2018 GOVERNANCE

ANNUAL REPORT
Corporate governance

2018 facts and figures

- 5 out of 9 Board members are independent directors
- 2,055 employees completed the "Conflict of Interest" corporate e-learning course
- Recommendation of the Board of Directors to NLMK’s Annual General Shareholders’ Meeting regarding FY 2018 dividend declaration: 22.81 RUB per share
- 158.05 RUB the average price of NLMK’s ordinary shares on the Moscow Stock Exchange
- $25.15 the average price of NLMK’s Global depositary receipts on the London Stock Exchange

Material topics

- Combating corruption

UN Global Compact principles

- Principle 7 Businesses should support a precautionary approach to environmental challenges.
- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery

Global sustainable development objectives

- Development and implementation of risk management approaches for innovative projects
- Cybersecurity risk assessment methodology development
- Adoption of revised versions of NLMK Group’s Corporate Ethics Code and Anti-Corruption Policy
- NLMK was ranked the first one in terms of “Corporate anti-corruption programs” according to Transparency International - Russia

Corporate governance

Operational control and risk management

Information for shareholders and investors
Corporate governance system

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

In its activities, NLMK adheres to best international practices and the highest standards of corporate governance. NLMK’s corporate governance system is built on best global practices and is fully compliant with the requirements of the prevailing Russian legislation and laws of the countries where the Company operates. The structure and practices of NLMK’s corporate governance have been established to function in line with G20/OECD Corporate Governance Principles34, and provisions of the Corporate Governance Code approved and recommended by the Central Bank of Russia.

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

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

KEY PRINCIPLES LYING AT THE CORE OF OUR CORPORATE GOVERNANCE

1. Sustainable development and long-term growth of return on equity investment
2. Commitment to ensure equal and fair treatment of all shareholders when they use their right to be involved in management processes, receive dividends from the Company, participate in meetings, vote on issues on the agenda and get up-to-date information on the activities of the Company and its governing and controlling bodies
3. Equal treatment of all shareholders, including foreigners and minority shareholders
4. Commitment to ensure reliable and effective registration of title to shares and guarantee the opportunity to alienate them freely and without encumbrances
5. Commitment to ensure compliance with existing laws, principles of the Corporate Governance Code recommended by the Bank of Russia and international corporate governance standards
6. Adherence to the policy of observing the rights of third parties, including creditors and NLMK employees, as required by the law, the Charter and other regulatory documents
7. Adherence to a common corporate policy in respect of subsidiary companies, affiliates and other legal entities in which NLMK is the founder, a participant or a member
8. Adherence to a policy of open and transparent communications, including by disclosing full and up-to-date information about the Company to give shareholders and investors an opportunity to make informed decisions, as well as by providing documents (information) related to the Company upon shareholders’ request
9. Adherence to a policy of complying with business ethics in conducting its operations

NLMK’S CORPORATE GOVERNANCE STRUCTURE

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

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

* Organisation for Economic Co-operation and Development

Corporate Secretary

Operational control and risk management

Information for shareholders and investors
Improving Corporate Governance practices in 2018

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

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

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

- In particular, the General Shareholders’ Meeting held in December 2018 adopted the revised versions of NLMK Charter, Internal Regulations on the General Shareholders’ Meeting, Regulations on the Board of Directors, Regulations on the Management Board, Regulations on the Remuneration of Members of the Board of Directors, in full compliance with the prevailing Russian legislation.
- The Board of Directors held in December 2018 approved the revised versions of the following corporate documents:
  - Regulations on the Corporate Secretary, the Corporate Governance Code, NLMK Group’s Corporate Ethics Code and NLMK Group’s Anti-Corruption Policy.

ONLINE VOTING SERVICE

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

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

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

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

Plans for 2019 and midterm

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

General Shareholders’ Meeting

Rights and responsibilities of shareholders

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

The Company provides objective and exhaustive information to shareholders in a regular and timely manner on items included into the agenda of General Shareholders’ Meetings and on the Company’s operations, sufficient to make informed decisions regarding their shares. Shareholders holding no less than 2 per cent of the Company’s voting shares are entitled to submit proposals on the agenda items for the Annual General Shareholders’ Meeting and nominate candidates to the Board of Directors and the Counting Commission of the Company. In accordance with NLMK Charter, such proposals must be received by the Company no later than 60 days after the end of the reporting year. The Company is focused on creating the most favourable conditions for shareholders’ participation in the General Shareholders’ Meeting, including through the use of such advanced information and telecommunication technologies as e-voting and online broadcasting of the General Meeting.
NLMK's General Shareholders' Meeting procedures

The General Shareholders' Meeting, NLMK's supreme governing body, is held upon the resolution of the Board of Directors at its own discretion, upon the request of the Auditor, or shareholder(s) holding no less than 0.01% of total shares held by the Company. The Board of Directors may convene a General Shareholders' Meeting either in person or by correspondence. Shareholders may also request the convocation of the General Shareholders' Meeting, either in person or by correspondence, provided that a shareholder or a group of shareholders acting together require at least 5% of the Company's share capital to be represented. The Board of Directors is to prepare a list of persons entitled to attend the meeting and the agenda for the meeting, which is published on the Company's official website at www.nlmk.com.

The procedure for preparation, convocation, holding and summarizing the results of NLMK’s General Shareholders' Meeting is set forth in Regulations on NLMK's General Shareholders' Meeting published on the Company's official website at: nlmk.com.

NLMK Charter and Regulations on NLMK's General Shareholders' Meeting, contain, among others, procedures of the Board of Directors. The notice of the General Shareholders' Meeting, contain, among others, the agenda items for the meeting, and information on certifying such a power of attorney. The Company also publishes all this information in English to ensure equal treatment of all shareholders, including foreigners.

The independent registrar of the Company functions as the counting commission of the General Shareholders' Meeting. The voting results and resolutions passed by the General Shareholders' Meeting are disclosed in accordance with the requirements of the Russian legislation and published on the Company’s website at www.nlmk.com.

The General Shareholders’ Meeting’s activity in 2018

Four General Shareholders’ Meetings were held in 2018.

NLMK’s General Shareholders’ Meeting on the 2017 performance was held on 8 June 2018. Shareholders and shareholder representatives holding a total of 91.17% of NLMK’s equity were present, meeting the quorum requirements. During the Meeting, resolutions were passed on the issues provided for by Item 1 Article 47 of the Federal Law “On Joint-Stock Companies”, as well as on the payment of FY 2017 and Q1 2018 dividends.

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

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

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

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

The format of NLMK’s Board of Director’s meetings is determined based on the importance of the issues on the agenda. The most important issues are resolved at meetings of NLMK’s Board of Directors held in person, and as a rule, they are first reviewed by the Board Committees, facilitating their all-round consideration and informed decision-making.

Information on the activities of NLMK’s Board of Directors, including information on its composition, its meetings, agenda items, decisions taken is disclosed on the Company’s official website at www.nlmk.com.

Chairman of the Board of Directors

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

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

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

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

Independent members of the Board of Directors

In order to ensure the effective implementation by the Board of Directors of its functions, including those related to protection of shareholders’ interests, the Company’s Board of Directors includes independent directors. Independent directors on the Company’s Board contribute to the formation of an objective, balanced approach by the Board of Directors to items discussed, improve management
efficiency, and have a positive impact on the Company’s image.

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

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

### Members of NLMK’s Board of Directors as of 31 December 2018

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

### Composition of NLMK’s Board of Directors in 2018

**Composition of NLMK’s Board of Directors from 2 June 2017 until 8 June 2018**

<table>
<thead>
<tr>
<th>Position</th>
<th>Directors’ length of tenure, years</th>
<th>Status</th>
<th>Participation in the Strategic Planning Committee</th>
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<td>Benedikt Sciortino</td>
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<td>Independent director</td>
<td>✓</td>
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<tr>
<td>Marjan Oudeman</td>
<td>Member of the Board of Directors</td>
<td>1</td>
<td>Independent director</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Composition of NLMK’s Board of Directors, elected on 08 June 2018**

<table>
<thead>
<tr>
<th>Position</th>
<th>Directors’ length of tenure, years</th>
<th>Status</th>
<th>Participation in the Strategic Planning Committee</th>
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<tr>
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<tr>
<td>Thomas Veraszto</td>
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<td>Helmut Wieser</td>
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**Composition of NLMK’s Board of Directors in 2018**

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<td>✓</td>
</tr>
</tbody>
</table>
**NLMK Shares Owned by Members of NLMK’s Board of Directors and Transactions Performed with NLMK Shares in 2018**

<table>
<thead>
<tr>
<th>Position</th>
<th>Share of the authorized capital stock of NLMK</th>
<th>Information on transactions with NLMK shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vladimir Lisin</td>
<td>Chairman of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Oleg Bagrin</td>
<td>Member of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Thomas Verascto</td>
<td>Member of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Helmut Wieser</td>
<td>Member of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Nikola Gagarin</td>
<td>Member of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Karen Sarkisov</td>
<td>Member of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Stanislav Shelusha</td>
<td>Member of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Benedikt Sciortino</td>
<td>Member of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Marjan Oudeman</td>
<td>Member of the Board of Directors</td>
<td>Not an NLMK shareholder</td>
</tr>
</tbody>
</table>

**Board of Directors biographies**

**Vladimir Lisin**
- **Year of birth:** 1956
- **Position:** Chairman of the Management Board of NLMK since 2012 until March 2018
- **Member of the Board of Directors since 1996**
- **Member of the Strategic Planning Committee and Member of the Human Resources, Remunerations and Social Policy Committee**
- **Member of the Board of Directors since 1998**
- **Member of the Audit Committee and the Strategic Planning Committee**

**Oleg Bagrin**
- **Year of birth:** 1974
- **Position:** President (Chairman of the Management Board) since 2012
- **Member of the Board of Directors since 2004**
- **Member of the Strategic Planning Committee and Member of the Human Resources, Remunerations and Social Policy Committee**
- **Member of the Board of Directors since 2012 (independent director)**

**Benedikt Sciortino**
- **Year of birth:** 1959
- **Position:** Member of the Board of Directors of Duferco S.A.
- **Member of the Board of Directors since 1995**
- **Chairman of the Strategic Planning Committee and Member of the Human Resources, Remunerations and Social Policy Committee**
- **Member of the Audit Committee and the Strategic Planning Committee**
- **Member of the Board of Directors since 1996**
- **Member of the Board of Directors since 1998**
- **Member of the Audit Committee and the Strategic Planning Committee**

**Corporate governance**
- Operational control and risk management
- Information for shareholders and investors

**Directors’ expertise and professional background**

<table>
<thead>
<tr>
<th>Metals &amp; mining</th>
<th>Economics and Business Administration</th>
<th>Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

**Directors’ expertise in the steel sector**

<table>
<thead>
<tr>
<th>&gt; 20 years</th>
<th>10–20 years</th>
<th>&lt; 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

**Composition of the board of directors by director status**

<table>
<thead>
<tr>
<th>Independent director</th>
<th>Non-executive directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Directors’ location**

<table>
<thead>
<tr>
<th>Russia</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>

*As on 31 December 2018*
Helmut Wieser was an Executive Vice President of Alcoa and Group President responsible for Alcoa’s global mill products and rigid packaging businesses until November 2011. He also oversaw Alcoa’s businesses in the Asia Pacific region, with a focus on China, the Australian rolled products businesses and Alcoa’s operations in Russia. In addition, Helmut Wieser was a member of the Alcoa Executive Council, the senior leadership group that provides strategic direction for the company.

He also served on the board of governors of the International Graduate University in Washington, D.C. on Capitol Hill. Before joining Alcoa, Helmut Wieser worked for Austria Metal Group (JAMAG) for 10 years, holding a series of management positions in its rolled products unit, culminating in 1997 as an executive member of the board and COO. Earlier, he held several senior management positions with Voest Alpine in Austria and Venezuela, including President of Voest Alpine Venezuela. In March 2014 he became a member of Management Board of Austria Metal AG. In April 2014, he became the company’s CEO. He held a position of a member of the board (independent director) of Rain Carbon Inc. since 2014 till March of 2018. Helmut Wieser is the member of the Advisory Board of COBEX GmbH. Helmut Wieser received a Master’s degree in Mechanical Engineering and Economics in 1981 from the University of Graz, Austria.

Karen Sarkisov

YEAR OF BIRTH: 1963

MEMBER OF THE BOARD OF DIRECTORS SINCE 2010. ADD TO THE CHAIRMAN OF THE BOARD OF DIRECTORS ON EXTERNAL ECONOMIC RELATIONS SINCE 2009

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

From 2006 to 2007, Mr. Sarkisov served as the Chairman of the Board of Directors of VIZ Steel. From the early 1990s to 2008, he worked at steel trading companies holding various executive positions at a number of international trading entities. Graduate of Tashkent State University, majored in Law.

Karen Sarkisov has a Master's Degree in Economics, a Ph.D. in Economics The company has offices in Moscow, Paris, St. Petersburg, Almaty and Riga. Dr. Shekshnia also provides personal coaching to business owners and corporate executives.

Karen Sarkisov has over 15 years of graduate level teaching experience in international business, leadership development, corporate governance and business in emerging economies The company has offices in Moscow, Paris, St. Petersburg, Almaty and Riga. Dr. Shekshnia also provides personal coaching to business owners and corporate executives.

Karen Sarkisov has over 15 years of graduate level teaching experience in international business, leadership development, corporate governance and business in emerging economies. She is also the author, co-author, or editor of 7 books, and numerous articles, executive commentaries, interviews and case studies on entrepreneurship, leadership, people management, intercultural management and business and management in Russia.

Stanislav Shekshnia

YEAR OF BIRTH: 1964

MEMBER OF THE BOARD OF DIRECTORS SINCE 2015 (INDEPENDENT DIRECTOR)

Chairman of the HR Remunerations and Social Policy Committee with NLMK Board of Directors

In 1991-2002, Dr. Shekshnia held senior executive positions at Russian and international corporations, including HR Director of Otis Elevator in Central and Eastern Europe, President and CEO at MIKCOM International Cellular in Russia and the CIS, COO at VimpelCom, and CEO of Alfa-Telecom. He has served as Chairman of SUEK, Vimpelcom-R and as Director of a number of Russian and Ukrainian companies. Stanislav was an independent director at DTEK BV, Iron Timber Industry, NIS (Naftna Industria Srbije) and Eraser. Currently Mr. Shekshnia is Chairman of the Board of Russian Fishery Company. In 2002, Stanislav Shekshnia co-founded Zest Leadership International Consultancy. Currently Stanislav Shekshnia is a Senior Partner of LEADERSHIP VECTOR, a Talent Equity Consulting practice. He focuses on leadership, leadership development, corporate governance and business in emerging economies. The company has offices in Moscow, Paris, St. Petersburg, Almaty and Riga. Dr. Shekshnia also provides personal coaching to business owners and corporate executives.

Dr. Shekshnia is an Affiliate Professor of Entrepreneurship at INSEAD. He has over 15 years of graduate level teaching experience in Russia, France and United States, and is the author, co-author, or editor of 7 books, and numerous articles, executive commentaries, interviews and case studies on entrepreneurship, leadership, people management, intercultural management and business in management in Russia. Stanislav Shekshnia has a Master’s Degree in Economics. P.D. from Moscow State University, and an MBA from Northeastern University in Boston.

Thomas Veraszto

YEAR OF BIRTH: 1962

MEMBER OF THE BOARD OF DIRECTORS SINCE 2016 (INDEPENDENT DIRECTOR)

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

Mr. Veraszto has held senior management positions in large industrial and consulting companies such as McKinsey & Company, where he spent 15 years, serving clients in various industries. Thomas Veraszto received a Dr. Jur. in law and a Ph. D. in Social Sciences from the University of Graz (Austria). In 1988, he also received a Diploma from the Biocera Center of the School of Advanced International Studies, Johns Hopkins University (the United States of America).
Franz Struzl

YEAR OF BIRTH: 1942

Franz Struzl graduated from the University of Economics, Vienna, in 1964. In 1960 Franz Struzl started his career in the Alpen-Steely Group, renamed afterwards to Voestalpine AG, Linz, Austria, and he devoted over 40 years to that company. During his career at Voestalpine, Franz Struzl held various positions in a number of fields including strategic planning, commercial and technical areas. In 1981, he was appointed Chief Financial Officer before becoming Chief Executive Officer of Voestalpine Long Products Group and a member of the Executive Board in 1991. From 1995 until 2001, he served as Vice-Chief Executive Officer of the Group. In 2001, Franz Struzl was appointed as Voestalpine Group Chief Executive Officer and Chairman. He held the position until 2004, when he moved to become Chief Executive Officer of Voestalpine, Brazil – Villares Metals, remaining there until 2010. From 2011 to 2016, he was General Director of RHI AG.

Marjan Oudeman

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

Marjan Oudeman was the President of the Executive Board of Utrecht University (The Netherlands) from 2013 until June 2017.

From 2010 to 2013, Mrs Oudeman was a member of the Executive Committee of AkzoNobel, responsible for HR and Organisational Development.

Previously Mrs Oudeman was a member of the Executive Committee of Corus Group, Executive Director Corus Strip Products Division from 2000 to 2004. She also held positions of the CEO Corus Nederland BV, Managing Director Corus Strip Products Amstelveen from 2004 to 2007, and Managing Director Corus Packaging Plus from 2000 to 2004.

Before joining Corus, Marjan Oudeman worked for Hoogovens Group NV, holding various corporate staff positions at Hoogovens Group NV in legal, corporate finance and controlling, culminating in 1999-2000 as a member of the Management Board of the Steel Division of Hoogovens Group NV and Managing Director Hoogovens Packaging Steel.

Mrs Oudeman holds positions in governing bodies of a number of entities, being a member of the Boards of Suncay SA, SIV Holdings, NV Alberts Industrys NV, UPM Kymmene Corporation.

Marjan Oudeman has extensive experience as a line manager in the steel industry and considerable international business experience.

Oudeman has a law degree from Rijksuniversiteit Groningen in the Netherlands and an MBA in Business Administration from the University of Rochester, New York, USA and Erasmus University, Rotterdam, the Netherlands.

The Board of Directors’ activity in 2018

In 2018, there were nine meetings of NLMK’s Board of Directors, six of which were held by absentee ballot. A total of about 30 items were considered at the meetings. The following are the main issues that were examined by the Group’s Board of Directors in 2018.

1. STRATEGY AND PRIORITY AREAS:

- Approving the consolidated budget of the Group for 2019
- Determination of priority areas for the Company’s business.

2. APPOINTMENTS AND REMUNERATION:

- Reviewing proposals on nomination of candidates to NLMK’s governing bodies (the Board of Directors, NLMK President (Chairman of the Management Board)) and inclusion of the nominees in the voting list to be elected to these governing bodies
- Providing recommendations to the Annual General Shareholders’ Meeting regarding the payment of remuneration to members of NLMK’s Board of Directors
- Approval of composition of NLMK’s Management Board
- Election of Chairman of NLMK’s Board of Directors
- Forming NLMK’s Board Committees
- Recognition of independent status of nominees to NLMK’s Board of Directors
- Performance evaluation of NLMK’s Board of Directors
- Performance reports of NLMK’s Board Committees.

3. INTERNAL CONTROL AND RISK MANAGEMENT:

- Approval of revised version of NLMK Group’s Anti-Corruption policy and Corporate Ethics Code.

4. CORPORATE GOVERNANCE:

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

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

Marjan Oudeman

YEAR OF BIRTH: 1958

Marjan Oudeman has extensive experience as a line manager in the steel industry and considerable international business experience.

Oudeman has a law degree from Rijksuniversiteit Groningen (The Netherlands) from 2013 until June 2017.

From 2010 to 2013, Mrs Oudeman was a member of the Executive Committee of AkzoNobel, responsible for HR and Organisational Development.

Previously Mrs Oudeman was a member of the Executive Committee of Corus Group, Executive Director Corus Strip Products Division from 2000 to 2004. She also held positions of the CEO Corus Nederland BV, Managing Director Corus Strip Products Amstelveen from 2004 to 2007, and Managing Director Corus Packaging Plus from 2000 to 2004.

Before joining Corus, Marjan Oudeman worked for Hoogovens Group NV, holding various corporate staff positions at Hoogovens Group NV in legal, corporate finance and controlling, culminating in 1999-2000 as a member of the Management Board of the Steel Division of Hoogovens Group NV and Managing Director Hoogovens Packaging Steel.

Mrs Oudeman holds positions in governing bodies of a number of entities, being a member of the Boards of Suncay SA, SIV Holdings, NV Alberts Industrys NV, UPM Kymmene Corporation.

Marjan Oudeman has extensive experience as a line manager in the steel industry and considerable international business experience.

Oudeman has a law degree from Rijksuniversiteit Groningen in the Netherlands and an MBA in Business Administration from the University of Rochester, New York, USA and Erasmus University, Rotterdam, the Netherlands.
On 5 March 2018, a meeting of NLMK’s Board of Directors was held at NLMK La Louvière, the Company’s main Belgian production site.

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

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

ON-SITE MEETING OF THE BOARD OF DIRECTORS

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

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

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

To ensure preliminary examination and study of the most essential matters in the area of the Company’s activities, the Board of Directors has set up standing committees: the Strategic Planning Committee, the Audit Committee, and the HR, Remunerations and Social Policy Committee. The Committees of the Board of Directors report to the Board of Directors and are its advisory bodies. Resolutions of the Committees are of a recommendatory nature, while the work of the Committees contributes to increasing the efficiency of the Board of Directors performance, improving the quality of draft resolutions and prior coordination of the positions of the Board members.

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

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

The status, goals, objectives and functions of the Committees as well as their composition, formation and operation procedures are set out in Regulations on Committees, approved by the Company’s Board of Directors and published on the Company’s official website at www.nlmk.com. In order to balance approaches to problem solving in relation to risk management and the protection of shareholders’ interests, the majority of members of two out of three Committees, including their Chairs, are independent directors.

COMPOSITION OF THE STRATEGIC PLANNING COMMITTEE IN 2018

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

<table>
<thead>
<tr>
<th>Position</th>
<th>Member of the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vladimir Linin</td>
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<tr>
<td>Oleg Bagrin</td>
<td>Chairman of the Committee</td>
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<tr>
<td>Thomas Veraszto</td>
<td>Member of the Committee</td>
</tr>
<tr>
<td>Holmest Wieser</td>
<td>Member of the Committee</td>
</tr>
<tr>
<td>Karl Doering</td>
<td>Member of the Committee</td>
</tr>
<tr>
<td>Karen Sarkisnov</td>
<td>Member of the Committee</td>
</tr>
<tr>
<td>Benedikt Scioritino</td>
<td>Member of the Committee</td>
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<tr>
<td>Franz Struzl</td>
<td>Member of the Committee</td>
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</tbody>
</table>

Composition of the Committee as of 8 June 2018

<table>
<thead>
<tr>
<th>Position</th>
<th>Member of the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oleg Bagrin</td>
<td>Chairman of the Committee</td>
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<tr>
<td>Benedikt Scioritino</td>
<td>Member of the Committee</td>
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</tbody>
</table>

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

Strategic Planning Committee

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

Committee composition as of 31 December 2018

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

The composition of the Committee changed in 2018. Grigory Fedorishin, formerly Senior Vice President, Deputy Chairman of the Management Board, was Secretary of the Committee until 8 March 2018, as of that date Konstantin Anshakuni, Director for Strategic Development of NLMK, was appointed Secretary of the Committee.

Training and professional development for the Board members

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

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

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

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

The main goal of the Programme is to ensure that the newly elected members of the Board of Directors are promptly and efficiently introduced to NLMK Group’s key operational and financial indicators, its systems of risk management, internal control and corporate governance.

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

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

Conflict of interests

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

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

NLMK Board members had no conflict of interests in 2018.
Committee's activity in 2018

In 2018, the Strategic Planning Committee held five meetings. The Committee reviewed and passed resolutions on the following issues:
- NLMK Group strategy results in 2013-2017
- Development of coke production and coal sourcing strategy
- Appointment of the Strategic Planning Committee Secretary
- Development programmes of Energy and Logistics functions
- Development of the Lipetsk site upstream operations and Stolensky
- Key areas of sales portfolio management in 2018-2022
- Development strategy of Research & Development function
- Status of NLMK Group Investment Programme: 2018 Results and 2019 Budget
- Schedule of the Strategic Planning Committee for 2019.

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

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

Audit Committee

The Audit Committee, chaired by an independent director, develops and submits recommendations to the Board of Directors on the following matters:
- Efficient supervision of the Company’s financial and business activities, including annual independent audits of financial statements, the quality of services provided by the auditor, and compliance with the requirements for auditor independence
- Control over the reliability and efficient functioning of the risk management, internal control and corporate governance systems, including the efficiency evaluation of risk management and internal control procedures established in the Company, corporate governance practices, and development of proposals on their improvement.
- Review of the Audit Department’s Internal Audit Service draft road map for implementing the Appraiser’s key recommendations
- Review of reports on the Audit Department’s performance in Q3, Q4 2017, and FY 2017 and in Q1-Q3 2018
- Approval of the Audit Committee meeting plan for 2018
- Review of updated approach to planning of the IAS activity and generalized areas of internal audit’s inspections and investigations for 2019.

Financial reporting

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

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

Risk management and internal control

NLMK’s Audit Committee exercises control over the reliability and efficient functioning of the risk management, internal control and corporate governance systems and development of proposals on their improvement.

In fulfilling its oversight responsibilities, the Committee reviews reports and the Group’s updated risk map developed by the team of Vice President for Risk Management, internal audit and and the external auditor reports, and holds regular meetings with the Audit Director and the external auditor’s team.

Internal Audit

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

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

PARTICIPATION OF THE COMMITTEE MEMBERS IN COMMITTEE MEETINGS IN 2018

<table>
<thead>
<tr>
<th>Position</th>
<th>Participation in Committee meetings in 2018</th>
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<tbody>
<tr>
<td>Oleg Bagrin</td>
<td>Chairman of the Committee 5/5</td>
</tr>
<tr>
<td>Thomas Verasuto</td>
<td>Member of the Committee 5/5</td>
</tr>
<tr>
<td>Helmut Wasser</td>
<td>Member of the Committee 4/5</td>
</tr>
<tr>
<td>Karl Dvořing</td>
<td>Member of the Committee 5/5</td>
</tr>
<tr>
<td>Vladimir Lisin</td>
<td>Member of the Committee 5/5</td>
</tr>
<tr>
<td>Marjan Oudeman*</td>
<td>Member of the Committee 2/5</td>
</tr>
<tr>
<td>Karen Sarkisov</td>
<td>Member of the Committee 5/5</td>
</tr>
<tr>
<td>Grigory Fedorishin</td>
<td>Member of the Committee 5/5</td>
</tr>
<tr>
<td>Benedict Scirocco</td>
<td>Member of the Committee 5/5</td>
</tr>
<tr>
<td>Franz Struzl**</td>
<td>Member of the Committee 1/5</td>
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</table>

* NLMK Group’s Board of Directors at a meeting held on 2 June 2018 resolved to elect Marjan Oudeman as member of the Committee until 8 June 2018

** Member of the Committee until 8 June 2018

Committee composition as of 31 December 2018

Most of the Committee members are independent directors. The Audit Committee also includes an independent director with a background in the preparation, analysis, evaluation, and audit of accounting (financial) statements. The composition of the Committee changed in 2018.

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

THE AUDIT COMMITTEE MEMBERS PARTICIPATION IN THE COMMITTEE MEETINGS IN 2018

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Benedict Scirocco</td>
<td>Chairman of the Committee 4/4</td>
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<tr>
<td>Karen Sarkisov</td>
<td>Member of the Committee 4/4</td>
</tr>
<tr>
<td>Nikolai Gagarin</td>
<td>Member of the Committee 3(1)/4</td>
</tr>
<tr>
<td>Stanislav Shekshnia</td>
<td>Member of the Committee 4/4</td>
</tr>
<tr>
<td>Marjan Oudeman***</td>
<td>Member of the Committee 2/4</td>
</tr>
<tr>
<td>Franz Struzl***</td>
<td>Member of the Committee 2/4</td>
</tr>
</tbody>
</table>

* Participated by expressing their opinion in writing
** Member of the Committee until 8 June 2018
*** Franz Struzl was member of the Committee until 8 June 2018

COMPOSITION OF THE AUDIT COMMITTEE IN 2018

Composition of the Committee for 2019:

- Chairman of the Committee: Franz Struzl
- Member of the Committee: Karen Sarkisov
- Member of the Committee: Nikolai Gagarin
- Member of the Committee: Stanislav Shekshnia
- Member of the Committee: Marjan Oudeman

Composition of the Committee as of 3 June 2018:

- Chairman of the Committee: Franz Struzl
- Member of the Committee: Karen Sarkisov
- Member of the Committee: Nikolai Gagarin
- Member of the Committee: Stanislav Shekshnia
- Member of the Committee: Marjan Oudeman

Composition of the Committee as of 2 June 2017 until 3 June 2018:

- Chairman of the Committee: Franz Struzl
- Member of the Committee: Karen Sarkisov
- Member of the Committee: Nikolai Gagarin
- Member of the Committee: Stanislav Shekshnia
- Member of the Committee: Marjan Oudeman

Composition of the Committee as of 2 June 2017 until 2 June 2018:

- Chairman of the Committee: Franz Struzl
- Member of the Committee: Karen Sarkisov
- Member of the Committee: Nikolai Gagarin
- Member of the Committee: Stanislav Shekshnia
- Member of the Committee: Marjan Oudeman
Committee composition as of 31 December 2018

The majority of members of the Human Resources, Remunerations and Social Policy Committee are independent directors. The Committee includes an independent director, competent in matters of motivational management and personnel administration. The composition of the Committee changed in 2018.

Committee’s activity in 2018

In 2018, the Human Resources, Remunerations and Social Policy Committee held four meetings including two meetings in the form of absentee voting. The Committee passed resolutions on the following issues:
- HR strategy results in 2015-2017 and key areas for development in 2018-2022
- Goals and priorities of the Company’s President for 2018-2022
- Review and approval of the results of NLMK’s Board of Directors performance evaluation in 2017; selection of an independent consultant
- Approval of HR Committee meeting schedule for 2018-2019
- Update on the search for independent directors
- Eligibility of candidates to the position of independent directors to be voted on at NLMK’s Annual General Shareholders’ Meeting on the 2017 performance
- Professional qualification of candidates to NLMK’s Board to be voted on at NLMK’s Annual General Shareholders’ Meeting on the 2017 performance
- Review of proposals to NLMK’s Board of Directors on the amount of remuneration to be paid to Board members
- Achievement of NLMK Group’s key performance indicators, target quantitative and project KPIs and 2017 bonuses to be paid to top executives
- Approval of the basic contract terms and conditions with NLMK’s President (Chairman of the Management Board)
- Approval of an updated HR Committee meeting schedule for 2018-2019
- NLMK Group’s Human Resources Strategy 2022
- NLMK Corporate University: achievements and challenges
- NLMK’s Board of Directors performance evaluation.

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

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

The results of the Board performance evaluation were reviewed at the meeting of the Board of Directors held in March 2018. NLMK’s Human Resources, Remunerations and Social Policy Committee resolved to assess the possibility of obtaining information on best global practices from an external consultant in 2019.

The issue of engaging an external consultant to the Board’s performance evaluation is on the agenda of the HR, Remunerations and Social Policy Committee for 2019. NLMK’s Human Resources, Remunerations and Social Policy Committee took a positive view of holding an on-site Committee meeting in an extended format to include the entire Board of Directors that took place at NLMK La Louvière, the Group’s main Belgian production site.
**Corporate Secretary**

The Company’s Corporate Secretary represents a link to the system of corporate governance ensuring efficient day-to-day interaction with shareholders, coordination of the Company’s activities aimed at the protection of shareholders’ rights and interests, and supporting the efficient operation of the Board of Directors and its Committees.

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

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

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

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

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

**Valery Loskutov**

Mr. Loskutov was born on May 6, 1969 in Lipetsk.

- He graduated from the Lipetsk Polytechnic Institute and the Academy of National Economy under the Government of the Russian Federation with an MBA.
- For more than twenty years, he has been a member of the governing bodies of a number of Russian companies.
- Mr. Loskutov has been with NLMK since 1996, and since 2005 he has been NLMK’s Corporate Secretary. Since 2017 Mr. Loskutov has been Secretary of the Human Resources, Remunerations and Social Policy Committee.
- Mr. Loskutov is a co-founder of National Association of Corporate Secretaries.
- For three years (2016–2018) Mr. Loskutov was ranked among TOP 50 corporate governance directors.
- In 2018 he won the Director of the Year national award in the “Corporate Governance Director/Corporate Secretary” category.

**Management Board**

**NLMK Management Board procedures**

The Management Board is in charge of managing day-to-day operations of the Company, implementing the approved strategy and specific resolutions of the General Shareholders’ Meeting and the Board of Directors.

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

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


**Composition of the Management Board**

**Composition of the Management Board as of 31 December 2018**

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President (Chairman of the Management Board)</td>
<td>Grigory Fedorishin</td>
</tr>
<tr>
<td>Vice President, Operational Efficiency</td>
<td>Tatjana Averchenkova</td>
</tr>
<tr>
<td>Vice President, Sales</td>
<td>Ilya Guschin</td>
</tr>
<tr>
<td>Vice President, International Operations</td>
<td>Barend de Vos</td>
</tr>
<tr>
<td>Vice President, Logistics</td>
<td>Sergey Likharev</td>
</tr>
<tr>
<td>Managing Director</td>
<td>Sergey Filatov</td>
</tr>
<tr>
<td>Vice President, Risk Management</td>
<td>Evgeny Ovcharov</td>
</tr>
<tr>
<td>Vice President, Energy</td>
<td>Sergey Chebotarev</td>
</tr>
<tr>
<td>Vice President, HR &amp; Management System</td>
<td>Mikhail Arkhipov</td>
</tr>
</tbody>
</table>

**Composition of the Management Board until 27 April 2018**

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President (Chairman of the Management Board)</td>
<td>Grigory Fedorishin</td>
</tr>
<tr>
<td>Vice President, Operational Efficiency</td>
<td>Tatjana Averchenkova</td>
</tr>
<tr>
<td>Vice President, Sales</td>
<td>Ilya Guschin</td>
</tr>
<tr>
<td>Vice President, International Operations</td>
<td>Barend de Vos</td>
</tr>
<tr>
<td>Vice President, Logistics</td>
<td>Sergey Likharev</td>
</tr>
<tr>
<td>Managing Director</td>
<td>Sergey Filatov</td>
</tr>
<tr>
<td>Vice President, Risk Management</td>
<td>Evgeny Ovcharov</td>
</tr>
<tr>
<td>Vice President, Energy</td>
<td>Sergey Chebotarev</td>
</tr>
<tr>
<td>Vice President, HR &amp; Management System</td>
<td>Mikhail Arkhipov</td>
</tr>
</tbody>
</table>

Additional information:

- Appointed President (Chairman of the Management Board) on 12 March 2018
- Vice President, HR & Management System, since 6 January 2018
- Vice President, HR & Management System until 27 April 2018
- President (Chairman of the Management Board) until 12 March 2018
Members of the Management Board biographies

Grigory Fedorishin

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

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

Tatyana Averchenkova

 YEAR OF BIRTH: 1976
 MEMBER OF THE MANAGEMENT BOARD SINCE 2017

▶ Ms. Averchenkova graduated from Lipetsk State Technical University, majoring in Economics & Management.
▶ Tatyana-Averchenkova has been with NLMK since 2001. She served as Director for Controlling and held various senior management positions in the Strategy Department. In 2016, she was appointed Vice President, Operational Efficiency.
▶ From 2008 to 2009, she served as Financial Director at Skolkovo School of Management, Moscow. From 2002 to 2007, she held various positions at Microsoft.

Ilya Guschin

 YEAR OF BIRTH: 1978
 MEMBER OF THE MANAGEMENT BOARD SINCE 2017

▶ Graduate of the Faculty of Economics, Lomonosov Moscow State University. Holds a Ph.D. in Economics.
▶ Mr. Guschin joined NLMK in 2013. From 2009 to 2013, he worked for Sibur Group, including as head of Sibur International, the group’s export division.
▶ From 2008 to 2009, he served as Financial Director at Skolkovo School of Management, Moscow. From 2002 to 2007, he held various positions at Microsoft.

Barend de Vos

 YEAR OF BIRTH: 1967
 VICE PRESIDENT, INTERNATIONAL OPERATIONS

▶ Mr. de Vos holds a B.Eng. (Hons) Electrical and an M.Eng (Industrial) from the University of Pretoria.
▶ From 2011 onwards, Director of NLMK Belgium Holdings as well as a number of its subsidiaries. He’s CEO, Chairman of the Management Board of NLMK International B.V., leading the turnaround and operating efficiency programmes.
▶ Mr. de Vos joined Outreco La Louvière in Belgium in 2004 and served as a management board member of the NLMK/Outreco JV from 2007 to 2011.
▶ After starting his career as a production and development engineer in 1990, he held various management positions at Icercor and Saldanha Steel (now ArcelorMittal South Africa) between 1995 and 2003, ending with export sales.

Sergey Likharev

 YEAR OF BIRTH: 1964
 VICE PRESIDENT, SALES

▶ Sergey Likharev holds a PhD in Physics and Mathematics and a Masters of Business Administration from Cornell University, USA.
▶ From 1990 to 1993, he worked as a researcher at Lomonosov Moscow State University.
▶ Sergey Likharev joined NLMK in October 2013.
▶ From 2012 to 2013, he was Aviation Business Director at Russian Machines Group, and Chairman of the Board of Directors of the Aviacor aviation plant.
▶ After serving as CEO of Aviacor Aviation Plant in Samara from 2004 to 2007, he was CEO of the Basel Aero airport group from 2008 to 2012.

Sergey Filatov

 YEAR OF BIRTH: 1959
 MANAGING DIRECTOR

▶ Mr. Filatov graduated from Moscow Institute of Steel and Alloys. He holds a Ph.D., Tech., and is Honorary Metallurgist of Russia. Merited Metallurgist of Russia.
▶ Mr. Filatov has been with NLMK since October 2012, serving as Deputy Senior Vice President - General Director for Production and Technology. On 25 January 2013 Sergey Filatov was appointed to the position of NLMK’s Managing Director.
▶ From 2009 to 2012, he served as Chief Engineer at NLMK. From 2007 to 2009, he was Project Manager at NLMK’s Project Management Department.
Evgeny Ovcharov

YEAR OF BIRTH: 1977

Ph.D., Ec.

MEMBER OF THE MANAGEMENT BOARD SINCE 2018

Vice President, Risk Management

Mr. Ovcharov joined NLMK in 1998. Mr. Ovcharov held the positions of Director for Internal Control and Risk Management. Head of Corporate Finance, and senior management positions at the Department of Economics and Finance. In 2016, he was appointed Vice President for Risk Management.

Mikhail Arkhipov

YEAR OF BIRTH: 1980

Graduate of Lipetsk State Technical University, majoring in Applied Mathematics. Ph.D., Tech.

MEMBER OF THE MANAGEMENT BOARD SINCE 2018

Vice President, HR & Management System

Mr. Arkhipov graduated with honours from the Faculty of Sociology of Lomonosov Moscov State University.

Mr. Arkhipov joined NLMK in January 2018 as Vice President, HR & Management System. From 2013 to 2018, he was member of the Management Board and Vice President for HR at MTS Group. From 2009 to 2013, he held various positions at the HR Department at Sibur up to HR Director. From 2004 to 2009, Mr. Arkhipov worked in senior management positions in HR at SUN Indus and KPMG.

Sergey Chebotarev

YEAR OF BIRTH: 1982

Graduate of Lipetsk State Technical University.

MEMBER OF THE MANAGEMENT BOARD SINCE 2018

Vice President, International Operations

Mr. Chebotarev joined NLMK in 2000 as an economist in the Fuel and Energy Complex Department. He was Head of Energy Policy and Management Director for Energy Efficiency and Energy Markets, before being promoted to Vice President of Energy in 2016.

President (Chairman of the Management Board)

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

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

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

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

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

Activity of the Management Board in 2018

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

The following issues were considered at these meetings:

- Achievement of the Group’s key performance indicators in occupational health & safety
- NLMK Group’s consolidated budget execution
- Working capital report
- Achievement of NLMK Group’s KPIs and implementation of its companies’ optimization programmes

SHARES OWNED BY MEMBERS OF THE MANAGEMENT BOARD IN 2018

<table>
<thead>
<tr>
<th>Position</th>
<th>Share of the authorized capital stock of NLMK</th>
<th>Information on transactions with NLMK shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grigory Fedorishin</td>
<td>President (Chairman of the Management Board)¹</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Oleg Bagin²</td>
<td>Member of the Board of Directors, President (Chairman of the Management Board)²</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Tatjana Averchenkova</td>
<td>Vice President, Operational Efficiency</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Ilya Guschin</td>
<td>Vice President, Sales</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Barred de Vas</td>
<td>Vice President, International Operations</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Sergey Likharev</td>
<td>Vice President, Logistics</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Sergey Filatov</td>
<td>Managing Director</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Stanislav Tsyrlin²</td>
<td>Vice President, HR &amp; Management System²</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Evgeny Ovcharov²</td>
<td>Vice President, Risk Management</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Sergey Chebotarev</td>
<td>Vice President, Energy</td>
<td>Not an NLMK shareholder</td>
</tr>
<tr>
<td>Mikhail Arkhipov</td>
<td>Vice President, HR &amp; Management System</td>
<td>Not an NLMK shareholder</td>
</tr>
</tbody>
</table>

¹ Appointed President (Chairman of the Management Board) on 12 March 2018
² Member of the Management Board until 21 April 2018
³ President (Chairman of the Management Board) until 12 March 2018
⁴ Vice President, HR & Management System, until 20 December 2017
⁵ Member of the Management Board since 27 April 2018
⁶ Vice President, HR & Management System, since 9 January 2018
⁷ Appointed President (Chairman of the Management Board) on 12 March 2018
⁸ President (Chairman of the Management Board) since 12 March 2018
⁹ Vice President, HR & Management System, since 9 January 2018
NLMK Management Board members had no conflict of interest in 2018.

Events after the reporting date

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

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

Remuneration and compensation of members of the Board of Directors

Members of the Board of Directors are paid remuneration during the period of their duties execution, and they are also get coverage of expenses related to performance of their duties as members of the Company’s Board of Directors.

The levels of remuneration are sufficient to attract, motivate and retain competent and qualified directors.

The remuneration system for members of the Board of Directors serves to align their financial interests with the long-term financial interests of shareholders. Remuneration is paid to members of the Board of Directors for reasonable and faithful exercise of their rights and their duties in the interests of the Company. Remuneration to members of the Board of Directors consists of basic remuneration and a bonus.

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

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

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

REMUNERATION OF MEMBERS OF NLMK’S BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Remuneration category</th>
<th>Remuneration amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic remuneration</td>
<td>$160,000</td>
</tr>
<tr>
<td>Additional remuneration for the performance of duties of the Chairman of the Board of Directors</td>
<td>Up to 50% of the basic remuneration</td>
</tr>
<tr>
<td>Additional remuneration to a member of any Committee of the Board of Directors (who participated in over half of its meetings)</td>
<td>Up to 25% of the basic remuneration, and up to 50% of the basic remuneration to a member of two or more Committees</td>
</tr>
<tr>
<td>Additional remuneration to the Chairman of any Committee of the Board of Directors (who participated in over half of its meetings)</td>
<td>Up to 40% of the basic remuneration, and up to 80% of the basic remuneration to the Chairman of two or more Committees</td>
</tr>
</tbody>
</table>

REMUNERATION TO BOARD OF DIRECTORS MEMBERS PAID IN 2017-2018, RUB ‘000

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration and compensation to members of the Board of Directors, incl.:</td>
<td>155,307</td>
</tr>
<tr>
<td>Remunerations, incl.:</td>
<td></td>
</tr>
<tr>
<td>Basic remuneration</td>
<td>148,389</td>
</tr>
<tr>
<td>Incentives</td>
<td>100,037</td>
</tr>
<tr>
<td>48,352</td>
<td>47,767</td>
</tr>
<tr>
<td>Salary</td>
<td>-</td>
</tr>
<tr>
<td>bonuses</td>
<td>-</td>
</tr>
<tr>
<td>Commission</td>
<td>-</td>
</tr>
<tr>
<td>Benefits</td>
<td>-</td>
</tr>
<tr>
<td>Reimbursed expenses</td>
<td>6,918</td>
</tr>
<tr>
<td>Other types of remuneration</td>
<td>-</td>
</tr>
</tbody>
</table>

* Data for 2017 are represented in actual amounts. Remunerations to members of the Board of Directors for 2018 are determined on the basis of preliminary calculation in accordance with the Regulations on Remuneration to Members of NLMK’s Board of Directors.
The material interest of members of the Management Board in achieving the Company’s strategic goals is provided for through short-term and long-term incentive systems. Short-term incentives are based on the existing system of key performance indicators (KPIs). The amount paid to members of the Management Board in bonuses depends on their KPIs achievement. The KPIs used to determine rewards for top management are related to NLMK’s financial and operating performance and are intrinsically linked to shareholder value. They include operational performance, social responsibility and occupational safety, and organizational development indicators. The Company also has a long-term incentive (LTI) programme for members of the executive bodies and other top executives of the Company. In March 2019, it is planned to approve a new long-term incentive programme in connection with the completion of the 2014–2018 LTI programme.

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

- Honest and efficient performance of their duties by members of the Management Board
- Rational use of the rights that are granted to them
- Bonuses awarded to members of the Management Board are dependent on their progress against their key performance indicators (KPIs) and on the Company’s overall performance during the reporting period
- Active involvement of members of the Management Board in the work of the Group’s executive bodies.

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

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

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

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

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

The Company does not have other forms of remuneration, including short-term and long-term incentive programmes, depending on financial performance, or stock option programmes. The Annual General Shareholders’ Meeting on the 2017 performance, which was held on 8 June 2018, resolved to pay remuneration to members of NLMK Board of Directors in the amount of RUB 2,216 million.

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

<table>
<thead>
<tr>
<th>Total remuneration 2018</th>
<th>Total remuneration 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vladimir Lisin</td>
<td>21,264</td>
</tr>
<tr>
<td></td>
<td>19,449</td>
</tr>
<tr>
<td>Stanislav Shekhovia</td>
<td>16,318</td>
</tr>
<tr>
<td></td>
<td>14,925</td>
</tr>
<tr>
<td>Oleg Bagrin</td>
<td>13,846</td>
</tr>
<tr>
<td></td>
<td>11,308</td>
</tr>
<tr>
<td>Nikolai Gagarin</td>
<td>12,363</td>
</tr>
<tr>
<td></td>
<td>11,308</td>
</tr>
<tr>
<td>Karen Sarkisov</td>
<td>14,835</td>
</tr>
<tr>
<td></td>
<td>13,569</td>
</tr>
<tr>
<td>Thomas Verasuto</td>
<td>12,363</td>
</tr>
<tr>
<td></td>
<td>11,308</td>
</tr>
<tr>
<td>Helmut Wiess</td>
<td>14,835</td>
</tr>
<tr>
<td></td>
<td>13,569</td>
</tr>
<tr>
<td>Marjan Oudeman</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Benedict Sciortino</td>
<td>16,318</td>
</tr>
<tr>
<td></td>
<td>14,925</td>
</tr>
<tr>
<td>Franz Strutz</td>
<td>14,835</td>
</tr>
<tr>
<td></td>
<td>13,569</td>
</tr>
</tbody>
</table>

The annual amount of remuneration paid to the Management Board members in the amount of RUB 182,000.

#### Remuneration to Management Board members paid in 2017-2018, RUB ‘000

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to Management Board members, excl.</td>
<td>446,943</td>
<td>706,437</td>
</tr>
<tr>
<td>Salary</td>
<td>203,195</td>
<td>256,517</td>
</tr>
<tr>
<td>Bonuses</td>
<td>234,900</td>
<td>425,698</td>
</tr>
<tr>
<td>Commission</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benefits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refunded expenses</td>
<td>1,481</td>
<td>1,381</td>
</tr>
<tr>
<td>Other types of remuneration</td>
<td>5,367</td>
<td>22,841</td>
</tr>
</tbody>
</table>

* Data for 2017 are represented in the actual amounts. May differ from previously published estimated liabilities by the amount of liabilities for achieving the Company’s strategic objectives in 2017–2018 under the long-term incentive programme. The actual payment is expected in 2019. NLMK’s 2018 financial statements take into account the estimated reserve for the payment of bonuses under the long-term incentive programme in the amount of RUB 1,104,495 thousand. Bonuses to members of the Management Board for 2018 include payment liabilities based on a preliminary reporting year-end calculation. 2017 dividend pay to members of the Management Board amounted to RUB 182,000.
As a major international steel producer, NLMK Group is subject to a variety of operational risks which could have a negative impact on the Group’s business and on our stakeholders if materialized. In order to safeguard shareholder value and sustainable development, we employ the latest operational control and risk management practices and methods.

NLMK’s approach to operational control is founded on a clear division of authority and functions between the entities involved in NLMK’s internal control and risk management system; it also takes into account NLMK’s ‘three lines of protection’. Control procedures apply to the Group’s Russian and international operations, and are an integral component of key corporate decision-making activities and processes.

"As an Extraordinary General Shareholders’ Meeting in December 2018, a resolution was passed to abolish the Audit Commission. This decision was taken pursuant to changes in the prevailing legislation of the Russian Federation and in connection with the fact that the Company has an efficient risk management and internal control system in place.

The key functions of the Audit Commission will be fulfilled in practice by the Audit Department (Internal Audit Service)."
DIVISION OF INTERNAL CONTROL AND RISK MANAGEMENT FUNCTIONS AMONG CORPORATE GOVERNANCE SYSTEM PARTICIPANTS

<table>
<thead>
<tr>
<th>Participant</th>
<th>Key functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>● Defines principles for and approaches to the organization of the internal control and risk management system</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>● Monitors the reliability and efficiency of the internal control and risk management system</td>
</tr>
<tr>
<td>● Monitors procedures to ensure the Group’s compliance with legislative and stock exchange requirements, and with corporate ethical standards, rules, and procedures</td>
<td></td>
</tr>
<tr>
<td>● Monitors the implementation of NLMK’s conflict of interest management policy</td>
<td></td>
</tr>
<tr>
<td>Audit Department (Internal Audit Service)</td>
<td>● Assesses the reliability and efficiency of internal control and risk management system</td>
</tr>
<tr>
<td>● Assesses the corporate governance system</td>
<td></td>
</tr>
<tr>
<td>● Provides advice and recommendations, promotes knowledge sharing</td>
<td></td>
</tr>
<tr>
<td>Management Board</td>
<td>● Defines strategy and approves critical risk management measures</td>
</tr>
<tr>
<td>● Ensures the effective functioning of the internal control and risk management system</td>
<td></td>
</tr>
<tr>
<td>Vice President, Risk Management</td>
<td>● Organizes risk management and internal control operations</td>
</tr>
<tr>
<td>● Implement anti-corruption programmes and counter-corruption activities</td>
<td></td>
</tr>
<tr>
<td>Management Board’s Risk Management Committee</td>
<td>● Approves principles, strategy, and regulatory instruments for risk management processes and the internal control system</td>
</tr>
<tr>
<td>● Regularly reviews the Company’s risk radar (a list of significant risks, indicating their weight and trends for the period) and ensures overall monitoring of the implementation of risk management measures</td>
<td></td>
</tr>
<tr>
<td>● Approves and implements general monitoring of risk management measures</td>
<td></td>
</tr>
<tr>
<td>● Regularly reviews the results of analysis and assessment of the internal control system, approves and ensures general monitoring of the implementation of measures to enhance it</td>
<td></td>
</tr>
<tr>
<td>● Approves and monitors adherence to corporate ethics and business culture norms within the Group</td>
<td></td>
</tr>
<tr>
<td>● Ensures overall organization of activity to enforce the Code of Corporate Ethics and Anti-Corruption Policy</td>
<td></td>
</tr>
<tr>
<td>● Regularly reviews reports on compliance with business ethics and anti-corruption regulations</td>
<td></td>
</tr>
<tr>
<td>● Coordinates the work of subdivisions participating in the risk management process and internal control system</td>
<td></td>
</tr>
<tr>
<td>Internal Control &amp; Risk Management Department</td>
<td>● Assesses and regularly monitors the level of risks taken, assesses the efficiency of management activities</td>
</tr>
<tr>
<td>● Coordinates and provides methodological support with regard to the risk management process</td>
<td></td>
</tr>
<tr>
<td>● Develops regulatory and methodological documents relating to risk management and internal control</td>
<td></td>
</tr>
<tr>
<td>● Updates and ensures the effectiveness of measures to control compliance and fraud implemented in accordance with the Group’s Anti-Corruption Policy</td>
<td></td>
</tr>
<tr>
<td>● Records and processes incidents associated with deviations in the internal control system, plans and monitors corrective actions</td>
<td></td>
</tr>
<tr>
<td>● Systematically looks into the risk coverage by the internal control system in cooperation with line managers, plans and monitors implementation of corrective measures</td>
<td></td>
</tr>
<tr>
<td>● Builds a system for effective internal communication</td>
<td></td>
</tr>
<tr>
<td>● Creates a risk-awareness culture</td>
<td></td>
</tr>
<tr>
<td>Risk owners (business subdivisions)</td>
<td>● Identify risks</td>
</tr>
<tr>
<td>● Regulate risk management measures</td>
<td></td>
</tr>
<tr>
<td>● Monitor key risk indicators (KRI)</td>
<td></td>
</tr>
</tbody>
</table>

Internal control and risk management system

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

The Company’s Board of Directors, which determines the principles and approaches to the organization of the risk management system and regularly reports on the status of the Company’s risks, plays a key role in the risk management process. The Internal Control and Risk Management Department operates as a separate structural subdivision within NLMK. Its goals and objectives include analysing risks associated with the Group’s activities, ensuring that risk management processes are effective, implementing monitoring procedures, and developing a corporate culture of risk awareness. The Department includes the following units and functional specialists: Corporate Risk, Internal Control, Repair and Construction Control, Qualifications and Tender Procedures, and a lead anti-corruption specialist.

Our approach to risk management

Risk management is a continuous process aimed at reducing risk to an acceptable level and preventing events that could have a negative impact on the achievement of NLMK Group goals. The Group is committed to effectively and proactively managing risks and opportunities on a day-to-day basis, and to the ongoing development of a risk-awareness culture. NLMK’s risk management system has been developed to take account of the challenges posed by the external environment and in accordance with the principles set forth in international risk management standards, including ISO 31000:2018 and COSO ERM:2017. The Regulations on the Corporate Risk Management System is the key internal document regulating NLMK’s risk management. Internal documents have also been developed for managing individual risk categories, which are of relevance to the Group.

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

NLMK’s functional areas are engaged in identifying and responding to risks relevant to their operations, with methodological support from the Internal Control and Risk Management Department. The effectiveness of measures to manage identified risks is monitored by the Department as part of the analysis of management reporting from risk-owning functional subdivisions; this includes operational data at the business process level on current and planned KRI values, the status of risk management measures, and materialized risks.

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

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

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

Internal control encompasses all key NLMK Group business processes, and aims to ensure that assets are safeguarded and that business operations can be pursued effectively. The key document regulating NLMK’s internal control system is the Regulations on the Internal Control System. The Internal Control Department, which is part of the Internal Control and Risk Management Department, works systematically to assess and develop control procedures and analyze risk in the key business processes of the Group in collaboration with functional heads, including Procurement, Projects Implementation, Sales, the Maintenance Management System and others. If necessary, the Internal Control Department works in conjunction with the Audit Department. The fact that the Company has three levels of control procedures in place makes it possible to cover numerous areas of the Group’s operations and ensure that business processes function reliably.

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

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

2018 performance

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

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

Further systematization and improvement of crisis response plans: negative developments, which could have a serious impact on business and commercial interests, the health and welfare of employees and local communities, and the environment.

Improved accuracy of projected implementation of a real-time flow and monitoring of outgoing material flows.

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

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

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

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

Risk assessment and implementation of control procedures for the raw materials procurement process, competitiveness analysis of panels of our most critical suppliers and contractors.

Transaction to the construction cost control based on market rates with application of the input method.
SIGNIFICANT RISKS FOR NLMK GROUP IN 2018

<table>
<thead>
<tr>
<th>Risk name</th>
<th>Description</th>
<th>Change in risk level 2017–2018</th>
<th>Comments to changes</th>
<th>Quantitative assessment of risk</th>
<th>Management measures</th>
</tr>
</thead>
</table>
| Price and currency risks                   | Risk of reduced profits resulting from a negative change in market prices for finished products and in exchange rates. Assessed together due to strong statistical correlation. | Rise                            | Due to increasing variability of prices for products and raw materials.              | Yes                            | • Support for an optimal long-term open currency position in key currencies to ensure natural hedging  
|                                             |                                                                                                                         |                                 |                                                                                      |                                | • Formula-based pricing of finished products and raw materials and supplies                                                                  |
| Risks to business continuity              | Risk associated with production downtime caused by breakdown of key machinery.                                            | Rise                            | The estimate is based on the cost of equipment downtime. Due to high product prices in 2018, the cost of downtime also increased. At the same time, the duration and probability of downtime decreased or did not change. | Yes                            | • Development and implementation of a maintenance and major repairs programme (preventative maintenance and major repairs) |
| Environmental risk                         | Risk of occurrence of events with unfavourable consequences for the environment due to negative impact of NLMK Group's companies operations. | Flat                            | The risk reduction effect due to systematic implementation of the environmental programme offset the increased risk through identification of new risk factors. | Yes                            | • Implementation of cutting-edge conservation technology as part of a comprehensive environmental investment programme |
| Investment risk                            | Risks of increased expenditure and shifting deadlines in relation to investment programme implementation.                 | Reduced                         | Due to investment programme implementation.                                         | Yes                            | • Risk-based calculation of reserves and inclusion in project budgets  
|                                             |                                                                                                                         |                                 |                                                                                      |                                | • Model for calculating project risks with subsequent review of the acceptability of the project risk level by the Investment Committee.  
|                                             |                                                                                                                         |                                 |                                                                                      |                                | • Inclusion of risk minimization measures in project budgets                                                                                   |
| Credit risk                                | Risk of losses stemming from contractors' payment default or from product non-delivery (accounts receivable and advance payments), or NLMK Group's bank deposits. | Flat                            | The growth of receivables in absolute terms is offset by a decrease in the share of overdue and encumbered receivables. | Yes                            | • Series of principles and approaches to credit risk management unified within the Group's Credit Policy. Includes restrictions on the maximum permissible volume of subcontractor liabilities, taking into account the use of various protective instruments |
| Trade restriction risks                     | Risks of losses resulting from changes to tariffs, the application of non-tariff or other trade restrictions (in the procurement of raw materials, supplies, and equipment, and in the sale of products). | Flat                            | A number of risks materialized in 2018.                                              | Yes                            | • Monitoring and analysis of international customs statistics to identify sales channels most subject to risk, adaptation of the sales strategy to the growing risk of trade restrictions  
|                                             |                                                                                                                         |                                 |                                                                                      |                                | • Management of a portfolio of collaborative projects with government bodies (participation in research, minimization of consequences) |
| IT and information security risks           | The risk is associated with the heavy dependency of NLMK business processes on IT systems and services, and on the flow of information requiring special organizational and technical measures to ensure that these remain secure and function reliably. | Rise                            | Measurement of external factors in line with the new methodology.                    | Yes                            | • Implementation of comprehensive IT security projects                                                                                         |
| Occupational and industrial safety risks   | Occupational and industrial safety risks include events associated with occupational injuries, equipment breakdowns, buildings, and structural decay, fire, explosions, uncontrolled emissions of hazardous substances, and transport accidents. | -                               | -                                                                                    | No                             | • Development of a risk-based occupational and industrial safety programme (improvement of working conditions and industrial and fire safety, risk management) |
| Fraud and corruption risk                  | These risks arise as a result of unlawful (fraudulent) activity on the part of employees, subcontractors, or third parties with the objective of exacting personal gain by damaging NLMK's interests. | -                               | -                                                                                    | No                             | • Identification of these areas most exposed to corruption and fraud-related risks (obligatory declaration of conflicts of interest, psychophysiological assessment of employees in the risk area)  
|                                             |                                                                                                                         |                                 |                                                                                      |                                | • Colleagues and restrictions on authorizations of decisions relating to work with subcontractors  
|                                             |                                                                                                                         |                                 |                                                                                      |                                | • Promotion of the principles contained in the Anti-Corruption Policy and the Corporate Ethics Code                                                                 |

Plans for 2019 and midterm

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

Plans for 2019 include:

• Improvement of the Group’s ability to adapt to negative events by creating plans to restore critical equipment in the event of accidents.
• Analysis and unification of the existing regulatory framework for emergency response at sites, improving the status update process.
• Introduction of optimal approaches to managing the credit risk of contractors, working on investment projects, taking into account the risk/reduced construction time ratio and the quality of equipment maintenance.
• Development of a risk-based approach to prioritization of maintenance projects in the field of occupational and industrial safety, physical and economic security.
• Development of a portfolio approach to assessing the overall risk of the Group, taking into account the correlation of factors.
• Review of the main pools of suppliers and contractors for availability of qualified partners and exclusion of unreasonable intermediaries.
• Approval of the principles of strategic partnership with contractors in the construction and fixed assets management.
• Training of the Group’s executives in approaches to compliance risk management when working with counterparties.
• Full-scale migration to the use of the input method for assessing investment projects.
**Internal Audit**

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

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

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

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

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

**In addition to assessing the reliability and efficiency of the risk management and internal control systems and the quality of corporate governance, the Internal Audit Service pays attention to aspects related to the Group’s sustainable development. For instance, the Internal Audit Service assesses compliance with operational health and safety rules in the Group’s companies that have been sampled for audits.**

At the request of interested parties, limited scope audits are carried out, for example, in the field of environmental protection with respect to emissions and waste management.

The Internal Audit Service regularly monitors implementation of recommendations given following the audits, which ensures consistency of the internal audit function.

The monitoring is considered completed only if there is a report of the audited department on implementation of recommended actions.

In order to continuously improve the internal audit function, the Internal Audit Service conducts external and internal quality assessments. The annual internal self-assessment evaluated the Department’s maturity level and compliance with the International Standards for the Professional Practice of Internal Auditors. The results of this self-assessment are used to identify risks of the Internal Audit Service and develop measures to minimize them. One of the ways to collect information for self-assessment is a survey of stakeholders, which is aimed at collecting opinions on the efficiency of key internal audit processes.

The independent external quality assessment is performed once every five years to obtain an independent opinion on the compliance of the Company’s internal audit function with the best international practices. After its 2017 independent quality assessment, Deloitte issued a positive opinion that the Internal Audit Service’s activities are generally in line with International Standards for the Professional Practice of Internal Auditors and Code of Ethics. **2018 performance**

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

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**PRINCIPLES OF THE INTERNAL AUDIT SERVICE AND THEIR ENFORCEMENT**

<table>
<thead>
<tr>
<th>Principles of the Internal Audit Service</th>
<th>Principles achievement tools and mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence and objectivity</td>
<td>• Audit Director functionally reports to NLMK’s Board of Directors</td>
</tr>
<tr>
<td></td>
<td>• Audit Director is appointed (dismissed) by resolution of NLMK’s Board of Directors</td>
</tr>
<tr>
<td></td>
<td>• Audit Director has the right of direct and free access to the Chairman of the Board of Directors, Chairman of the Audit Committee and President (Chairman of the Management Board) to provide information on identified significant risks</td>
</tr>
<tr>
<td></td>
<td>• Third parties are prohibited from interfering in the process and the results of the audit</td>
</tr>
<tr>
<td>Systematic and consistent approach</td>
<td>• The Internal Audit Service is guided by a risk-based Audit Plan</td>
</tr>
<tr>
<td></td>
<td>• Distribution of resources between local (limited scope) and integrated audits of processes and subsidiaries in designing Audit Plan</td>
</tr>
<tr>
<td></td>
<td>• The Internal Audit Service prepares recommendations taking into account the costs/value ratio. Priority is given to systemic measures.</td>
</tr>
<tr>
<td>Efficient use of resources</td>
<td>• Lead auditors are appointed from among the most qualified auditors</td>
</tr>
<tr>
<td></td>
<td>• Engagement of external professional experts (consultants)</td>
</tr>
<tr>
<td></td>
<td>• Timely status updates of the Company’s management about the requirements (limitations) in the resources necessary for carrying out audits</td>
</tr>
<tr>
<td>Risk-based approach</td>
<td>• Focus on areas, most subject to risk, when drawing up the Audit Plan and performing audits</td>
</tr>
<tr>
<td>Professional and professional attitude to work</td>
<td>• More than 80% of the Internal Audit Service’s talent have internationally recognized internal audit diplomas (ICFM) and other professional certificates</td>
</tr>
<tr>
<td>Continuous audit quality improvement</td>
<td>• Audit Director develops and updates up-to-date the Quality Assurance and Improvement Programme, covering all activities of the Internal Audit Service</td>
</tr>
<tr>
<td></td>
<td>• Internal and external evaluations of the internal audit function for compliance of its activities and auditors with the definition of internal audit, the International Standards for the Professional Practice of Internal Auditors and the Code of Ethics</td>
</tr>
<tr>
<td></td>
<td>• Audit Director presents the results of the Quality Assurance and Improvement Programme for consideration by the Board of Directors (Audit Committee) and the President (Chairman of the Management Board)</td>
</tr>
</tbody>
</table>

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The Group’s internal audit is presented in the Quality Guidelines for Internal Control focusing on areas most subject to risk when drawing up the Group’s management status updates.

The Audit Director develops and keeps up-to-date the Internal Audit Service in line with the risk-based approach and giving recommendations following the results of audits and knowledge sharing.

The activities of the internal audit function are governed by the Regulations on the Audit Department, approved by the Company’s Board of Directors. The Regulations are available on the Company’s official website at www.nlmk.com.

With a view to unify approaches to internal audit and to ensure effective control of financial and business activities at all the its sites, the Group has adopted a number of internal corporate documents, including:

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

Moreover, starting from 2019, the Internal Audit Service plans to proceed to the development of long-term action plans, which will be periodically reviewed based on the influence of internal and external factors.
Anti-corruption compliance and fair business practices

Approach to corporate conduct and business ethics

NLMK Group is guided by high ethical standards, principles of business transparency and zero tolerance to any form or manifestation of corruption in its day-to-day operations. The Company makes every focused effort to prevent and counteract corruption and fraud. The matter of timely detection and response to wrongdoings are in the area of constant attention of the Company’s management.

The Company’s values, principles, standards and norms of business conduct are laid out in NLMK Group’s Code of Corporate Ethics and Anti-Corruption Policy, adopted by the Board of Directors. The Anti-Corruption Policy and the Code of Corporate Ethics are available in Russian and English on the corporate portal and on NLMK Group’s official website (www.nlmk.com).

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

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

The Company also expects its business partners to adhere to basic values and principles of good business conduct. The Company’s business partners familiarize themselves with the provisions of the Code of Corporate Ethics during qualification, selection and conclusion of a contract.

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

The Audit Committee of the Board of Directors, the President (Chairman of the Management Board) and the Risk Management Committee of the Management Board play the key role in establishing an efficiently operating anti-corruption system.

Vice President for Risk Management is in charge of implementing anti-corruption programmes and countering corruption in the Company.

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

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

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

Assessment of corruption risks

Identification, analysis and assessment of risks associated with corruption and fraud are carried out at all levels of management and in all Group companies. The risk of corruption and fraud is one of the significant corporate risks of NLMK Group, controlled by the Group’s management.

Experts of Internal Control and Risk Management Department are consistently working to identify the sources of fraud and corruption risks and prevent their materialization in collaboration with the Security Department.

Conflict of interests

Declaration of conflict of interests is a mandatory annual procedure for more than 3,000 of the Group’s employees whose sphere of activities is related with higher risks of corruption and bribery. In addition, all employees have the opportunity to independently declare conflict of interest by filling in an electronic questionnaire. All situations that show signs of conflict of interest, whether declared or identified by control services, are promptly analyzed in accordance with the Group’s procedure, and, if necessary, measures are taken to resolve these issues.

Political engagement

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

Anti-corruption hot line

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

- A 24-hour helpline (for calls from the Lipetsk site dial 06, for long-distance and international calls dial +7 4742 46 07 30)
- Help Box mail box for written notifications (Lipetsk)
- Written notifications sent to 2 Metallurgov sq., Lipetsk 398040, (you can address your letter to a specific person and mark it “personal”)
- SMS feedback centres: telephone numbers of production sites
- Personal meetings with executives
- Management feedback section on the corporate portal
- Anti-corruption e-mail anticorruption@nlmk.com
- E-mail for questions related to ethics and receiving gifts in excess of a certain amount (ethics@nlmk.com).

All requests are promptly analyzed in accordance with the procedure adopted by the Group, and corrective measures are taken if necessary.
In order to comply with the requirements for audit independence and ensure a high level of professionalism, PwC has several systems that ensure audit independence and maintain a high level of professionalism and quality of the services provided. For example, PwC rotates key audit personnel on a regular basis (at least once in 7 years) with the latest rotation in 2017.

Remuneration of Independent auditor

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

<table>
<thead>
<tr>
<th>Types of services</th>
<th>NLMK Group (with NBK), $ '000</th>
<th>Including NLMK, $ '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and reviews</td>
<td>2,369.9</td>
<td>1,051.0</td>
</tr>
<tr>
<td>Non-audit services</td>
<td>380.1</td>
<td>102.5</td>
</tr>
<tr>
<td>Total</td>
<td>2,750.0</td>
<td>1,153.5</td>
</tr>
</tbody>
</table>

In 2018, PCS.

NUMBER OF COMPLAINTS VIA FEEDBACK CHANNELS

In 2018, a total of 8,469 accredited and systemic complaints were received. Of the 87 complaints received in 2018 via feedback channels, the information was partly or fully confirmed on 26 of them, and systemic corrective measures were taken.

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

Internal Audit Commission

In 2018, a total of 8,469 accredited and systemic complaints were received. Of the 87 complaints received in 2018 via feedback channels, the information was partly or fully confirmed on 26 of them, and systemic corrective measures were taken.

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

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

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

Independent Auditor

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

According to the results of official inspections and investigations in 2018, 7 employees of the Company were brought to disciplinary responsibility; employment relationships were terminated with 21 employees; 10 complaints were filed with local police departments.

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

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

Plans for 2019 and midterm

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

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

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

All business partners are informed about these principles.

In 2018, a total of 8,469 accredited and systemic complaints were received. Of the 87 complaints received in 2018 via feedback channels, the information was partly or fully confirmed on 26 of them, and systemic corrective measures were taken.

In 2018, a total of 8,469 accredited and systemic complaints were received. Of the 87 complaints received in 2018 via feedback channels, the information was partly or fully confirmed on 26 of them, and systemic corrective measures were taken.

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

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

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

Ordinary shares

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

Indices that include NLMK shares
- RTS Index
- MOEX Russia Index
- MICEX Metals & Mining Index
- FTSE Russia Index
- MSCI Russia Index

Global Depositary Shares (GDS)
The ratio of Global Depositary Shares to ordinary shares is 1:10. The volume of Global Depositary Shares issued by NLMK and traded on the London Stock Exchange amounted to 6.98% of share capital as of 31 December 2018. The Company’s depositary bank is Deutsche Bank Trust Company Americas.

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

Taxation
1. LEGAL ENTITIES
Chapter 25 “Tax on Organizations’ Profit” of the Russian Tax Code governs tax treatment of organizations’ revenues received as dividends on shares. Dividends paid to organizations that are Russian taxpayers are subject to a 0% or 13% income tax (items 3.1 and 3.2, Article 284 of the Russian Tax Code). Foreign organizations are subject to a 15% income tax (items 3.3 and 3.2, Article 284 of the Russian Tax Code).Russian taxpayers are subject to a 0% income tax (item 3.1, Article 224 of the Russian Tax Code).

Dividends
Dividend Policy
According to the dividend policy, effective on 31 December 2018, dividends are determined as follows:
- If Net Debt/EBITDA is 1.0 or less: 50% of net income and 50% of free cash flow calculated based on US GAAP/IFRS consolidated financial statements.
- If Net Debt/EBITDA exceeds 1.0: 30% of net profit and 30% of free cash flow calculated on US GAAP/IFRS consolidated financial statements.

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

Events after the reporting date
The Board of Directors recommends that NLMK’s Annual General Shareholders’ Meeting pay (declare) 2018 dividends for ordinary shares in the amount of RUB 22.81 in cash per ordinary share taking into account the interim dividends in the amount of RUB 17.01 per ordinary share, the outstanding amount to be paid in dividends is RUB 5.80 per ordinary share, which is equivalent to 102% of NLMK Group’s 2018 free cash flow. On 1 March 2019, the Board of Directors approved updated NLMK Dividend Policy, which is available on the Company’s website.
Financial calendar for 2019

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>18 January</td>
<td>Q4 and 1H 2018 NLMK Group Trading update</td>
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<tr>
<td>7 February</td>
<td>Q4 and 1H 2018 NLMK Group IFRS consolidated financial results Conference Call</td>
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<tr>
<td>13 February</td>
<td>RAS (Russian Accounting Standards) 2018 Financial Results for the Group’s Major Companies</td>
</tr>
<tr>
<td>1 March</td>
<td>Meeting of the Board of Directors. Recommendations of the Board of Directors on Q3 2018 dividend payments</td>
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<td>4 March</td>
<td>Capital Markets Day</td>
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<tr>
<td>15 April</td>
<td>Q1 2019 Trading update</td>
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<tr>
<td>19 April</td>
<td>Annual General Shareholders’ Meeting (Q4 2018 Dividends Declaration)</td>
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<tr>
<td>15 April – 23 April</td>
<td>Meeting of the Board of Directors. Recommendations of the Board of Directors on Q2 2019 dividend payments</td>
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<tr>
<td>22 April – 26 April</td>
<td>Q1 2019 Financial Results (IFRS), Conference Call</td>
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<tr>
<td>3 June – 7 June</td>
<td>Extraordinary General Shareholders’ Meeting (Q1 2019 Dividends Declaration)</td>
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<tr>
<td>15 July</td>
<td>Q2 2019 Trading Update</td>
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<tr>
<td>22 July – 26 July</td>
<td>Q2 2019 IFRS Financial Results Conference Call</td>
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<tr>
<td>22 July – 26 July</td>
<td>Meeting of the Board of Directors. Recommendations of the Board of Directors on Q2 2019 dividend payments</td>
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<tr>
<td>23 – 27 September</td>
<td>Extraordinary General Shareholders’ Meeting (Q2 2019 Dividends Declaration)</td>
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<td>15 October</td>
<td>Q3 2019 Trading Update</td>
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<td>21 – 25 October</td>
<td>Q3 2019 Interim IFRS Financial Results Conference Call</td>
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<td>21 – 25 October</td>
<td>Meeting of the Board of Directors. Recommendations of the Board of Directors on Q3 2019 dividend payments</td>
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<tr>
<td>16 – 20 December</td>
<td>Extraordinary General Shareholders’ Meeting (Q3 2019 Dividends Declaration)</td>
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</tbody>
</table>

Contacts for shareholders

Registrar
The registrar of holders of NLMK securities is maintained by the Regional Independent Registrar Agency (RIR Agency). Registered address: 10 B, 9 Maya St., Lipetsk, 398017, Russia
Telephone: +7 (4742) 44-30-95
E-mail: info@a-rnr.ru
Website: http://www.a-rnr.ru/

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

Contacts
London: +44 20 75476500
New York: +1 212 250 91 00
Moscow: +7495,642-06/-16
E-mail: adr@db.com

Valery Loskutov
Corporate Secretary
Telephone: +7 (4742) 44 49 89
E-mail: loskutov_va@nlmk.com

Investor Relations
Telephone: +7 (495) 504 05 04
E-mail: ir@nlmk.com
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

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.