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SOCIAL RESPONSIBILITY HIGHLIGHTS
CONSISTENT SOCIAL RESPONSIBILITY IMPROVEMENTS ARE A KEY PRIORITY FOR NLMK.

- Improvements in OHS standards
- Higher labour productivity and remuneration
- Providing professional development opportunities for employees
- All-round development of the regions where we operate
SOCIAL RESPONSIBILITY

A NEW PHASE OF DEVELOPMENT

LOST TIME INJURY FREQUENCY RATE IN 2010—2013

-0.04 p.*

LABOUR PRODUCTIVITY AT NOVOLIPETSK IN 2009—2013

t of crude steel/person

+3%*

* Change 2013/2012.
68% of personnel trained in 2009—2013

Social Investment Breakdown in 2013

- Sport: 12%
- Health: 43%
- Education: 13%
- Culture: 5%
- Youth outreach: 7%
- Charity: 20%
02

STAKEHOLDER ENGAGEMENT
NLMK PERCEIVES CORPORATE RESPONSIBILITY AS INTEGRAL, INVOLVING THE SELECTION AND APPLICATION OF THE MOST EFFECTIVE METHODS OF ENGAGING KEY STAKEHOLDERS, RESULTING IN DECISIONS WHICH ARE BENEFICIAL FOR ALL PARTIES.
In identifying key stakeholders, the Company considered the extent of their influence over NLMK Group’s operations.

This approach generated the following list of stakeholders: Company employees, shareholders and investors, customers and suppliers, government regulators and supervisors, trade unions, public organizations and local communities in the regions where the Company operates, including potential employees.

The Company conducts regular research into the opinions of key stakeholders through polls and consultations, engages them in discussions, working group meetings to review specific issues, and standing committees, etc.

**BY DEVELOPING A FRAMEWORK FOR STAKEHOLDER ENGAGEMENT, THE COMPANY SEEKS TO IMPROVE ITS CURRENT APPROACHES TO DIALOGUE WITH A VIEW TO IDENTIFYING PROBLEMS AND DEVELOPING OPTIMAL SOLUTIONS MORE QUICKLY.**
**KEY STAKEHOLDERS**

- Employees
- Shareholders and investors
- Customers and suppliers
- Governments and regulators
- Trade unions
- Public organizations
- Local communities

**STAKEHOLDER ENGAGEMENT**

01

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**EMPLOYEES**

**STAKEHOLDERS’ INTERESTS:** Salary, social package and social guarantees, career growth, safety, and working conditions

**TOOLS FOR DIALOGUE:** Opinion polls, dial 06 counselling service, union meetings, appointments to discuss personal issues, change-of-shift meetings, corporate media, incl. corporate magazines, newspapers

**FEEDBACK:** Salary indexation, swift response to applications, possibilities for further career development, ensuring safety, improvements in working conditions
TRADE UNIONS

STAKEHOLDERS’ INTERESTS:
Compliance with sectoral tariff agreement, compliance with the terms of collective agreements, observance of employment legislation, awareness of the Company’s operations, employee salary level and social protection, working conditions and occupational safety

TOOLS FOR DIALOGUE:
Meetings and negotiations, discussion and conclusion of collective agreements, labour dispute commissions, Joint Commission involving administration and union, social insurance commission, occupational safety commission, qualification and staff review commissions

FEEDBACK:
Strict application of all social benefits and guarantees specified in collective agreements, joint implementation of measures, response to applications, following unions’ recommendations
SHAREHOLDERS AND INVESTORS

STAKEHOLDERS’ INTERESTS: Operational and financial performance, Company’s strategy, dividend payments, corporate governance issues, number of ordinary NLMK shares floating freely on Russian stock exchanges, number of shares issued by NLMK and traded at the London Stock Exchange of Global Depositary Shares

TOOLS FOR DIALOGUE: Meetings with the Company’s senior management, annual reports and financial statements, quarterly performance presentations, teleconferences to discuss quarterly, six-month and annual results, media publications, Company website

FEEDBACK: Dedicated services for shareholder and investor relations, dedicated section for shareholders and investors on the Company’s website
CONSUMERS

STAKEHOLDERS’ INTERESTS: Fulfilment of contractual obligations, product quality and price, timely review and settlement of customer complaints and claims, technical upgrades and development, operational and financial performance, financial and non-financial risks

TOOLS FOR DIALOGUE: Annual reports and financial statements, conferences, forums, business meetings, Russian and international professional associations and organizations, media publications, Company’s website

FEEDBACK: Use of customer satisfaction monitoring results for future contracts
LOCAL COMMUNITIES

STAKEHOLDERS’ INTERESTS: Regional social and economic development, the environment, public health, funding of charity programmes, awareness of Company’s operations, reliability and transparency of information, job opportunities offered by the Company

TOOLS FOR DIALOGUE: Media, interaction with representatives of public organizations, members of representative and legislative bodies at different levels, career guidance events, conferences, meetings

FEEDBACK: Funding to support sports, healthcare, education and culture, financing child healthcare programmes and projects to promote a healthy lifestyle, charitable aid to disadvantaged social groups
GOVERNMENT AUTHORITIES

STAKEHOLDERS’ INTERESTS: Compliance with applicable laws, tax liabilities, regional social and economic development, environmental protection

TOOLS FOR DIALOGUE: Participation in the work of state authorities including legislative bodies, participation in international and Russian professional and public organizations, meetings, dialogues, media

FEEDBACK: A dedicated service for communication with representatives of state and local authorities, Company’s participation in different federal and regional programmes
PUBLIC ORGANIZATIONS

STAKEHOLDERS’ INTERESTS: Compliance with applicable laws, the environment, regional social and economic development, charitable activities

TOOLS FOR DIALOGUE: Conducting joint conferences, clubs, meetings and other events, media, letters, Company’s website

FEEDBACK: Participation in the implementation of joint projects, handling public appeals, timely resolution of issues raised by the public within our competence and responsibility
SUPPLIERS

STAKEHOLDERS’ INTERESTS: Possibility of long-term development, fulfilment of contractual obligations, timely review and settlement of supplier complaints and claims of customers, accessibility and transparency of operational and financial statements of the Company

TOOLS FOR DIALOGUE: Annual reports and financial statements, conferences, forums, business meetings, Russian and international professional associations and organizations, media publications covering Company’s activities, Company’s website

FEEDBACK: Open tenders, providing necessary information about the Company on the corporate website, including contact information for procurement department
SOCIAL AND ECONOMIC CONTRIBUTION
THE COMPANY RECOGNIZES THAT THE LONG-TERM STABILITY OF ITS BUSINESS DEPENDS ON A STABLE SOCIAL AND ECONOMIC ENVIRONMENT IN THE REGIONS WHERE IT OPERATES. A DIRECT ECONOMIC CONTRIBUTION ALONG WITH INDIRECT SUPPORT ALSO HAS A POSITIVE EFFECT ON THE REGIONS WHERE THE COMPANY HAS A PRESENCE.
SUSTAINABLE REGIONAL DEVELOPMENT IS AN IMPORTANT COMPONENT OF THE COMPANY’S DEVELOPMENT STRATEGY, AND WE ARE PURSUING A NUMBER OF LONG-TERM PROGRAMMES FOCUSING ON SEVERAL PRIORITY OBJECTIVES.

LONG-TERM PROGRAMMES

- Promote sustainable development of the territories where the Company operates
- Develop partnerships with regional and local authorities
- Create comfortable living conditions for Company employees and local residents
- Establish and maintain the reputation of a conscientious and attractive employer
- Support socioeconomic stability of local communities

ECONOMIC CONTRIBUTION

NLMK, in partnership with the state and the community, plays an active part in improving quality of life and promotes stable social and regional development through the corporate responsibility policy it employs in the regions where it operates.
SOCIAL INVESTMENTS

When planning any social investment, the Company focuses primarily on projects which, if implemented, will actually improve the quality of life of the local population. Social programmes are developed with the active participation of regional administrations and the community. In order to ensure that its social investments are as effective as possible, the Company regularly monitors its impact on the social and economic situation in the regions where it operates.

SOCIAL AND COMMUNITY INVESTMENT BREAKDOWN IN 2013

US$ 72.7 m

12% Sport
43% Health
13% Education
5% Culture
7% Youth outreach
20% Charity
TAX AND EMPLOYMENT

NLMK Group companies are major taxpayers in almost all regions where the Company operates. Therefore, we consider that full compliance with the applicable laws and timely payment of taxes to be a priority element of corporate responsibility. The Company’s tax payments contribute to the development of other sectors of industry, agriculture, construction, and social development.

We make a significant contribution to local employment, providing jobs with competitive salaries. Almost all our employees are local residents.
IMPROVING THE SOCIAL ENVIRONMENT

In cooperation with local authorities, we are involved in improving the management of housing provision and increasing the efficiency and transparency of welfare spending in cities where our businesses are located.

Our experts play an active part in the legislative activities of municipalities and regions where the Company operates. As members of municipal and regional assemblies, they have a good understanding of the most pressing problems of the local communities. Therefore, in the development of social programmes, they can take into account the needs of various social groups and the strategic priorities of the local area.

Our employees also participate in the Civic Chamber, the regional offices of the Russian Union of Industrialists and Entrepreneurs, and other public organizations.

Over the last 10 years, we built 52 apartment houses with a total living area of approximately 400,000 sq m, providing housing for over 4,500 families of our employees.
PROMOTION OF SPORT, HEALTHCARE, EDUCATION, AND CULTURE

We provide assistance to sports groups and schools for children and young people, as well as to sports clubs and athletes. Funds are allocated for the maintenance of sports facilities and buildings (stadiums, sports complexes, sports halls), and the purchase of sports equipment.

We provide support to children’s creative clubs, studios, libraries, museums, and art galleries. We also allocate funds for the protection and proper maintenance of cultural and architectural monuments and other objects of cultural and historical value.

We focus particularly on improving professional education. We continuously support core educational institutions, creating the conditions necessary to motivate the students and give them the opportunity to receive a quality education (special scholarships).
In September 2013, a joint project from NLMK Group’s Novolipetsk and its affiliated university, the Lipetsk State Technical University, won an open contest organized by the Russian Ministry of Education and Science for a state grant to implement projects aimed at training highly-qualified personnel for companies of the Lipetsk region. The winning project, ‘Staff Training for Production Companies of the Lipetsk Region’, will now be implemented by the Lipetsk University together with Novolipetsk with the financial support from the federal budget.

The Lipetsk site founded the Novolipetsk Medical Centre, a non-profit organization which provides medical care and health services for Company’s employees and local residents.
WORK WITH CHILDREN AND YOUNG PEOPLE

Winning a reputation as the most attractive employer in the region is essential if the Company wishes to attract creative and technically competent staff. By helping the younger generation to receive a modern education, we are creating our own pool of promising talent.

Through sponsorship and charitable assistance, we invest in improving the material and technical infrastructure of preschools, schools, colleges, professional schools, children’s creative centres, children’s homes, and boarding schools.

NLMK funds the maintenance and renovation of educational facilities, the procurement of equipment and modern learning aides, computers and sporting goods.

Special importance is placed on providing pupils and students with vocational guidance, which is conducted on an ongoing basis with the direct participation of our experts.

With a view to the long-term development of its talent pool, we maintain a targeted ‘NLMK Student’ Programme, paying for the tuition of children of Company’s employees at the best technical and economic higher educational institutions in Russia.
We offer students on-the-job training opportunities at our production facilities. In the course of their training, the students are supervised by experienced professionals.

During the school summer break, we welcome the children of our employees as well as children from low-income families and children’s homes to health resorts and recreation facilities.

**CHARITABLE ACTIVITIES**

Through our charities, we provide financial aid to vulnerable households. We offer monthly benefits, medication and medical equipment, and treatment at health resorts for pensioners and veterans of World War II, most of whom are our former employees. Assistance is provided to children who live or have lived in children’s homes and at boarding schools, and to those living in rural communities.
OUR EMPLOYEES
QUALIFIED EMPLOYEES ARE ONE OF THE KEY FACTORS BEHIND NLMK GROUP’S SUCCESS. IN 2013, NLMK GROUP EMPLOYED 61,700 PEOPLE.
The Company is pursuing an active HR policy aimed at attracting and retaining the most talented young employees, regularly increasing salaries, employing various types of incentives, conducting professional training and staff development programmes, ensuring a safe working environment, and improving social safeguards for employees.

We have developed a corporate culture that fosters the creation of a favourable environment for strong labour productivity and the manufacture of high value-added products by relying on the following:

- adequate wage levels and social safety nets for our employees;
- improved procedures for employee recruitment, adaptation, and skill development;
- safe and comfortable operating environments;
- health improvement programmes for employees and their families;
- enhanced team spirit at various businesses.

We have a Board Committee on Personnel, Remunerations and Social Policy that is responsible for such issues as forming ethical rules (standards) of behaviour in the Company, social responsibility, and ecological safety among others.
OCCUPATIONAL HEALTH AND SAFETY

WE ARE RESPONSIBLE FOR THE LIVES AND HEALTH OF OUR EMPLOYEES AND RECOGNIZE OUR SAFETY RESPONSIBILITIES IN OPERATING FACILITIES THAT HAVE THE POTENTIAL TO BE HAZARDOUS.

The Company continues to improve its Occupational Health and Safety (OHS) performance by enhancing the safety of its production processes, motivating personnel and encouraging employees to comply with OHS regulations.

* Lost time injury frequency rates
In 2013, the Company implemented a new OHS policy.

### NLMK’S OCCUPATIONAL HEALTH AND SAFETY POLICY

#### OUR VISION
NLMK is one of the world’s leading producers of steel. We produce high-quality, environmentally friendly, safe products which have applications in a wide range of fields and improve people’s quality of life.

#### OUR MISSION
We take a responsible approach to manufacturing and provide safe working conditions for our employees.

#### OUR CORE OBJECTIVES
- accident-free manufacturing;
- achieving a world-class standard of safety in the workplace and becoming a leader in production practices.

#### OUR PRINCIPLES
- our staff are our most highly prized asset, and the guiding principle behind our manufacturing process is that their life and health be safeguarded at all times;
- occupational health and safety (OHS) is an integral part of our business and lies at the heart of the decisions we take with regard to the development and constant perfection of our business processes;
- all accidents, malfunctions, incidents, and work-related illnesses can and must be prevented;
- safety in production processes and OHS compliance are the responsibility of each and every employee.

#### OUR PRACTICES
- effective risk management with regard to the life and health of employees, contractors, and third parties;
- constantly improving our employees’ skills in the field of occupational health and safety;
- motivating staff to work in a safe manner and avoid accidents;
- ensuring that performance indicators in the field of occupational safety are open and transparent.
**MANAGEMENT RESPONSIBILITIES**

- to ensure that manufacturing processes are organized in accordance with state and internal OHS requirements;
- to ensure that resources are allocated to support OHS requirements;
- to take measures to prevent accidents, work-related illnesses, equipment malfunctions, and similar incidents;
- to bring in advanced methods and technologies designed to ensure occupational safety;
- to conduct regular quality assessments of the OHS management system and continuously seek to improve it.

**RESPONSIBILITIES OF EMPLOYEES**

- to abide by the established OHS requirements;
- to have due regard for their own safety and the safety of those around them;
- to get actively involved in the OHS programme, so that we could achieve our common objective – AN ACCIDENT-FREE WORKPLACE.
2013 OHS EXPENSE BREAKDOWN*

- **12%** Personal protective equipment
- **9%** Working condition improvements
- **7%** Diet meals
- **31%** Industrial safety
- **2%** OHS trainings
- **39%** Other

* data for NLMK Russia

For reference:

Novolipetsk is certified for compliance with international standard OHSAS 18001:2007 for occupational health and safety management systems. The audit was performed in 2007 by Bureau Veritas Certification.
TALENT DEVELOPMENT

WE TREAT PROFESSIONAL SKILL AND EXPERTISE DEVELOPMENT FOR OUR EMPLOYEES AS A STRATEGIC INVESTMENT.

Major areas for personnel development include:

- professional training programmes;
- training to acquire additional (related) skills;
- skill improvement across all areas of professional expertise;
- training for management reserve;
- training for top managers.

About 90% of employees are trained in-house which allows them to benefit from the wealth of knowledge accumulated by the Company and provides for a more effective training process. Highly qualified managers and specialists as well as professors from leading Russian educational institutions are invited to teach the employees.

PROFESSIONAL TRAINING AND STAFF DEVELOPMENT IN 2009—2013

- Number of employees that went through professional trainings, ‘000 people
- Investments into trainings and staff development, US$ m
Adaptation and mentoring programmes are in place for “newcomers”. Coachers train younger employees and share their professional experience, introduce them to corporate regulations and professional culture, and help build a positive attitude to the nature, scope, and mode of their work.

In 2013, NLMK spent a total of US$ 5.5 million on professional trainings for its employees.

### 2013 STAFF TRAININGS AND DEVELOPMENT FUNDS

- **1%** Targeted funding for employees to complete higher education
- **33%** Professional education and qualification improvements
- **22%** Mandatory OHS certification
- **1%** SAP/R3 trainings
- **36%** Skill improving training sessions, seminars and courses
- **1%** Trainings in a new position
- **3%** Industry-specific conference participation

![Image of employees holding certificates]

**US$ 5.5 m**

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<th>Total (US$ m)</th>
<th>Crude Steel (t)</th>
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<td>100</td>
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<td>36.9</td>
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<tr>
<td>2013</td>
<td>55.5</td>
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</tr>
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</table>
PRODUCTIVITY AND REMUNERATION

CONTINUOUS OPERATIONAL IMPROVEMENTS, UPGRADES, AND THE STREAMLINING OF OUR BUSINESS PROCESSES ARE THE DRIVERS OF OUR EFFICIENCY GROWTH OVER THE LAST 10 YEARS.

Production efficiency at its current level allows us to be in line with the leading global steelmakers. We intend to continue our development — not only through business process and equipment upgrades, but also via active personnel engagement. Continuous improvement must become the cornerstone of our corporate culture.

NLMK continues to improve its remuneration system, aimed at motivating highly qualified specialists; attracting young talent; increasing productivity and the quality of end products. In 2013, on the back of improved productivity, average salaries at NLMK Group’s Russian companies grew by 10% to RUB 39,200, or US$ 1,230. Creating the conditions for high labour productivity and the production of high-quality products is a key focus for NLMK.

SOCIAL PACKAGE

The Company safeguards the welfare of its employees by offering benefits packages, which include the following:

- compensation payments;
- severance payments;
- financial aid;
- additional payments provided for by collective bargaining agreements.
Mandatory medical insurance for employees provides coverage for in-patient and out-patient treatment to the extent envisaged under the regional Mandatory Medical Insurance Programmes, except complicated surgeries, expensive diagnostics, and therapy.

Core NLMK Group businesses maintain voluntary medical insurance programmes for their employees, allowing them access to:

- in-patient and out-patient medical services (including medical consultations);
- preliminary medical treatment at on-site medical stations;
- preventive medical examinations;
- dental prosthetic services;
- treatment at health resort facilities;
- advanced medical assistance at specialized clinics for complicated medical conditions.

In addition to salaries and various bonuses, company employees receive benefits, including mandatory and voluntary medical insurance for employees and a private pension plan.
We are actively introducing a private pension programme. NLMK is a founding shareholder of the “Sotsialnoe Razvitie“ (“Social Development“) Private Pension Fund with representative offices in 11 regions of Russia.

**SOCIAL PARTNERSHIP**

Together with trade unions, the Company is building a social partnership framework to serve as a basis for mutual benefit and cooperation.

Employment law provisions and additional benefits and guarantees for employees are stipulated in the collective bargaining agreements in place at all of the Group’s businesses.

Compliance with commitments under collective bargaining agreements is monitored by joint commissions representing both the administration and trade unions. Continuous direct dialogue helps to secure agreements on salaries and streamlining of the management structure, safe and healthy working conditions, and the introduction of benefits which improve the welfare of employees.

In 2013, commitments under the collective bargaining agreements in effect at NLMK Group businesses were, for the most part, fulfilled.
IMPROVING EMPLOYEE HEALTH

All our businesses operate programmes to provide employees and their families with healthcare services and treatment at health resorts. Employees working in harmful and hazardous environments are eligible for medical and preventive care on a priority basis.

Every year, our employees enjoy the services of Company-owned health resorts and preventive treatment facilities, as well as health resorts located throughout the Russian Federation.

We help to prevent illness by encouraging physical fitness and sports activities. All of our production divisions maintain gyms and relaxation centres, where employees can recuperate at the end of their shift.

We promote health, wellness, and sports through annual Corporate Games, and intra-company football, volleyball, basketball, swimming, chess, table tennis, and shooting championships and tournaments, as well as cross-country skiing and track and field meets.
CONTACT INFORMATION

You can access information about NLMK from a variety of sources. Visit our corporate website for more information: www.nlmk.com.

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NLMK IN SOCIAL NETWORKS

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