



Leadership in sustainability

May 2021

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- **Key highlights**

- Corporate governance
- Health & Safety
- Environment
- Tailings dam management
- Social
- ESG Ratings



NLMK's key principles of sustainable development:

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

Selected non-financial indicators for 2020 were independently verified

SASB and TCFD recommendations were implemented in the 2020 disclosure

WE SUPPORT



NLMK IS THE UN GLOBAL COMPACT'S PARTICIPANT



ENVIRONMENT

\$183 m

Allocated to projects with an environmental impact in 2020

1.91 t/t

NLMK's CO₂ specific emissions target by 2023 from 1.98 t/t in 2019*

97%

of water used in production is recycled

4th

Every 4th t of steel is made of scrap

95%

of generated waste is reused



HEALTH & SAFETY

0.5

LTIFR target in 2023 vs. 0.84 in 2018 as per WSA

661k

Overall hours of OHS training in 2020



SOCIAL

61

Hours of total training programs per employee in 2020

48%

Of management and administrative staff are women

6.0%

Turnover rate in 2020

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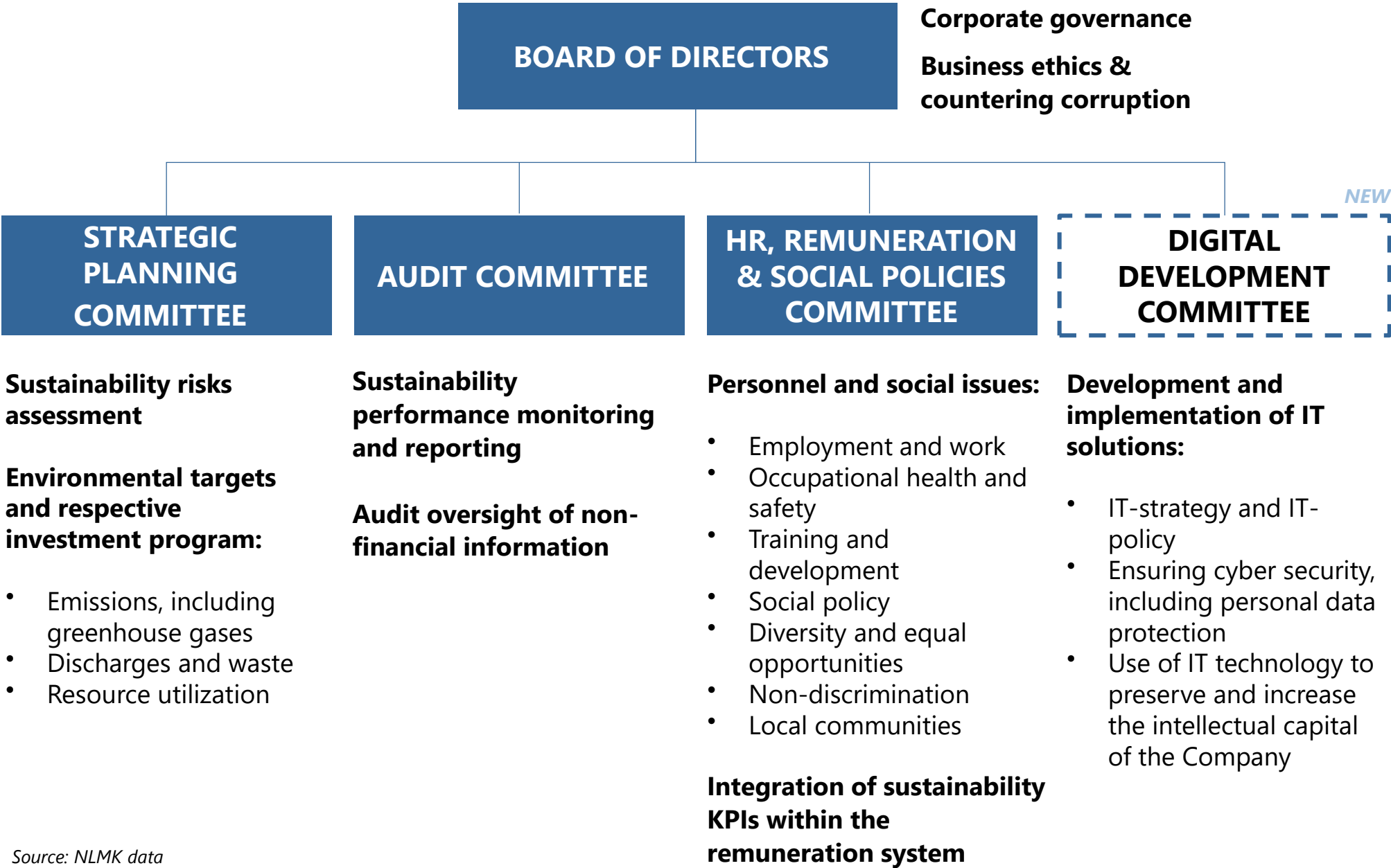


The Board's activity covers every ESG aspect

The Board is responsible for compliance with Sustainable Development Policy as well as for defining goals and objectives

Independent majority on NLMK's Board Committees

New committee was established in 2021



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

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

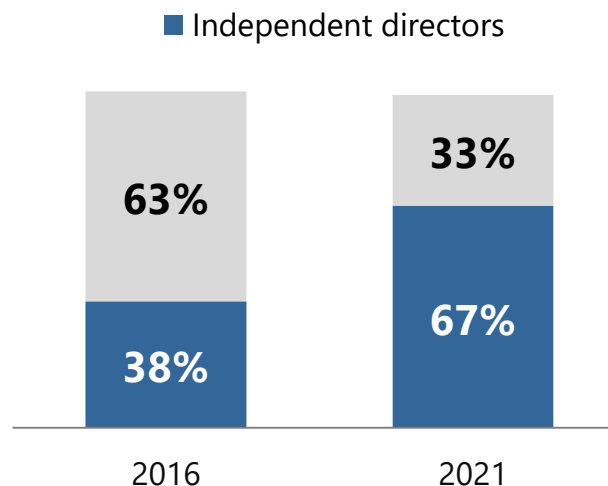
Voting rights: "one share/one vote", equitable treatment for all shareholders

The company's Board of Directors:

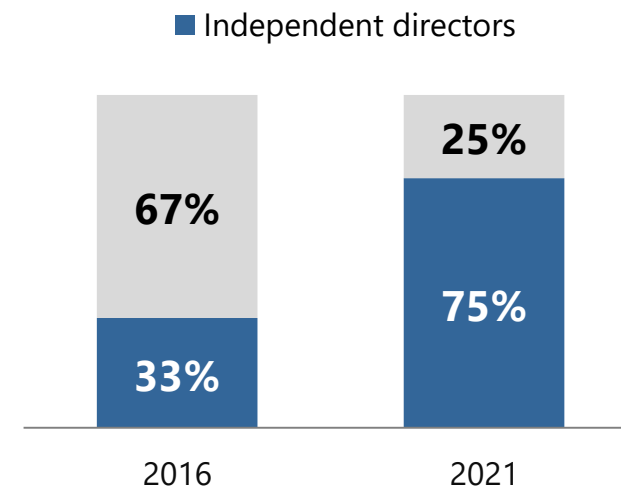
- Reputable board with superior track record
- Directors are not over-boarded with mandates
- Board performance is evaluated annually

Remuneration system based on clear KPIs, including ESG targets

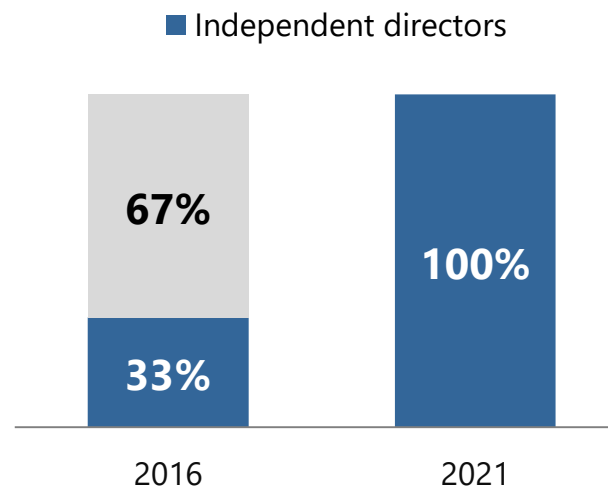
THE MAJORITY OF THE BOARD IS INDEPENDENT



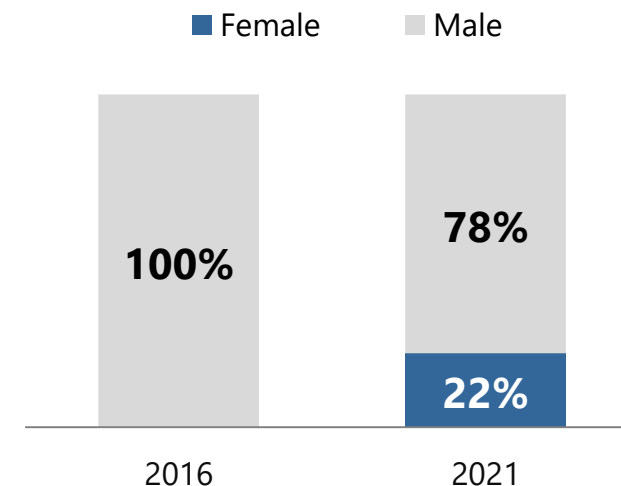
THE MAJORITY OF THE COMMITTEES ARE CHAIRED BY INDEPENDENT DIRECTORS



COMMITTEES WITH A MAJORITY OF INDEPENDENT DIRECTORS



GENDER COMPOSITION OF NLMK'S BOD



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NLMK's governing document: Integrated Management System Policy in Quality, Environmental Protection, Energy Efficiency, Occupational Health and Safety

OHSAS 18001:2007 certified;
ISO 45001:2018 certified

In 2020, about \$48 m was invested in safety systems and equipment

"No blame" policy for incidents reporting

The company is signatory of "Vision Zero"

Safety development programs

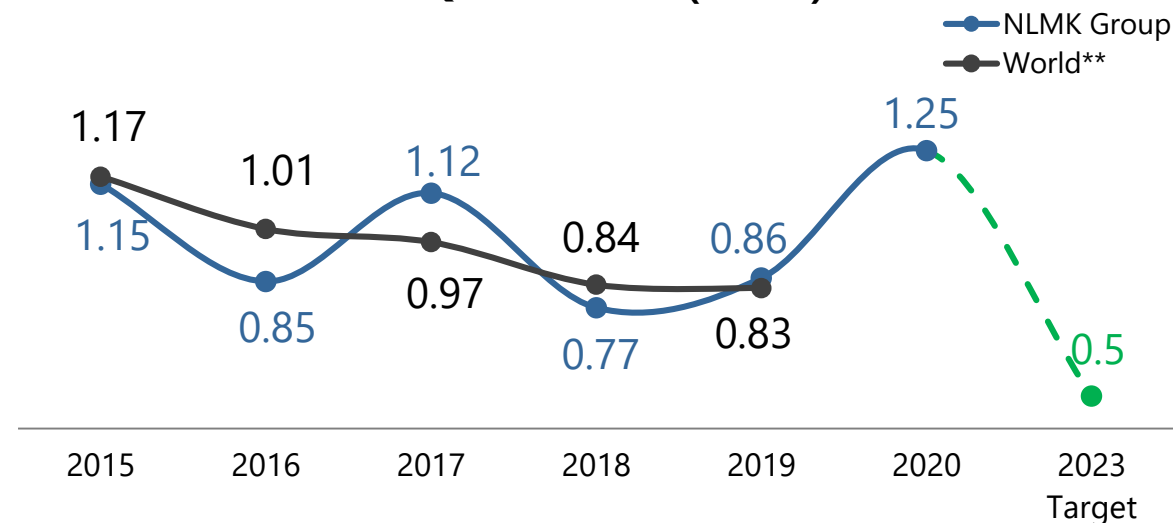
- Safety culture programs and communications
- Contractors management
- Safety risk management

Targets:

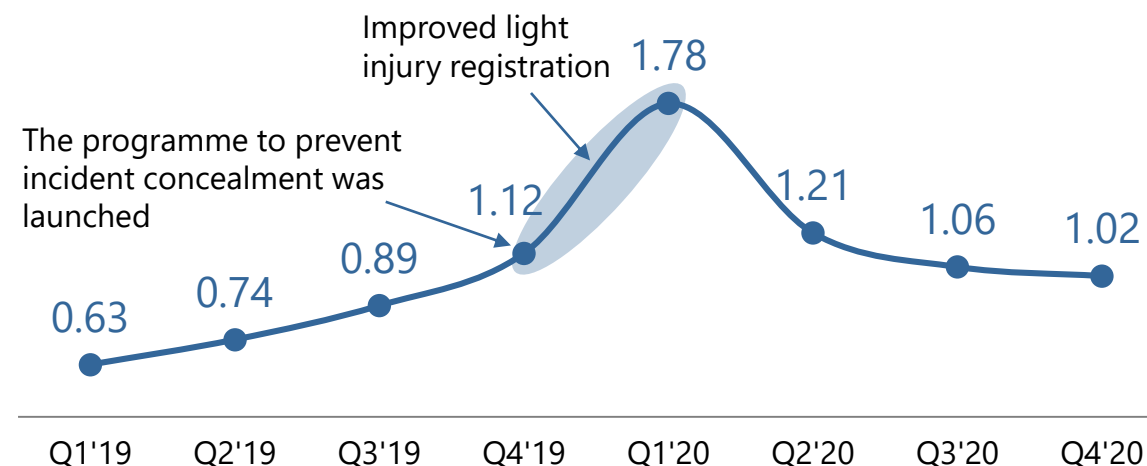
- Zero fatalities
- LTIFR of 0.5 (vs. 0.83 in 2019 as per WSA)

* <http://visionzero.global>

LOST TIME INJURY FREQUENCY RATE (LTIFR*)



QUARTERLY LTIFR



* LTIFR refers to Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million man-hours worked, employees and contractors

** Worldsteel data

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Measurable target to reduce CO₂ emissions by 2023

NLMK blast furnaces are among the most efficient in the world in terms of CO₂ emissions

Portfolio of projects for future footprint reduction

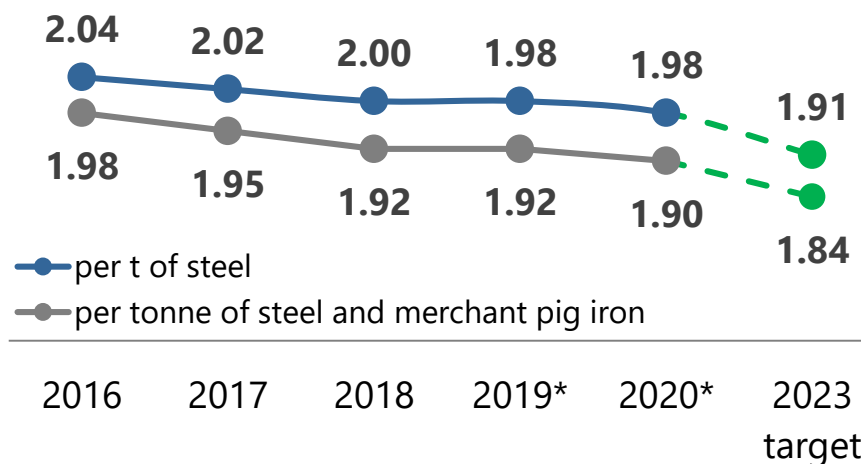
NLMK actively enhances climate cooperation:

- Partnerships with industrial partners on CCUS and hydrogen use
- Worldsteel's Step Up program participant to search ideas for further improvement of CO₂ efficiency
- The Net Zero Steel Pathway Methodology Project participant
- A strategic partner for Russia's first green startup accelerator

Climate risks assessment with the UK independent consultant in progress

DIRECT & INDIRECT CO₂ EMISSIONS DYNAMICS

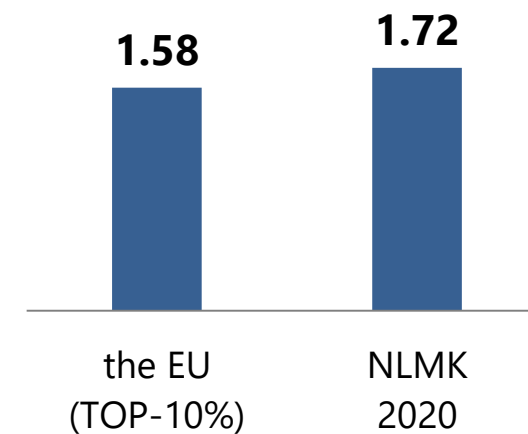
t CO₂ (scope 1 + scope 2)



CO₂ EMISSIONS AT NLMK LIPETSK

EU ETS methodology,

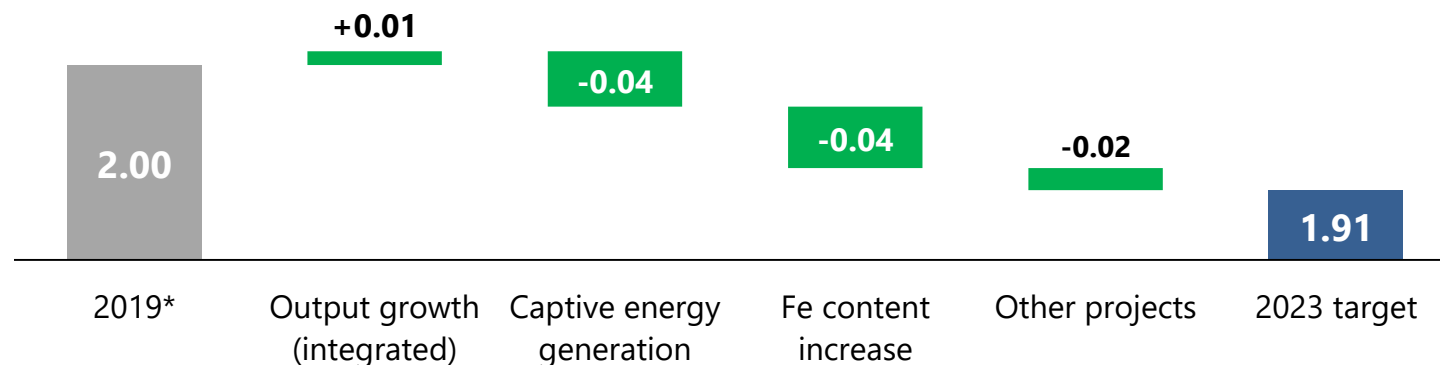
t CO₂ per t of steel (scope 1)



EU ETS = EU Emissions Trading System

CO₂ EMISSIONS INTENSITY TARGET

t/t NLMK Group, (Scope 1+2)



* Adjusted for temporary production decrease at the Lipetsk site, based on the Group's steel output in 2018

NLMK has reduced air emissions intensity more than two times since 2000

The Group operates more than 500 modern dust and gas purifying facilities

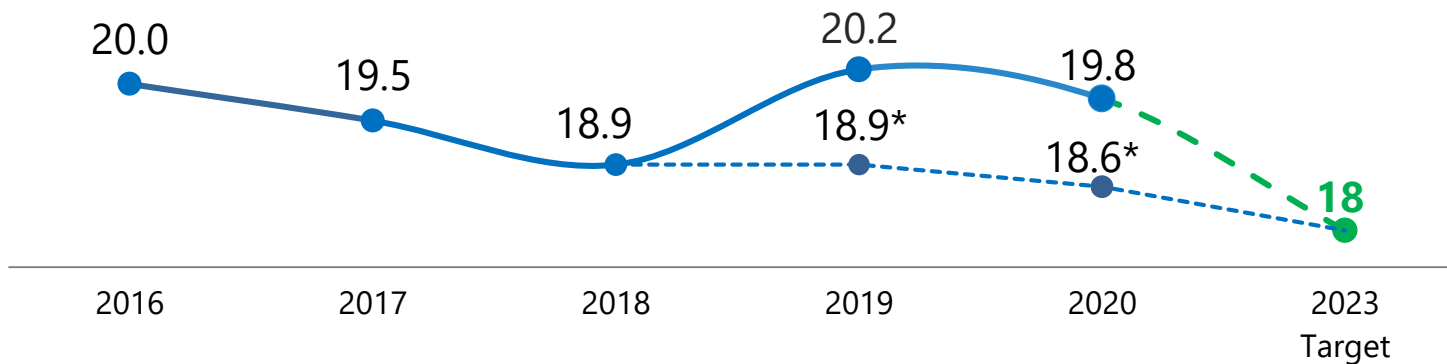
ISO 14001:2015 standard was implemented at 14 of the Group's facilities

Targets:

- Reaching the EU BAT level for air emissions intensity

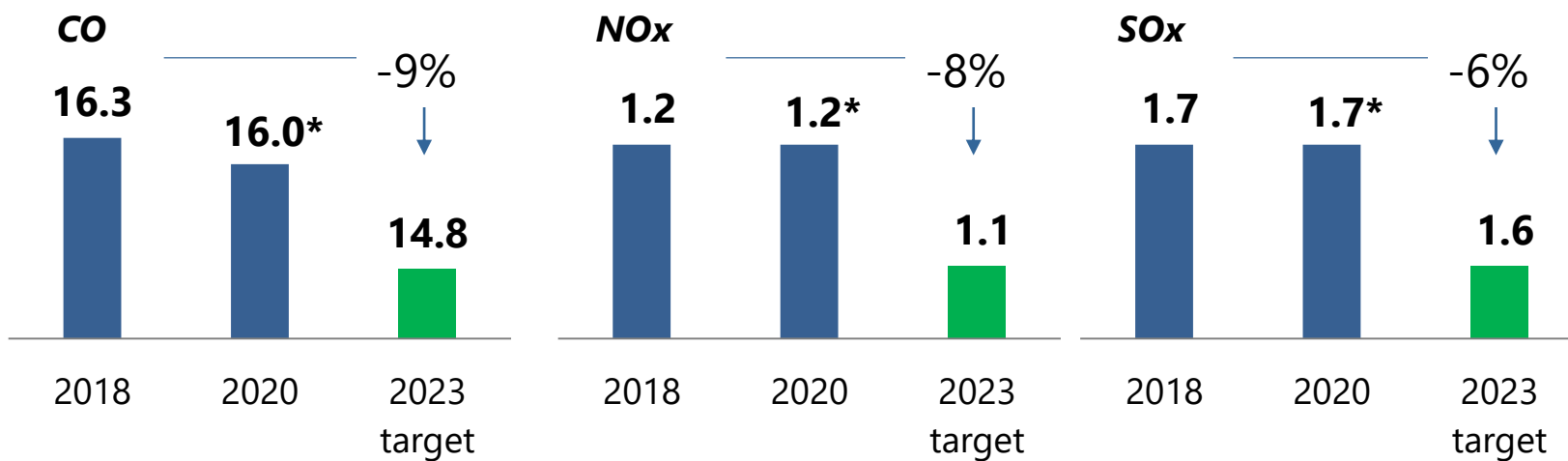
AIR EMISSIONS INTENSITY

kg/t, NLMK Group



AIR IMPACT REDUCTION TARGETS FOR INDIVIDUAL SUBSTANCES

kg/t, NLMK Lipetsk



* Adjusted for temporary production decrease at the Lipetsk site, based on the Group's steel output in 2018

ISO 50001:2011 certified
(recertification under ISO 50001:2018 is underway)

Improved energy intensity was achieved via equipment upgrade and better processes

Higher share of captive electricity generation contributes to lower CO₂ emissions

Targets:

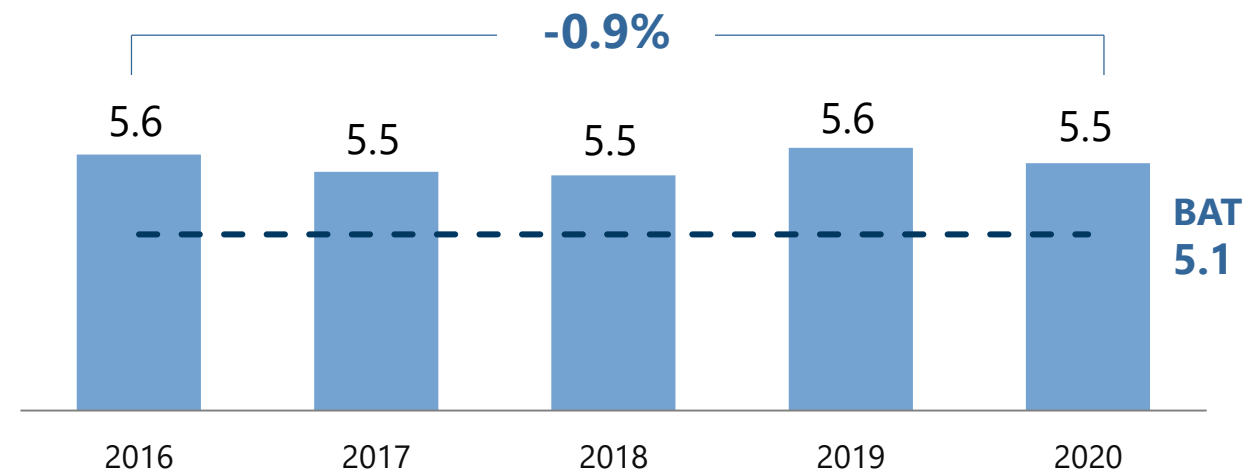
- Attaining a minimum level of economically and technologically feasible level
- Increasing electricity self-sufficiency to 94%

In 2020, the share of renewable electric energy in purchased energy accounted for 5.15% of total power consumption*

**The share of renewables in the total volume of electrical power generation is shown without transit flows; NLMK Group companies made no direct purchases from renewable energy suppliers*

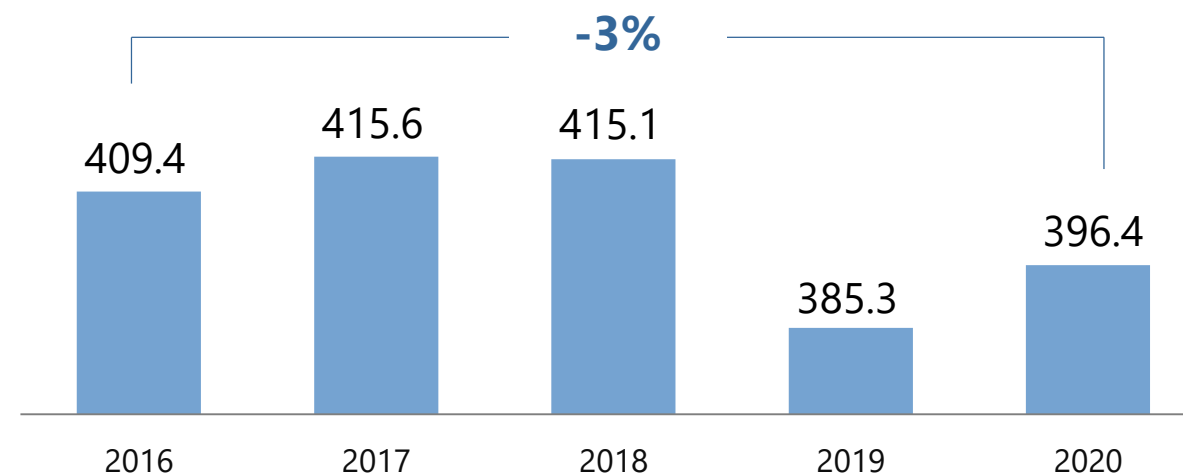
ENERGY INTENSITY

GCAL/t, NLMK Lipetsk



GROSS ENERGY CONSUMPTION

PJ, NLMK Group





Strategy 2022 envisages construction of the 3rd captive power plant at NLMK Lipetsk:

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

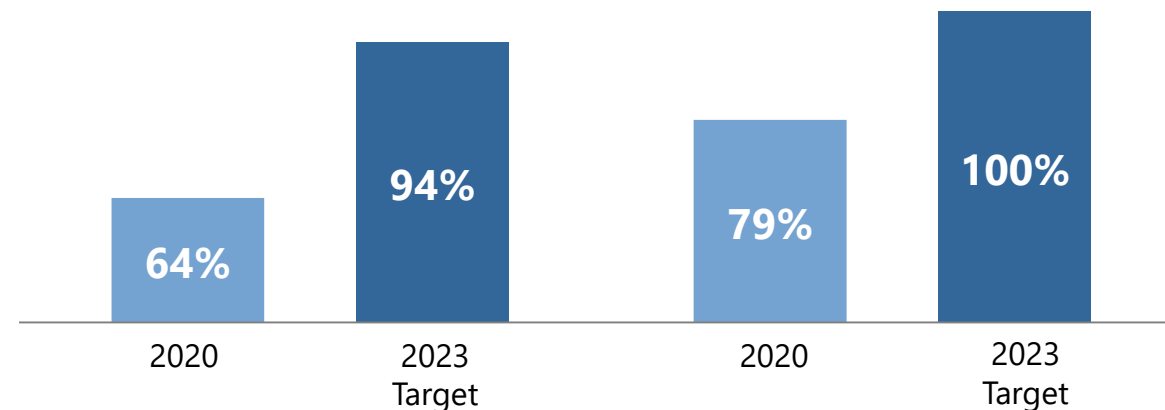
In 2021, NLMK Lipetsk started the assembly of main process equipment

The launch of the plant is scheduled for late 2023

ENERGY SELF-SUFFICIENCY TARGETS, NLMK LIPETSK

Captive energy generation

Secondary fuel gas recovery



ADDITIONAL PROJECT INDICATORS

Power plant capacity	300 MW
Reduction in CO ₂ emissions per annum	650k t
Investments	\$420 M

Calculating the impact of consumers using certain product categories on curbing CO₂ emissions is a common practice and is widely used in the steel and other industries:

- NLMK's plate is used in the construction of wind power facilities
- Premium electrical steel able to reduce specific magnetic losses in transformers and electrical motors
- Wear-resistant steel contributes to lighter weight of steel products (leading to lower fuel consumption)



Plate produced at DanSteel is used in wind energy facility construction



Flat products with improved characteristics



Premium GO electrical steels



Premium NGO electrical steels



Wear-resistant and high-strength steel (Q&T and Q&P)

- 33.5
m t CO₂
per annum*

**CO₂ emission
reduction on
consumer side
(annually)**

- 723
m t CO₂

**CO₂ emission
reduction on
consumer side
(life cycle)**

* Taking into account target sales volume in 2018-2023

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

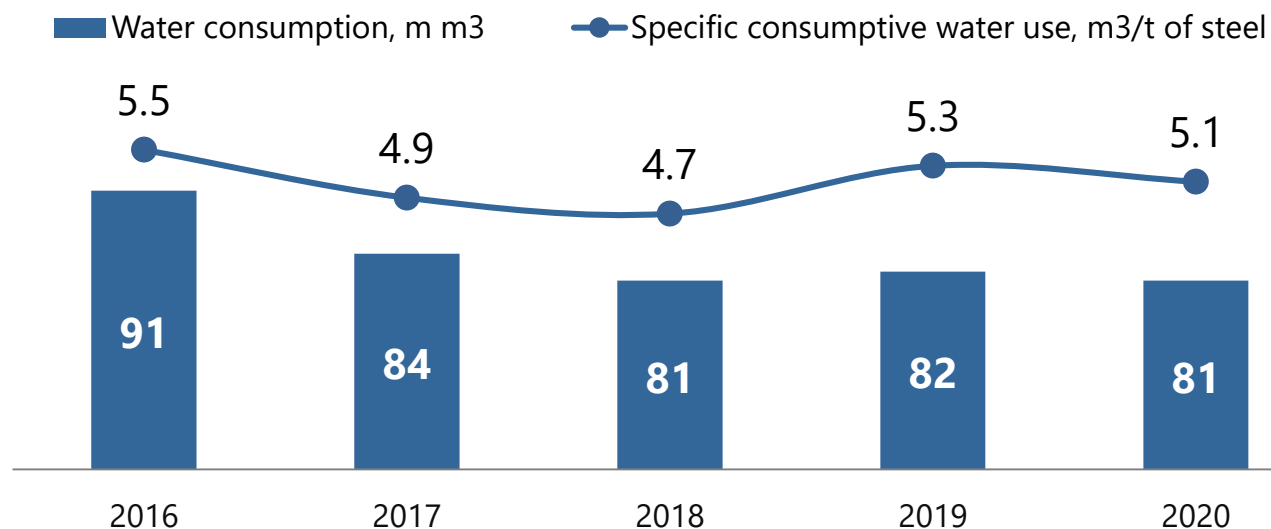
The Group doesn't operate in water-stressed areas

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

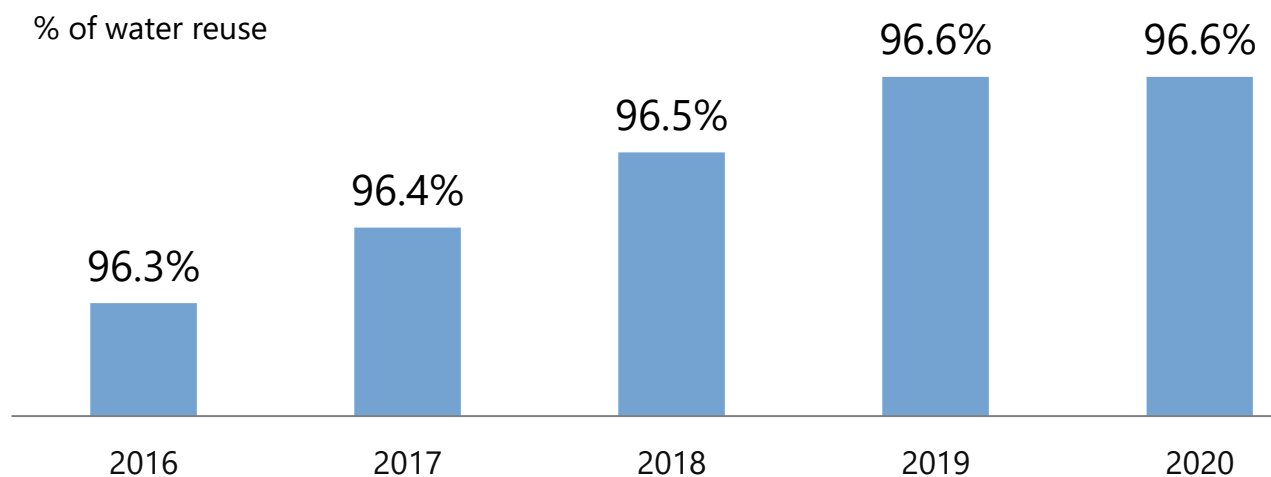
Target:

- Minimizing water consumption
- Pollutants discharge into water to decrease from 17.6 k t in 2018 to 13.2 k t in 2023

WATER CONSUMPTION & USE INTENSITY



WATER REUSE IN TOTAL WATER CONSUMPTION



**Adjusted for temporary production decrease at the Lipetsk site, based on the Group's steel output in 2018*

The use of modern technologies for recycling enables efficient use of secondary resources

In 2020, slag processing complex was built at Lipetsk site in place of a slag dump that had been accumulating since the 1970s

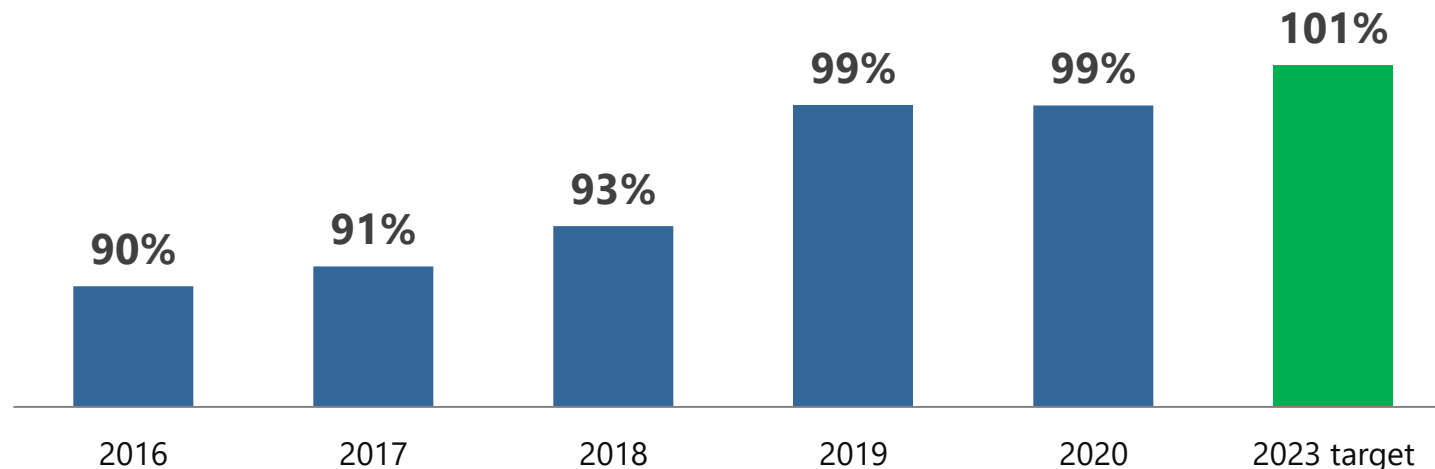
- 6 m t of various materials were processed
- 300 k t of iron were fed back into steel production in the course of project

Briquetting plant launched in May 2019:

- All newly accumulated Fe containing waste will be reused for briquettes production at NLMK Lipetsk as feedstock in BOFs

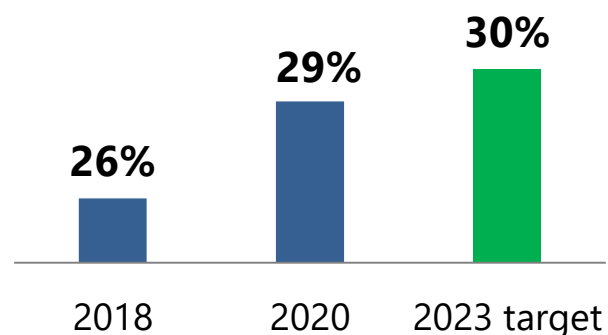
RECYCLING OF SECONDARY IRON-CONTAINING RAW MATERIALS

% , NLMK Group, excl. mining waste

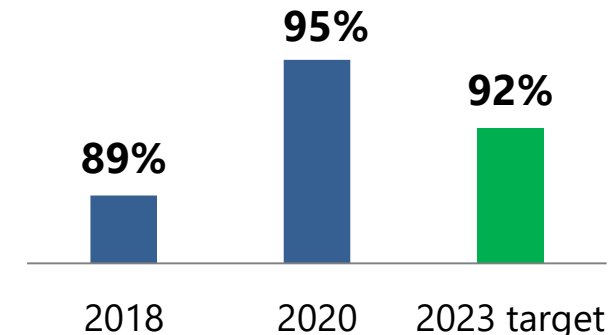


OTHER RECYCLING TARGETS

Overburden usage share



Waste recycling share



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- **Tailings dam management**
 - Social
 - ESG Ratings





NLMK's tailings dam was put into operation in 1984

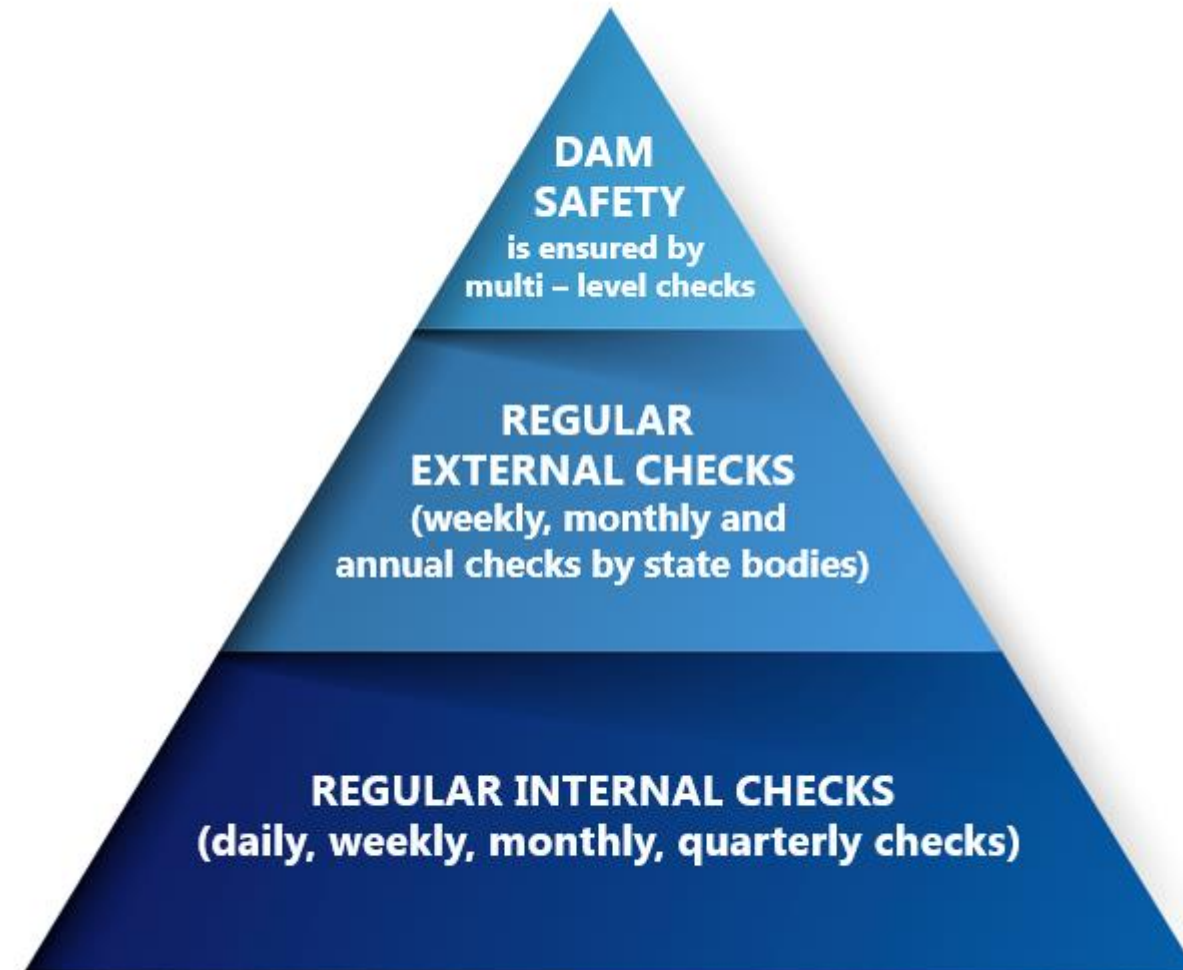
Tailings dam development plan was independently audited

Emergency preparedness is regularly assessed and response procedures are developed

Safety drills are regularly performed with the participation of Russia's Ministry of Emergency Situations

Water recycling system is in place

NLMK responded to the Church of England Pensions Board request



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NLMK Group employs 51.9 thousand people

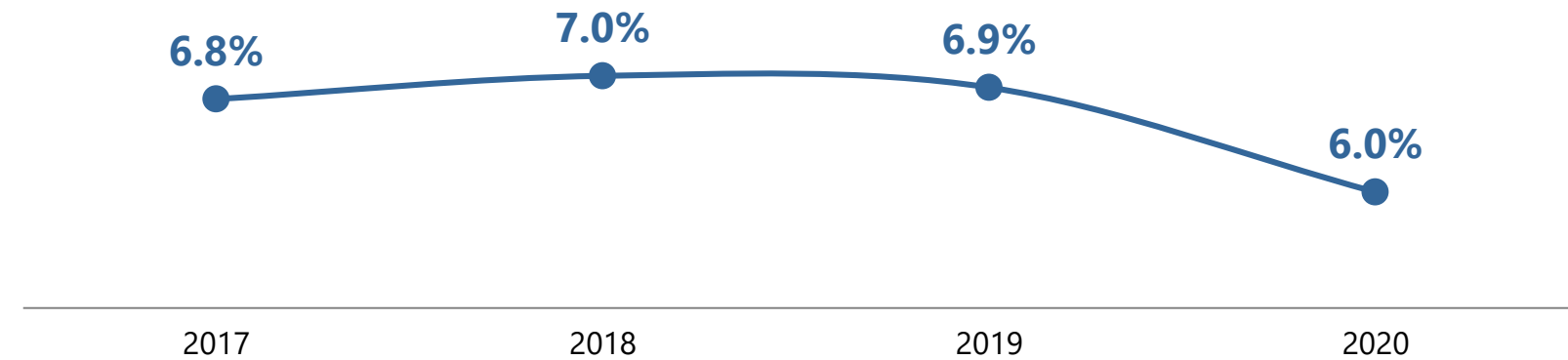
Employee turnover rate decreased in 2020

Regular staff satisfaction surveys are conducted

Feedback channels were developed and launched

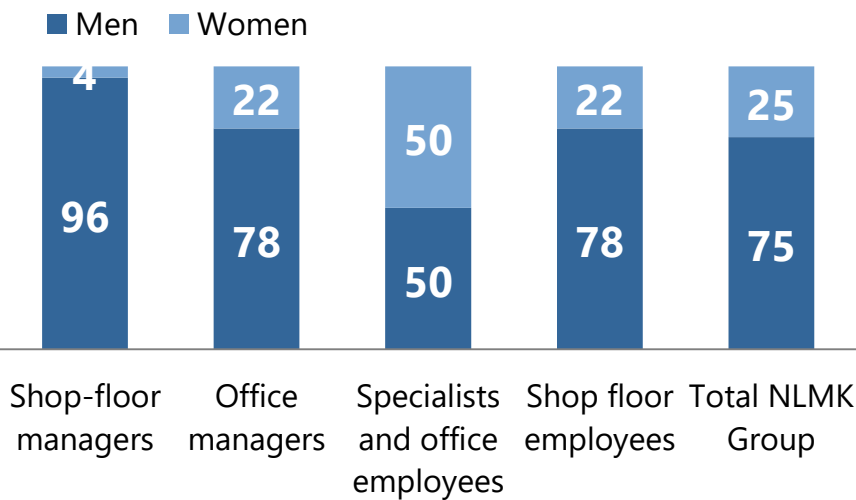
NLMK invests considerable resources in the training and development of its employees

NLMK GROUP’S EMPLOYEE TURNOVER RATE



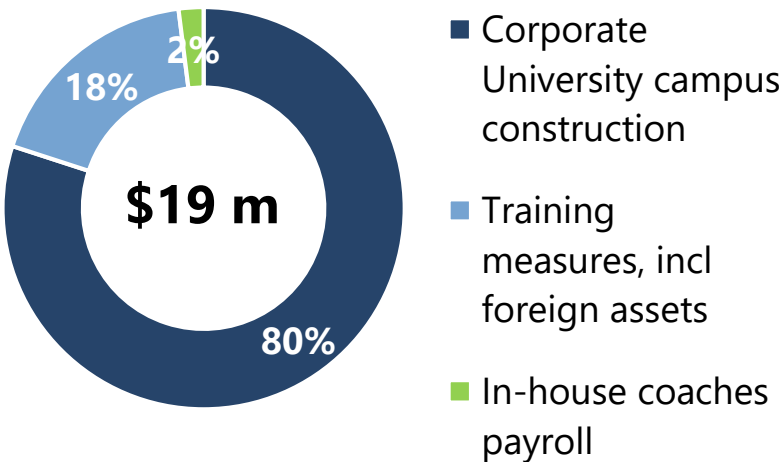
STAFF BREAKDOWN BY GENDER & CATEGORY

NLMK Group, %



INVESTMENTS IN 2020 BY TRAINING PROGRAMME

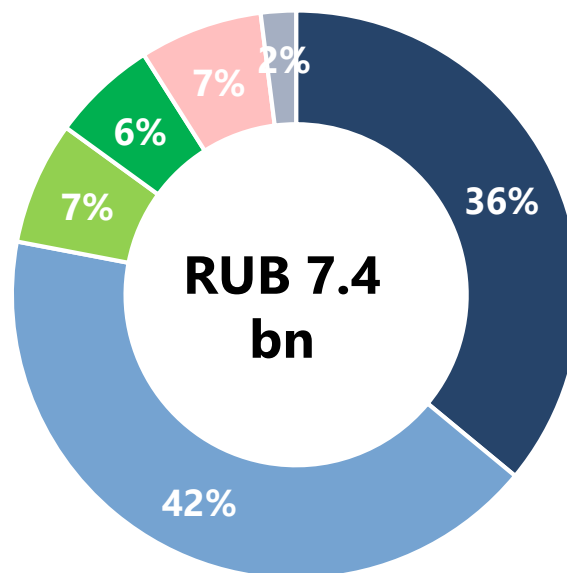
NLMK Group, \$ m



Tools for community engagement:

- Assessment of existing social programmes
- Direct engagement via dedicated channels
- Public hearings
- Cooperation with regional governments
- "Steel tree" project - a grant competition for social and environmental public initiatives

INVESTMENTS IN SOCIAL PROGRAMMES IN 2020



- Medicine and wellness
- Material assistance and payments to employees not involved in production
- Co-financing for private pension programmes
- Transport to workplace
- Corporate meals
- Mass sports and cultural events



Adhering to UN Global Compact principles on human rights and labor

- Human Rights Policy and Corporate Ethics Code are in place to reflect issues around respect of human rights

Key developments 2020:

- NLMK Group presented its human rights management practices at the Respect for Human Rights as a Corporate Responsibility Indicator conference organized by the Russian Union of Industrialists and Entrepreneurs and attended by representatives of the Office of the United Nations High Commissioner for Human Rights (OHCHR), the International Labour Organization, relevant ministries, and Russian and international companies.

FUNDAMENTAL HUMAN RIGHTS PRINCIPLES AT NLMK

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

In March 2020, NLMK adopted a comprehensive programme to mitigate the impact of COVID-19, with measures covering over 50,000 employees, as well as local communities

Over the course of 2020, NLMK Group allocated c. 5 bn rubles to protect its employees and contractors and to support local communities and medical facilities in the regions where its companies operate

A wide set of precautionary measures implemented to ensure safe working conditions in line with local regulations and beyond

In recognition of its efforts, NLMK ranked first for the "Best practices in ensuring the safety of employees and counterparties amid the spread of COVID-19" by Russian Business Leaders Award

HEALTH AND SAFETY IS A PRIORITY....



5,000 people working remotely



Strict safety protocols

Regular distribution of personal protection equipment (PPE)

Regular disinfection



Working schedules and transportation routes adjusted

...WITH SUPPORT PROVIDED TO EMPLOYEES AND LOCAL COMMUNITIES....



Providing PPE and medical equipment to local hospitals



46,000 employees of the Group to receive **a one-off cash payment**



Financial support to over 15,000 families in need in seven cities where NLMK operates

...WHILE ENSURING FLAWLESS OPERATIONS



No material impact on production and supply chains



Flexible regional sales structure and diversified product mix allowed to **keep capacity utilization rates high**



Solid financial and operating performance amidst pandemic

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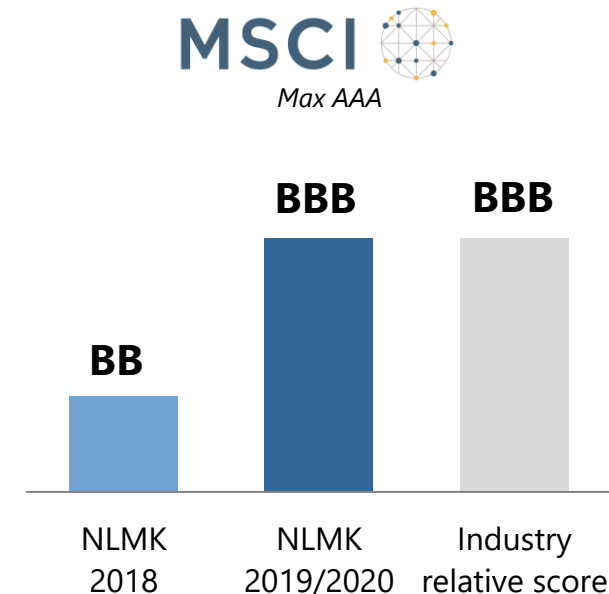
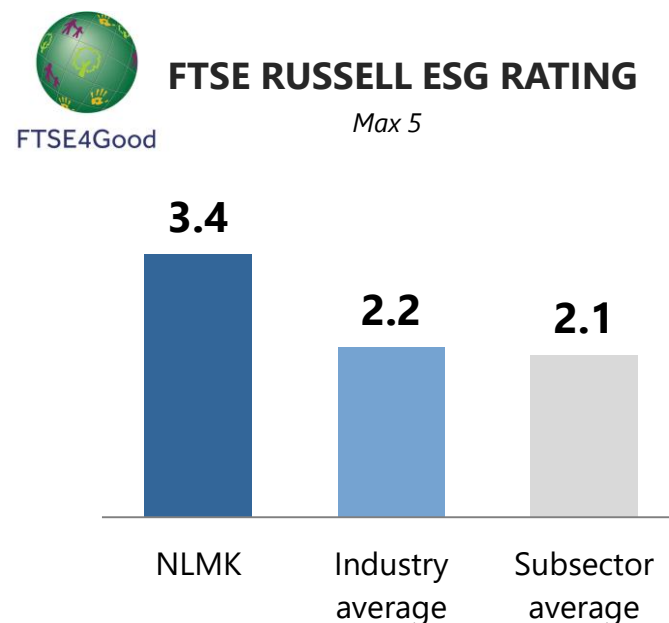
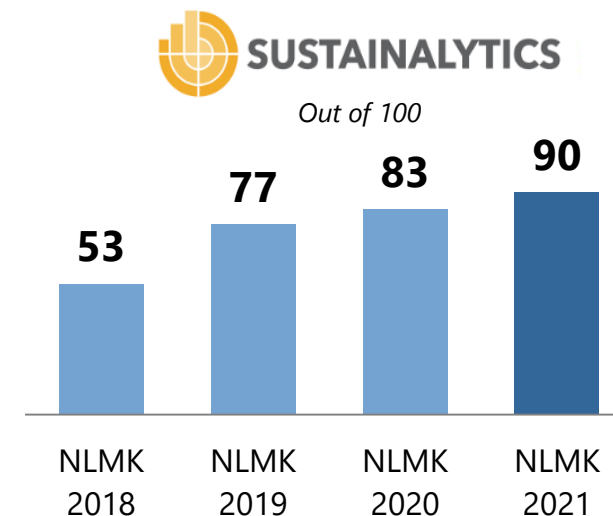
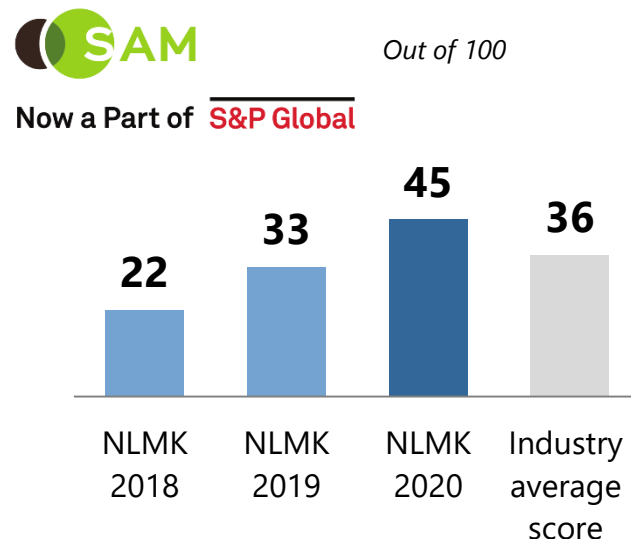
Continuous improvements across the board resulted in NLMK's ESG ratings upgrades by the leading rating agencies in the area of sustainability

Sustainalytics enhanced NLMK's ESG rating score to 28.1: the lower the number – the stronger the management of ESG issues by a company

NLMK is currently ranked among top-5 steel companies analyzed by Sustainalytics

NLMK remained a constituent of the FTSE4Good Index following the June 2020 review

NLMK was named a Sustainability Champion by Worldsteel in 2021





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