRECTORS

<table>
<thead>
<tr>
<th>Year</th>
<th>Independent directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>33%</td>
</tr>
<tr>
<td>2018</td>
<td>67%</td>
</tr>
</tbody>
</table>

COMMITTEES WITH A MAJORITY OF INDEPENDENT DIRECTORS

<table>
<thead>
<tr>
<th>Year</th>
<th>Independent directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>33%</td>
</tr>
<tr>
<td>2018</td>
<td>67%</td>
</tr>
</tbody>
</table>
NLMK’s approach to sustainability management is governed by Sustainable Development Policy (SDP) approved by the Board in October 2019.

The Board is responsible for the compliance with SDP as well as for defining goals & objectives.

Sustainability risks assessment

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

Sustainability performance monitoring and reporting

Audit oversight of non-financial information

Corporate governance

Business ethics & countering corruption

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

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

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

NLMK’s governing document: Occupational Health and Safety (OHS) Policy

OHSAS 18001:2007 certified; ISO 45001:2018 is in process

“No blame” policy for incidents reporting

The company is signatory of “Vision Zero”*

Safety development programs

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

26% drop in LTIFR compared to 2018

Targets:

- Zero fatalities
- LTIFR of 0.5 (vs. 0.84 in 2018 as per Worldsteel)

* http://visionzero.global

lost time injury frequency rate (LTIFR*), employees & contractors

* LTIFR refers to Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million man-hours worked, employees and contractors
• Key highlights
• Corporate governance
• Health & Safety

• **Environment**
• Tailings dam management
• Social
• ESG Ratings
NLMK has reduced air emissions intensity by more than two times since 2000

More than 500 modern dust and gas purifying facilities are operated by the Group

CO₂ emissions reduction was mainly achieved through improved energy intensity

Targets:
- Reaching the EU BAT level for air emissions intensity
- Keeping CO₂ emissions below industry average

**AIR EMISSIONS INTENSITY**

<table>
<thead>
<tr>
<th>Year</th>
<th>Intensity (kg/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>21.5</td>
</tr>
<tr>
<td>2016</td>
<td>21.3</td>
</tr>
<tr>
<td>2017</td>
<td>20.9</td>
</tr>
<tr>
<td>2018</td>
<td>20.7</td>
</tr>
</tbody>
</table>

**Target**

- 19.0 kg/t

**DIRECT & INDIRECT CO₂ EMISSIONS INTENSITY**

<table>
<thead>
<tr>
<th>Year</th>
<th>Intensity (t/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.0</td>
</tr>
<tr>
<td>2016</td>
<td>1.9</td>
</tr>
<tr>
<td>2017</td>
<td>1.9</td>
</tr>
<tr>
<td>2018</td>
<td>1.9</td>
</tr>
</tbody>
</table>

**Target**

- 2.1 t/t

*Source: industry average as per Science Based Targets
ISO 50001:2011 certified (recertification under ISO 50001:2018 is underway)

Improved energy intensity was achieved via equipment upgrade and better processes

Higher share of captive electricity generation contributes to lower CO₂ emissions

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

**ENERGY INTENSITY**
GCAL/t, NLMK Lipetsk

**GROSS ENERGY CONSUMPTION**
PJ, NLMK Group
Strategy 2022 envisages construction of the 3rd captive power plant at NLMK Lipetsk:

- The power plant will run on by-product fuel gases
- Leveraging successful experience of by-product gases reuse
- Unique technology for Russia of utilizing basic oxygen furnace gas
- Positive environmental impact

**CASE STUDY: INTEGRATED PRODUCTION CHAIN - ENERGY SELF - SUFFICIENCY**

**ENERGY SELF-SUFFICIENCY TARGETS, NLMK LIPETSK**

<table>
<thead>
<tr>
<th>Captive energy generation</th>
<th>Secondary fuel gas recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>59%</td>
<td>94%</td>
</tr>
<tr>
<td>2018</td>
<td>2023 Target</td>
</tr>
</tbody>
</table>

**ADDITIONAL PROJECT INDICATORS**

<table>
<thead>
<tr>
<th>Power plant capacity</th>
<th>300 MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in CO₂ emissions per annum</td>
<td>650k t</td>
</tr>
<tr>
<td>Investments</td>
<td>$420 M</td>
</tr>
</tbody>
</table>
NLMK targets to increase production of electrical steel (GO and NGO) at its Russian facilities for global markets to benefit from growing energy demand and shift to low carbon economies:

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

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

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

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

TARGET PREMIUM PLATES SALES BY DANSTEEL, m t

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales, m t</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.1</td>
</tr>
<tr>
<td>2023</td>
<td>0.3</td>
</tr>
</tbody>
</table>

3.6x
MINIMIZING THE USE OF WATER RESOURCES

NLMK has substantially reduced water consumption in relative (per tonne of steel produced) and absolute terms.

The Group doesn’t operate in water scarce regions.

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

Targets:
- Reducing waste water discharge across all operations to zero
- Minimizing water consumption

**WATER CONSUMPTION & USE INTENSITY**

<table>
<thead>
<tr>
<th>Year</th>
<th>Water consumption, m3 (lhs)</th>
<th>Water use intensity, m3/t of steel (rhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>5.7</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>4.6</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Water consumption, m3 (lhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>98</td>
</tr>
<tr>
<td>2015</td>
<td>91</td>
</tr>
<tr>
<td>2016</td>
<td>91</td>
</tr>
<tr>
<td>2017</td>
<td>84</td>
</tr>
<tr>
<td>2018</td>
<td>81</td>
</tr>
</tbody>
</table>

**WATER REUSE IN TOTAL WATER CONSUMPTION**

<table>
<thead>
<tr>
<th>Year</th>
<th>% of water reuse</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>96.1%</td>
</tr>
<tr>
<td>2015</td>
<td>96.3%</td>
</tr>
<tr>
<td>2016</td>
<td>96.3%</td>
</tr>
<tr>
<td>2017</td>
<td>96.4%</td>
</tr>
<tr>
<td>2018</td>
<td>96.5%</td>
</tr>
</tbody>
</table>

**WATER DISCHARGE AT NLMK LIPETSUK**

<table>
<thead>
<tr>
<th>Year</th>
<th>Kg/t of steel, NLMK integrated operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1.5</td>
</tr>
<tr>
<td>2013</td>
<td>-</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
</tr>
</tbody>
</table>
NLMK targets lower waste generation and higher share of waste reuse in its operations.

Briquetting plant launched in May 2019:

- Uses ferrous waste (by-products) as feedstock
- Produces briquettes for further use in BOFs
- 9% lower pellets and 3% lower coke consumption for pig iron production
- All newly accumulated Fe containing waste will be reused for briquettes production at NLMK Lipetsk

WASTE RECYCLING
% NLMK Russia, excl. mineral waste

2019E percentage is given based on the assumption that briquetting plant operates full 12 months of 2019

WASTE GENERATION INTENSITY
t/t NLMK Group
• Key highlights
• Corporate governance
• Health & Safety
• Environment
• **Tailings dam management**
  • Social
  • ESG Ratings
NLMK’s tailings dam was put into operation in 1984
Tailings dam development plan was independently audited
Emergency preparedness is regularly assessed and response procedures are developed
Safety drills are regularly performed with the participation of Russia’s Ministry of Emergency Situations
Water recycling system is in place
• Key highlights
• Corporate governance
• Health & Safety
• Environment
• Tailings dam management

• Social

• ESG Ratings
NLMK Group employs 53.3 thousand people.

Employee turnover rate improved due to initiatives for talent recruitment, development and retention.

Regular staff satisfaction surveys are conducted.

Feedback channels were developed and launched.

NLMK launched its own Corporate University with 6,000 employees trained in 2018.

**NLMK GROUP’S EMPLOYEE TURNOVER RATE**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>8.4%</td>
<td>8.8%</td>
<td>4.7%</td>
<td>4.4%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

**STAFF BREAKDOWN BY GENDER & CATEGORY**

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>84</td>
<td>53</td>
<td>47</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Specialists</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office employees</td>
<td>16</td>
<td>84</td>
<td>76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shop floor employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NO. OF TRAININGS COMPLETED BY EMPLOYEES**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trainings</td>
<td>42.6</td>
<td>47.7</td>
<td>53.4</td>
<td>55.4</td>
<td>52.5</td>
</tr>
</tbody>
</table>
Tools for community engagement:
- Assessment of existing social programmes
- Direct engagement via dedicated channels
- Public hearings
- Cooperation with regional governments
- “Steel tree” project - a grant competition for social and environmental public initiatives

INVESTMENTS IN SOCIAL PROGRAMMES IN 2018

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

$420 m
Adhering to UN Global Compact principles on human rights and labor

Key developments in 2018:
- Amended Human Rights Policy
- Updated Corporate Ethics Code to reflect issues around respect of human rights
- Participated in the anniversary roundtable “Russian Business and Human Rights” organized by the Russian Union of Industrialists and Entrepreneurs

Fundamental Human Rights Principles at NLMK

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

• ESG Ratings
NLMK published its 2018 Annual Report in accordance with GRI standards.

Improved disclosure resulted in ESG ratings upgrades by the leading research agencies in the area of sustainability.

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

<table>
<thead>
<tr>
<th>FTSE Russell ESG Rating (max. 5)</th>
<th>NLMK 2018</th>
<th>NLMK 2019</th>
<th>Industry average score</th>
<th>NLMK 2018</th>
<th>NLMK 2019</th>
<th>Top-5 sector average</th>
<th>NLMK 2018</th>
<th>NLMK 2019</th>
<th>Industry relative score</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG Rating</td>
<td>3.9</td>
<td>2.5</td>
<td>2.1</td>
<td>3.3</td>
<td>2.1</td>
<td>1.7</td>
<td>3.9</td>
<td>2.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Environment</td>
<td></td>
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<td>Social</td>
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<table>
<thead>
<tr>
<th>NLMK 2018</th>
<th>NLMK 2019</th>
<th>Industry average</th>
<th>Top-5 sector average</th>
<th>Industry relative</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>33</td>
<td>35</td>
<td>53</td>
<td>BB</td>
</tr>
<tr>
<td>53</td>
<td>77</td>
<td>78</td>
<td></td>
<td>BBB</td>
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<tr>
<td>3.9</td>
<td>2.5</td>
<td>2.1</td>
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<td>BB</td>
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<tr>
<td>4.6</td>
<td>3.4</td>
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<tr>
<td>Address</td>
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<tr>
<td>40, Bolshaya Ordynka Str., Bldg. 3, Moscow, 119017, Russia</td>
<td>Office: +7 495 504 05 04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><a href="mailto:ir@nlmk.com">ir@nlmk.com</a></td>
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</tbody>
</table>

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**Director, IR, Capital Markets**