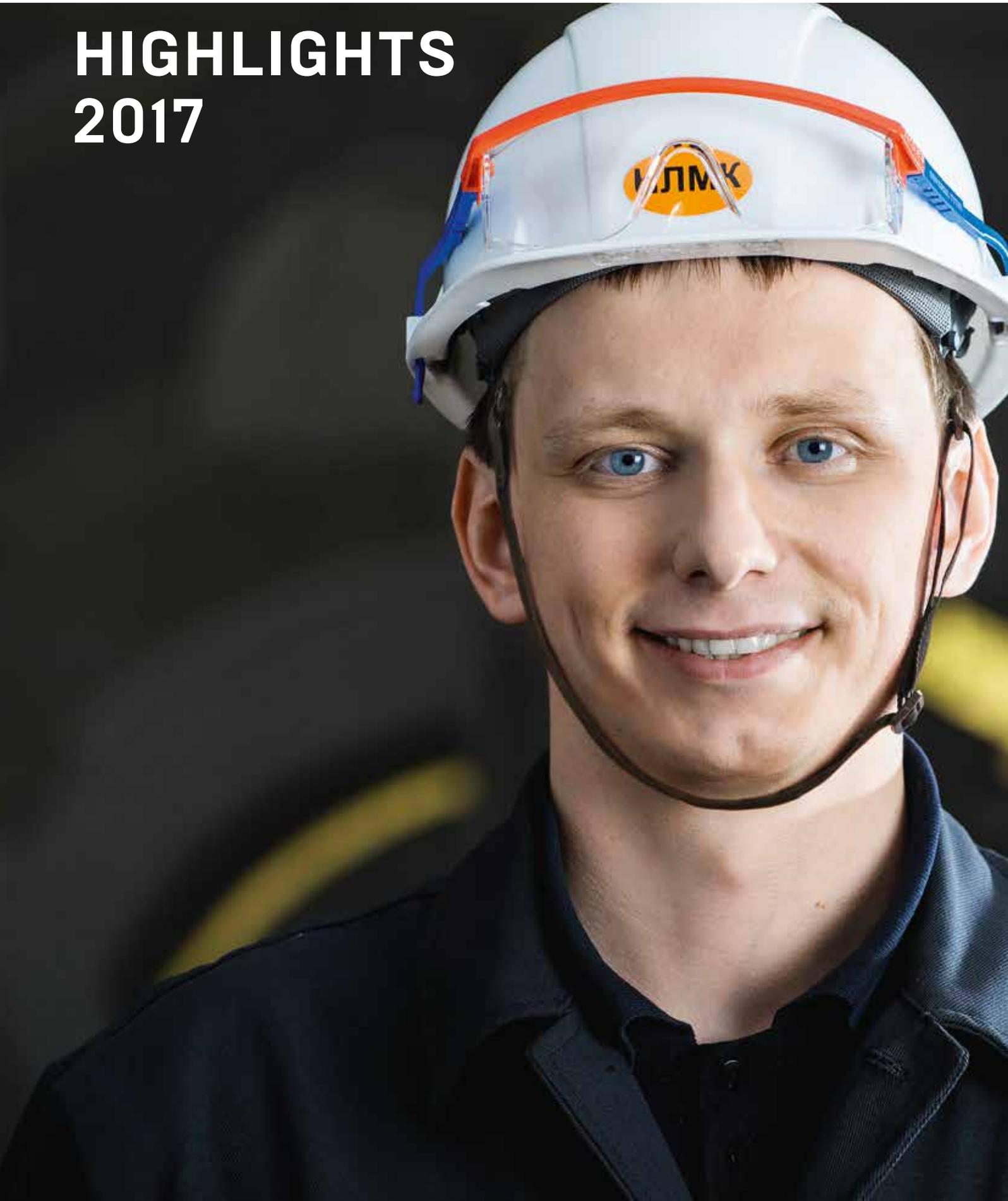




# OUR TEAM

REPORT/2017

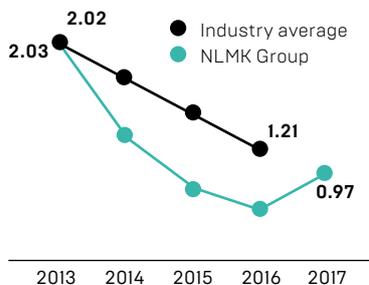
# HIGHLIGHTS 2017





## OCCUPATIONAL HEALTH AND SAFETY

LOST TIME INJURY FREQUENCY RATE (LTIFR) IS BETTER THAN THE GLOBAL INDUSTRY AVERAGE

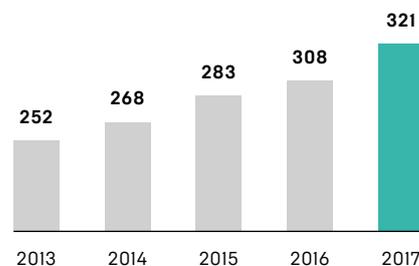


Almost all OHS targets were met. Safety of production remains one of the key priorities for NLMK Group. The Company continued to implement its Risk Management Programme.

## INCREASED LABOUR PRODUCTIVITY

CONTINUED LABOUR PRODUCTIVITY GROWTH ACROSS THE GROUP

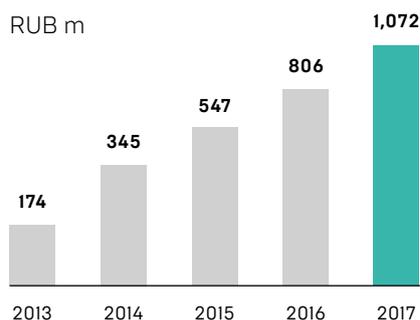
tonnes of steel/person



NLMK's efforts to consistently enhance the efficiency of its business and drive employee engagement supported the high growth rate in labour productivity, delivering an increase across NLMK Group of 27% vs. the 2013 level.

## PROFESSIONAL DEVELOPMENT OF OUR EMPLOYEES

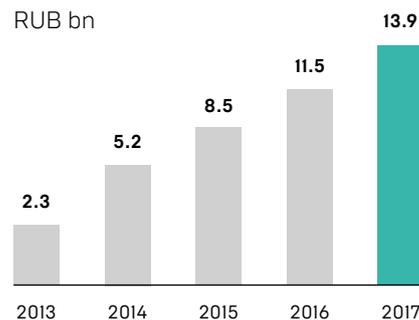
INVESTMENT IN TRAINING (CUMULATIVE)



In 2017, NLMK Group focused on the professional development of its employees. Personnel development is a prerequisite to the Company's leadership in the industry.

## FOCUS ON LOCAL COMMUNITIES

NLMK GROUP'S SOCIAL INVESTMENT AT ITS RUSSIAN OPERATIONS (CUMULATIVE)



In 2017, the Company contributed RUB 2.4 billion to the development of the regions where it operates in Russia. This investment was used to promote sport, health, education, culture, children and youth outreach, and charitable activities.

# NLMK VALUES



*“A well-balanced development strategy, highly efficient operations, and the professionalism and engagement of our employees in business processes enable NLMK Group to look to the future with confidence.*

*We’re proud of what we have achieved and fully recognize that our achievements were made possible thanks to the contribution of our international team, united by the common goal of leadership for NLMK Group.”*

**OLEG BAGRIN,**

President and CEO of NLMK Group  
(Chairman of the Management Board)\*

## RESPONSIBLE LEADERSHIP

*Responsible leadership is at the heart of NLMK Group’s values. We are a team of professionals sharing these values and using them as guidelines in what we do.*

*We understand the concept of responsible leadership as:*

### Continuous improvement of processes

Continuous improvement of processes and technologies to ensure efficient production of steel products that help improve the quality of life.

### Protecting the health and safety of our employees

Unwavering commitment to protecting health and safety of our employees and contractors and ensuring favourable working conditions that allow our employees to fulfil their potential for professional and personal growth.

### Efficient use of resources

Efficient use of resources and pursuit of the best available environmental and energy efficiency standards, with which we also expect our partners to comply.

### Helping customers secure leadership

Production of unique premium quality steel products and development of engineering solutions that help keep our customers on the cutting edge of innovation and lead in their markets.

### Ensuring equal opportunities for employees

Ensuring equal opportunities for professional and personal growth of our employees, motivating initiative and innovation.

### Active approach to social responsibility

Active approach to social responsibility and care for cultural legacy in the regions where we operate.

\* Oleg Bagrin held the position of President (Chairman of the Management Board) until 12 March 2018

# HUMAN RIGHTS PROTECTION

*NLMK Group makes the greatest possible effort to ensure the protection of human rights.*

NLMK ensures a socially responsible attitude towards its more than 53,000 employees across three continents. The Company guarantees that the labour of its employees is not forced or compulsory and that each employee receives commensurate

compensation. NLMK Group does not tolerate any form or manifestation of human rights violations in its operational, financial or other activities, including interaction with stakeholders. Our corporate policy calls for all employees of the Group to comply with internationally recognized principles and norms, as well as international agreements of the Russian Federation and other countries where NLMK Group operates, as applicable under the

labour laws of any country and irrespective of its business practices.

Our approach to human rights protection is derived from established UN guidelines, including UN Human Rights Norms for Business, UN Global Compact and ILO Conventions, and from ISO 26000 Guidance on Social Responsibility and prevailing legislation in the countries where NLMK Group operates.

## NLMK'S FUNDAMENTAL PRINCIPLES OF HUMAN RIGHTS PROTECTION:

### ➤ PROHIBITION OF FORCED LABOUR:

The Company prohibits forced labour, prison labour and military labour, slavery, and human trafficking. All types of labour in the Company are purely voluntary.

### ➤ PROHIBITION OF CHILD LABOUR:

The Company only signs employment contracts with people who satisfy the minimum age requirements set out in the prevailing legislation. The Company would not resort to using child labour.

### ➤ RESPECT FOR THE RIGHT TO A MINIMUM WAGE:

The Company sets remunerations in accordance with the applicable statutory provisions on remuneration, in particular those that establish the minimum wage, acceptable working hours and compensation for overtime.

### ➤ PROHIBITION OF DISCRIMINATION:

The Company's employees are free from any form of harassment and unlawful discrimination, irrespective of their race, colour, religion, ethnicity, gender, age, family status, or any other status

protected by the legislation of the countries where the Company operates.

### ➤ PROMOTING FREEDOM OF ASSOCIATION AND THE RIGHT FOR COLLECTIVE BARGAINING:

The Company does not limit the freedom of its employees for establishing associations to promote their interests among shareholders. The Company builds its relations with the employees on social partnership principles, direct dialogue being an integral part of this.

# SUSTAINABLE DEVELOPMENT PRIORITIES

## NLMK'S SUSTAINABLE DEVELOPMENT PRIORITIES:

- ↗ INCREASING OPERATIONAL EFFICIENCY
- ↗ OCCUPATIONAL HEALTH AND SAFETY
- ↗ MINIMIZING ENVIRONMENTAL FOOTPRINT
- ↗ ENERGY EFFICIENCY
- ↗ PERSONNEL DEVELOPMENT
- ↗ DEVELOPING LOCAL COMMUNITIES

*NLMK views its social mission as the achievement of sustainable development goals as this meets the long-term economic interests of the business, contributes to community welfare and conservation of the environment, and observance of human rights in the regions of its operation.*

## SUSTAINABLE DEVELOPMENT AS THE BEDROCK FOR BUSINESS SUCCESS

### Increasing operational efficiency

is an important part of Strategy 2017 and means, among other things, a reduction in the consumption of particular resources through the introduction of advanced technologies and advanced recycling.

### Occupational health and safety

The Company operates production facilities which are potentially hazardous, and takes responsibility for the welfare of its employees. The Company is striving to achieve global leadership in occupational health and safety among steel companies through the use of advanced OHS practices, efficient risk management and by motivating and actively involving its employees in OHS programmes.

### Minimizing environmental footprint

is one of the keys to the success of Strategy 2017. Minimizing the negative impact NLMK Group facilities have on the environment is achieved through planned environmental and technological initiatives that are both part of and beyond NLMK Group's investment programme.

### Increasing energy efficiency

is one of NLMK Group's strategic priorities, aimed at decreasing the amount of energy resources purchased and growing captive energy generation through utilizing by-product gases.



## Personnel development

NLMK sees investment into the development of its employees as a prerequisite for the Company's long-term competitiveness, dynamic development, the increased potential of human capital, and, ultimately, an increased fundamental value of the Group as a whole. High-quality professional training provides the standard of employee qualification necessary to overcome professional challenges. It also increases employee loyalty, forms a favourable social and psychological climate in the workplace, and has a direct impact on the development of NLMK's corporate culture.

## Improving the quality of life

for people that live in the regions in which the Company operates is one of NLMK's key social responsibility goals. The Company works with local communities, and the authorities at different levels, to strive to create new opportunities for development of the regions where NLMK operates and resolve pressing social issues.

## Safety

in the broadest sense is one of the key values of NLMK corporate culture:

- We provide safe working conditions and improve occupational safety
- We take care of the health of employees and residents of the regions where we operate
- We increase the environmental safety of our operations
- We monitor the quality of our products to ensure our customers' safety
- We do our best to protect human rights
- We increase social security and create confidence in the future.

# DIALOGUE WITH STAKEHOLDERS





**SUSTAINABLE  
DEVELOPMENT, WHICH  
IS ONE OF THE KEY  
STRATEGIC GOALS  
OF THE COMPANY, IS  
IMPOSSIBLE WITHOUT A  
REGULAR MULTILATERAL  
DIALOGUE BETWEEN  
THE COMPANY AND ITS  
STAKEHOLDERS**

## STAKEHOLDER ENGAGEMENT

**A**ctive stakeholder engagement is a key factor in the sustainable development and long-term industry leadership of NLMK Group. Mutual trust, respect, transparency, responsibility, partnership and predictability are the underlying principles of efficient dialogue between the Company and its stakeholders.

The Company strives to build stable partnerships with all stakeholders based on respect for human rights, compliance with Russian laws and regulations, international and industry-specific rules and guidelines, and contractual obligations.

General guidelines on the Company's relations with stakeholders are laid out in its [Corporate Governance Code](#), [Corporate Ethics Code](#), [Anticorruption Policy](#), [Supplier Code of Conduct](#) and [other corporate documents](#).

In developing its stakeholder management system, the Company is guided by its own strategic and current operational, environmental and social priorities, and on the provisions and principles of international standards.

In 2017, NLMK Group continued to actively engage its stakeholders through various formats of interaction.

## STAKEHOLDER EXPECTATIONS

## INTERACTION FORMATS

## SHAREHOLDERS

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Operational and financial performance</li> <li>• Development strategy</li> <li>• Market capitalization</li> <li>• Business stability</li> </ul> | <ul style="list-style-type: none"> <li>• General Shareholders' Meetings</li> <li>• Capital Markets Day</li> <li>• Participation of NLMK's top managers in industry conferences and meetings with the investment community</li> <li>• Corporate reporting</li> <li>• Media publications, Company's website</li> </ul> |
|--|--|

## INVESTMENT COMMUNITY

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Information availability and transparency</li> <li>• Investment appeal</li> </ul> | <ul style="list-style-type: none"> <li>• Information disclosure through various communication channels</li> <li>• Participation in Russian and international investment conferences</li> <li>• Site visits for investors/potential investors</li> <li>• One-on-one and group business meetings</li> <li>• Capital Markets Day with the Company's top management</li> </ul> |
|--|--|

## EMPLOYEES

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Employment and safe working conditions</li> <li>• Lucrative compensation</li> <li>• Professional and career growth</li> <li>• Social programmes</li> </ul> | <ul style="list-style-type: none"> <li>• Regular safety trainings and programmes to improve working conditions</li> <li>• Social support for workers and their families, retirees (former employees)</li> <li>• Professional skills improvement programmes, personnel training and development</li> <li>• Personnel engagement monitoring</li> <li>• Regular meetings with management of different levels</li> <li>• Processing of inquiries submitted via the hotline, the corporate portal, by SMS</li> </ul> |
|---|---|

## TRADE UNIONS

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Compliance with labour regulations</li> <li>• Compliance with the Sectoral Tariff Agreement</li> <li>• Compliance with collective agreements</li> <li>• Protection of employee interests</li> </ul> | <ul style="list-style-type: none"> <li>• Collective bargaining</li> <li>• Signing of collective agreements and joint resolutions</li> <li>• Joint work in various commissions and committees</li> <li>• Conferences of workers' associations</li> </ul> |
|--|---|

STAKEHOLDER EXPECTATIONS

INTERACTION FORMATS

CONSUMERS

- Fulfilment of contractual obligations
- Stable product quality and wide product mix
- Competitive pricing
- On-time and in-full deliveries
- Advanced technologies
- Efficient feedback and claim settlement system
- Risk management and anti-corruption compliance

- Business meetings with clients, participation in conferences, industry-specific communities and associations
- Surveys of consumer expectations
- Long-term contracts
- Corporate reporting
- Media publications, Company’s website

SUPPLIERS AND CONTRACTORS, OTHER MARKET PARTICIPANTS

- Transparent tender procedures for the procurement of goods and services
- Business stability
- Long-term cooperation
- Fulfilment of contractual obligations
- Efficient feedback and claim settlement system
- Risk management and anti-corruption compliance

- Supplier checks to verify their reliability, supplier status, and availability of production capacity
- Pre-qualification of suppliers
- Development of tender procedures for the procurement of goods and services
- Negotiations with potential suppliers
- Business meetings with suppliers, participation in conferences, industry-specific communities and associations
- Contractors performing work at NLMK facilities are required to comply with environmental and OHS requirements

GOVERNMENT AUTHORITIES

- Legislative compliance
- Tax payments
- Maintaining employment level
- Reduced environmental footprint
- Social programmes in regions where the Company operates
- Investment activity

- Meetings with heads of regions and cities where the Company operates
- Social programmes and programmes to support and develop social infrastructure
- Active participation in the work of advisory bodies and dedicated expert (working) groups, public hearings, etc.
- Investment in production
- Annual [disclosure](#) of information on payments to state budgets

LOCAL COMMUNITIES (LOCAL RESIDENTS, NON-PROFIT ORGANIZATIONS, MUNICIPAL INSTITUTIONS)

- Company’s activities taking into account the interests of local communities
- Company involvement in addressing the needs of local communities

- Dialogues with representatives of local communities to raise awareness about the Company’s activities in the regions where it operates
- Corporate reporting
- Media publications, Company’s website
- Organization of industry-specific conferences and events

With regard to the mutual influence of the Company and its stakeholders, NLMK is guided by top management expert opinions that make up a stakeholder map:

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

By developing a framework for stakeholder engagement, the Company seeks to improve its current approaches to dialogue with a view to identifying problems and developing optimal solutions more quickly.

## ACTIVE DIALOGUE WITH KEY STAKEHOLDERS\*

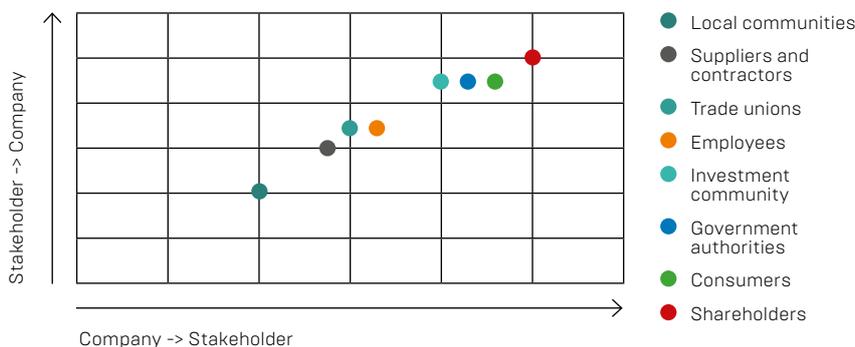
### CORPORATE COMMUNICATIONS

NLMK Group employs 53,000 people in dozens of companies in seven countries around the world. One of the Company's most important tasks is to unite them around common values and goals and to engage them in joint projects. This is facilitated by efficient tools of internal communication.

All NLMK Group companies are covered by an extensive internal communications network, including an Intranet portal, newspapers, corporate magazine, stands, mailings, and visual campaigns. These channels are used to inform every employee about the activities and projects of the Group and its companies, to talk about opportunities for professional and career development, to share experience, and, ultimately, to bring our sites and people closer together.

In 2017, a new communication channel was added as all NLMK Group's Russian sites were

### STAKEHOLDER MAP



equipped with TV screens connected into a single NLMK-TV system. More than 130 next-generation screens were installed in production shops and plant management offices, in canteens and in lobbies, in health centres and gyms, frequently visited by NLMK Group employees. Previously, NLMK-TV videos were only published on the Group's corporate portal and social media. The new format offers targeted content addressing the employees of the unit where the TV screen is installed: now employees have access to both corporate and site-specific news, and to additional information and announcements relating directly to their shop or team. NLMK-TV screens broadcast daily updates on operating and other KPIs of the shops and teams, and their benchmarking against the established standards and past performances. Employees are now able to monitor their performance, including OHS results, directly affecting their bonuses.

Another channel of internal communication, feedback on the corporate Intranet portal, is becoming increasingly popular. In 2017, about 400 employees reached out via the feedback form; the Company's top managers received more than 60 personal questions from employees via the "Management Feedback" function. The editorial team of the corporate portal received more than 150 letters with questions and

requests from employees. More than 3,000 comments were posted to news items published on the portal. No question or comment was left without a detailed answer from the managers and employees of dedicated units. NLMK Group's Intranet portal and its online functionality were recognized by the professional community at the 'Best Intranet Russia Awards 2017' XII Annual National Competition. The portal is accessible not only in the office, but also on the shop floor and from mobile devices.

Team-building campaigns facilitated greater employee engagement, promotion of corporate values and fostering team spirit. The most popular project for the second year running was the #teamNLMK international video greeting competition. More than 2,000 NLMK Group employees from Lipetsk, Sary Oskol, Kaluga, the Urals, Altai, Europe, and the US participated in the competition in 2017. Colleagues from Stagdok, Dolomit and Vtorchermet Volga also joined the competition. More than 130 photos and videos were submitted. The project was a huge success: the competition brought together entire teams, united, aside their work, by common values, sports and creativity. The competition culminated in a grand award ceremony, and the winners were awarded trips to NLMK Group companies in the USA, Belgium, and Altai.

\* A stakeholder is an interested party, an individual or an organization, whose actions, behaviour, or decisions can affect the company's profits and processes.

Works entered into the competition by NLMK employees received high acclaim from their colleagues and from professional judges: ‘My City is a Small Country’, a video by the Altai-Koks Youth Union, which received the Grand Prix of the #teamNLMK competition, won the ‘Best Sound Engineering’ and ‘Best Script’ awards at the 14<sup>th</sup> Annual Metal-Vision’2017 contest. The song of the same name, composed and performed by NLMK employees who made the video, topped Altai radio charts.

The ‘Steel Tree’ environmental initiative programme is a great example of internal communication tools reaching beyond the Company and bringing together employees

and local residents for a common cause. It was launched at the Lipetsk site in early 2017. Thanks to broad media coverage, it became popular among Company employees and local residents alike. It enabled NLMK Lipetsk employees to execute twelve community-oriented environmental initiatives of their own with the financial support of NLMK’s ‘Miloserdiye’ charity fund. They include amelioration of the Matyr reservoir, cleaning of the Nizhny Park drainage system, installation of solar batteries on a multi-apartment residential building, creation of a graffiti art object, green belt clean-up and tree planting, revival of the recreational area at Syrskoye village, organization of an eco-quest, and an eco-festival of intellectual games.

Local authorities also participated in the ‘Steel Tree’ programme as honorary judges, selecting the winners and providing organizational support.

In 2018, NLMK Group expanded the scope of the ‘Steel Tree’ environmental initiative, making grants available not only to its employees, but also to local residents and NGOs of the Lipetsk region, Stary Oskol (the Belgorod region), and Zarinsk (Altai Territory), where key NLMK Group facilities are located.

Viktor Togobetsky, NLMK Group Vice President for Occupational Health, Safety and the Environment, said: “The idea of the ‘Steel Tree’ is to engage proactive and motivated individuals



**MAKSIM SCHETININ**  
Leading Specialist, Maintenance Department



**SERGEY TAFINTSEV**  
Shopfloor Supervisor



**DMITRY PRONYAEV**  
Process Engineer

**A SERIES OF EDUTAINMENT EVENTS FOR KIDS**



**FAMILY TREE ALLEY**



**SETTING UP AN ECO-TRAIL IN A NATURAL RESERVE**





by offering them the opportunity to execute their environmental ideas for the benefit of the community. NLMK Group and ‘Miloserdniye’ Charity Fund have only launched the programme last year, and its participants have already executed more than ten important environmental projects. That means the ideas are there, the proactive people are there, so all we need to do is provide support. And that’s precisely what we do as a socially responsible business.”

#### NLMK’S DIALOGUE WITH INVESTORS AND ANALYSTS

Openness and transparency are at the core of NLMK’s information policy. This approach helps us maintain a high level of trust between NLMK and all its stakeholders.

#### Capital Markets Day

NLMK Group held a Capital Markets Day on 6 March 2017 in London. The Company announced the results of its Strategy 2017 and held a Q&A session with investors. <https://nlmk.com/en/ir/cmd/cmd2017/>

#### Disclosure of operating and financial performance

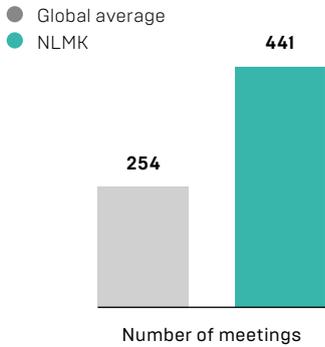
In the interests of keeping its investors continuously informed, NLMK publishes its operating and financial performance data each quarter.

Reports on the Company’s operating results include overviews of industry trends, the current situation in the steel and mineral markets, and forecasts for the near future.

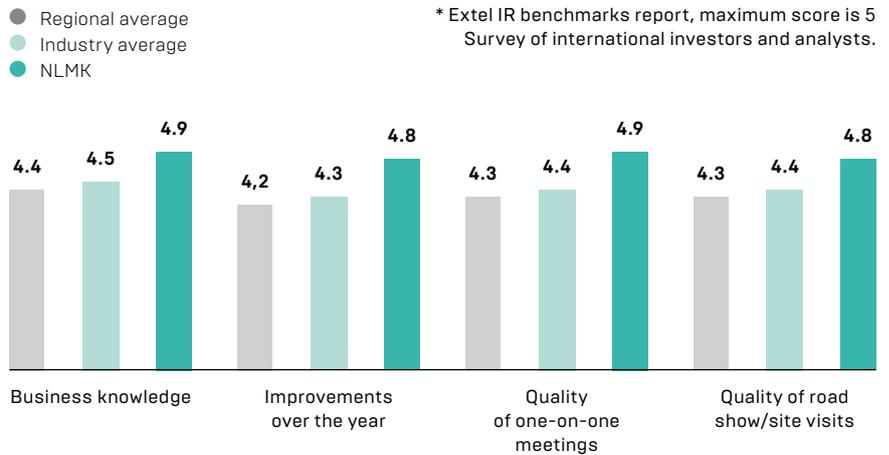
The Group discloses its consolidated financial results and reports under IFRS.

<http://nlmk.com/en/investor-relations/reporting-center/>

## MEETINGS WITH INVESTORS



## NLMK'S IR PERCEPTION\*



## Sustainable development disclosure

NLMK regularly discloses data on sustainable development and social responsibility. In 2017, NLMK Group was named one of the best companies in the field of sustainability disclosure among public companies in Europe. <https://nlmk.com/en/ir/for-ESG-investors/?from=ru>

## Visits to production sites

For those who wish to get a deeper insight into our business model and steel production process, we annually organize visits to production sites where guests can see the key production facilities and talk with the management.

For the schedule of upcoming tours, please contact our Investor Relations team (ir@nlmk.com).

## AWARDS

**THE EUROPEAN INVESTMENT COMMUNITY RECOGNIZED NLMK GROUP AS A LEADING EXPONENT OF INVESTOR RELATIONS AMONG EUROPEAN STEEL COMPANIES\*.**

Ratings were compiled by IR Magazine based on an independent perception study among over 600 members of the European investment community, including portfolio managers and analysts.

NLMK Group was the only Russian company to be included in the list of top companies in the 'Materials sector' and was ranked No. 2 among top three 'Best in country' in IR among Russian companies.

\* Results are published in Investor Perception Study – Europe 2017.

“NLMK differentiates itself from its peers by being very open, transparent, and accessible to investors. NLMK has good corporate governance, strong Management team, very strong cost maintenance, reasonable capex policy. NLMK is attractive, because they have got good cost management, good balance sheet, strong cash generation. Investor Relations at NLMK is excellent. Whenever we have questions, we get quick and efficient answers.”

A quote from Annual NLMK Investor Perception Study

# OUR EMPLOYEES



## KEY HIGHLIGHTS

### Our people are our greatest asset

Professionalism and employee engagement allows the Company to achieve a leading position in the industry.

### HR policy is a key element of NLMK's Production System

The main objective of NLMK's HR policy is to develop and support the team, capable of delivering success and consistent growth.

### NLMK's HR Strategy in place since 2015

An action plan was developed to achieve Strategy goals, with execution of plan and progress toward goals monitored annually.

*Teamwork, cooperation, openness and trust allow achieving unique results and retaining leadership positions in the industry.*

*Higher efficiency and personnel engagement in achieving the Company's goals are the main objectives of NLMK's HR policy.*

## NLMK's HR POLICY

The Company's success depends on the efficient performance, knowledge, and experience of its employees.

The main goal of NLMK's HR policy is to develop and manage talent effectively, building a cohesive team capable of delivering success and consistent growth.

NLMK aims to align the financial performance of the Company with the financial interests of its employees, to guarantee competitive performance-based remuneration for each employee in accordance with their professional qualifications.

In 2017, the HR service merged with the social policies department. This transformation will facilitate the execution of social projects, and make the Company more responsive to the needs and demands of its employees.

In 2017, we gave a new impetus to our long-established initiatives.

The traditional format of events for promising young employees has taken on a new form.

### HR policy KPIs

NLMK Group's HR policy was approved in 2015; it sets out the following goals for the HR department of NLMK Group:

- Build a management team for the purpose of transitioning to a divisional process-based management structure
- Introduce uniform quality standards for HR procedures across the Group
- Follow up on operational efficiency projects both within the HR service itself and in other functional areas, including business processes optimization.

An action plan was developed in order to achieve these goals, performance of which is monitored every year.

## 2017 PROJECTS - KEY ELEMENTS:

### 1 MOTIVATION PROJECT:

- Aligning remuneration principles across the Group
- The underlying idea is “Applying a unified approach to compensation and benefits across NLMK Group”

### 2 HR IT PROJECT:

- Personnel management system powered by SAP HCM
- The underlying idea is “Developing a SAP ERP module, an integrated solution for efficient personnel management”

### 3 STRUCTURE AND PROCESS OPTIMIZATION PROJECT:

- Aligning processes and rolling out organizational design principles across the Group, transformation support
- The underlying idea is “Maintaining headcount while increasing production output”

### Main HR policy objectives for 2018:

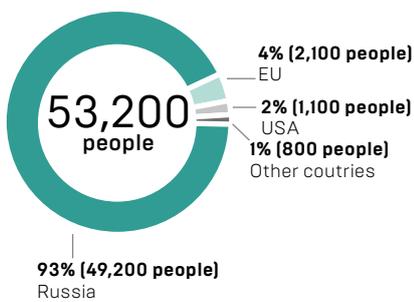
- Identification, development, and promotion of talented employees
- Establishment of a performance-based incentive system
- Corporate university as the main tool for creating and disseminating knowledge unique to NLMK Group
- Organizational efficiency enhancement through business process and organizational structure re-engineering, in particular, as part of functional areas centralization
- High-quality HR support for the heads of functional areas and development of HR support for production managers.

*All the targets set for 2017 for HR service development and personnel management have been met. Below is a list of the most important ones:*

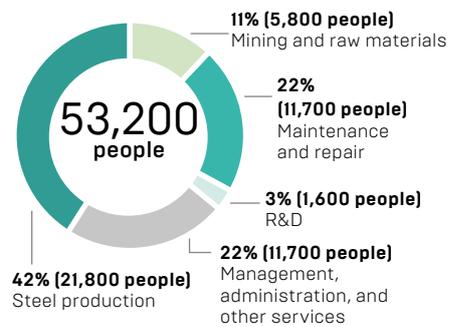
AREA	2017		2018
	TARGET	STATUS	TARGET
Employee motivation	New principles for payroll growth developed and approved for implementation in 2018	Achieved	Implementation across NLMK Group
	MBO* system to cover all employees down to the 6 <sup>th</sup> level of management	Achieved	Expansion of MBO coverage
Automation of HR processes	Implementation of basic SAP HCM** modules and expanded SF functionality Full-scale operation of SAP HCM	Achieved	Process stabilization. Expanded functionality
Outsourcing of transactions	HR service formed: transactional part fully outsourced to Shared Services Centre (SSC)	Achieved	–
Process re-engineering	Aligning processes across the Group	Achieved	BPM*** implementation
	Transformation support	Achieved	Development of BSSC and outsourcing management standard
Organizational design and headcount management	Roll-out of organizational design principles across the Group	Achieved	Strategic headcount management



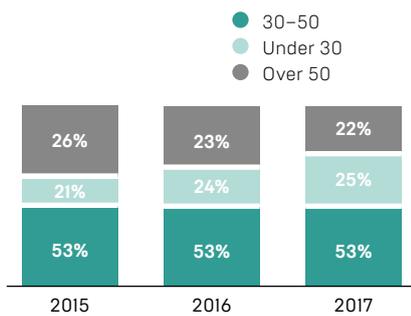
**PERSONNEL BREAKDOWN BY ASSET GEOGRAPHY**



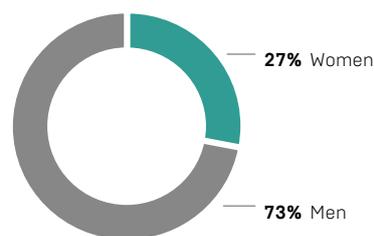
**PERSONNEL BREAKDOWN BY FUNCTION**



**PERSONNEL BREAKDOWN BY AGE**

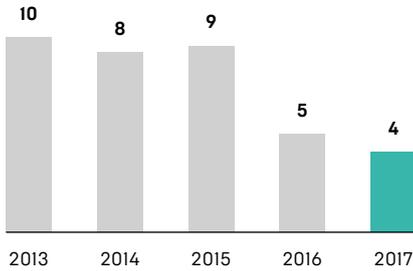


**PERSONNEL BREAKDOWN BY GENDER**



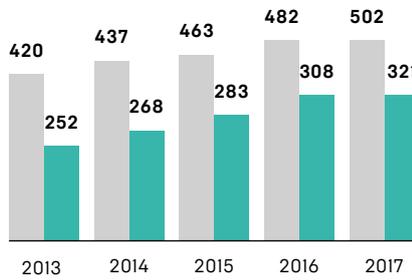
**EMPLOYEE TURNOVER**

%



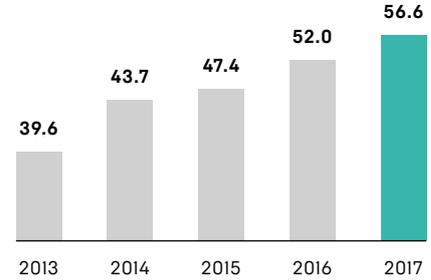
**LABOUR PRODUCTIVITY**

tonnes of steel per employee



**AVERAGE MONTHLY SALARY  
AT NLMK'S RUSSIAN COMPANIES**

'000 rubles per employee



■ NLMK Lipetsk  
■ NLMK Group

- Development of a single integrated HR system across NLMK Group, providing advanced analytics and enabling utmost efficiency of human potential development
- Gradual introduction of advanced technologies, including mobile services and robotization, to improve the quality and accessibility of HR services, and enhance the performance of the HR service.

divisions, 1,100 people were employed at NLMK USA, and around 800 people were employed in other countries where NLMK Group assets are located.

Over 53% of NLMK Group personnel are directly involved in the mining and steelmaking operations, whilst 22% are involved in repair and maintenance; and approximately 3% are involved in technical functions and investment activity. The remaining 22% are administrative and management personnel, including services.

The key goal of NLMK Group's HR policy is to develop and retain skilled professionals in the Group's companies. The significant efforts the Group makes in this area mean its companies are preferred employers in the markets where they operate, which has a positive impact on turnover rates: our employees have become increasingly loyal, while working for NLMK has become increasingly prestigious. In 2017, the turnover rate for NLMK Group fell to an all-time low of 4%.



**Our employees**

NLMK Group headcount during 2017 was 53,200 people, of which 49,200 people were employed at NLMK's Russian sites, 2,100 people were employed at NLMK's European

NLMK Group is continuously improving its team, using the best selection practices at all management levels. One of the priorities of NLMK Group is to attract professionals with unique expertise in advanced developing areas.

NLMK has an active HR policy aimed at attracting prospective young workers. Young professionals have access to specialized internships and undergraduate training programmes. The Group promotes ongoing cooperation with the leading national universities and is seeking to attract and develop young professionals in the industry.

NLMK Group has no gender limitations.

**Labour productivity**

NLMK consistently enhances the efficiency of its business by increasing the level of motivation and professionalism of its employees, through equipment upgrades, by implementing new technologies, and rationalizing production processes.

NLMK continues to develop: the strategic target for the next few years is to further increase labour productivity through, first of all, the development of NLMK Production System and process optimization initiatives with active involvement of personnel in the process and the Management by Objectives system. Continuous



development and efficiency improvement has become the cornerstone of NLMK’s corporate culture.

### Structure and functionality optimization

In 2017, NLMK Group’s headcount was reduced by ca. 500 full-time employees (-0.9%) through a number of initiatives aimed at boosting labour efficiency and streamlining business processes. At the same time, more than 300 new jobs were created, of which over 65% are linked to output growth and the launch of new production facilities. The remaining 35% are associated with the development of auxiliary services.

In 2017, NLMK created more than 300 jobs through:

- The launch of a briquetting plant, a new turbine generator in the Recovery Cogeneration Plant, commissioning of a new crushing and sorting facility, expansion of the magnesium storage, de-mothballing of GO rolling units (the Lipetsk site)
- The development of the southern bank of the Stoilensky deposit and boosting of iron ore production (Stoilensky)
- The launch of additional production lines at NLMK Russia Long Products facilities and VIZ-Steel.

<p>IN 2017, MORE THAN 2,400 NLMK GROUP EMPLOYEES RECEIVED AWARDS, INCLUDING:</p>	<p><b>25</b> STATE AWARDS</p>	<p><b>47</b> INDUSTRY AWARDS</p>
	<p><b>79</b> REGIONAL AND CITY AWARDS</p>	<p><b>2,288</b> CORPORATE AWARDS</p>



**SAP SUCCESS FACTORS**

A new generation cloud-based talent management system powered by SAP, which includes an entire suite of automated HR solutions, was introduced in 2017 to streamline HR management processes.

SAP Success Factors enables us to implement flexible, integrated performance management models, training and evaluation tools. All personnel covered by the Management by Objectives system were trained in the MBO Success Factors module and the entire MBO-2017 cycle was performed on an automated platform. This has significantly increased the efficiency of the process and improved the quality of interaction between employees and managers.

**Personnel motivation**

Personnel motivation is one of the topmost priorities stated in NLMK Group’s HR policy.

Our motivation system helps us improve the quality of work and encourage every employee to contribute more to the common cause. NLMK Group uses several motivation systems based on fair financial motivation for high performance.

Result-oriented motivation remains the most effective system currently employed by NLMK Group. Clearly defined objectives and a fair assessment of their achievement is fundamental for the motivation system in place. NLMK Group follows the principle of cascading performance indicators down the administrative and functional verticals to individual KPIs of employees: the KPIs of departments and employees are aligned with the goals of the Company and its management, while taking into account individual development plans. This principle serves as the basis for the management by objectives (MBO) system. At year-end 2017, the MBO system covered almost 3,000 employees of NLMK Group.



All NLMK Group’s companies adjust wages and salaries to the inflation over the period on a quarterly basis, in line with their social commitments.

NLMK also offers a number of non-financial incentives: badges or certificates of appreciation for employees who performed exceptionally well, stories about the best employees in the corporate newspaper, their portraits on the Recognition Board, and management talent pool opportunities for successful and talented employees.

Alongside the principle of fair pay, NLMK uses a number of non-financial



incentives: motivation, ample opportunities for career development and self-fulfilment, various incentives for outstanding results and initiatives, and other tools.

Professional contests and competitions are important elements of the incentive system. They help increase employee commitment to professional development and provide ample career growth opportunities. In 2017, the Company held 26 ‘Best in Profession’ skills competitions with 1,384 participants from 34 structural divisions of the plant. 101 participants won prizes and 87 received extra payments for skills mastery; the winners also received cash prizes.

In 2017, 808 employees applied to the ‘Young Leader’ competition. This year the competition was dedicated to environmental issues.



Alongside the competitions, a project-based approach was introduced at NLMK Lipetsk during the reporting period. To this end, 11 community-oriented environmental initiatives were implemented as part of the ‘Steel Tree’ programme with the financial support of NLMK’s ‘Miloserdniye’ charity fund.

**Social package**

As a responsible employer, NLMK continuously supports its employees by providing benefits.

These benefits represent a set of indirect material and non-material incentives for employees, and constitute a significant part of the corporate staff motivation system.

All NLMK Group employees have access to the following social benefits outlined in collective agreements:

- Healthcare for employees and their children, including private health insurance programmes
- Hot meals
- Event-related material assistance to employees and members of their families; a system of compensatory payments

- Cultural and sports events, creative competitions
- Corporate transport to and from work
- Housing programme (at some NLMK Group companies)
- Non-state pension programmes (at some NLMK Group companies)
- Comprehensive former employees support programme (pensioners).

Our female employees enjoy additional benefits beyond those required by law: flexible working hours for women with small children and professional training and development programmes following maternity leave.



In addition to formalized social support measures, the Company actively engages in partner projects with regional retail businesses to develop corporate discount programmes for NLMK Group’s employees. All of these projects are presented and systematized on the corporate portal, and are openly accessible to NLMK employees.

**Health and welfare**

The health and welfare of its employees is a priority for NLMK Group, which focuses close attention on developing a strong corporate

health culture, establishing the conditions for a healthier lifestyle and improving mental and physical health.

NLMK Group runs 3 medical units and 25 first aid facilities to provide medical support. NLMK employees have the opportunity to make visits to health resorts and spas, both locally at 10 NLMK health resorts and spas, and in other regions of the country.

Healthy lifestyle programmes are aimed at involving as many employees as possible in sports activities, and at popularizing healthy life choices. Employees have the opportunity to use gyms located at NLMK facilities, to get discounts on memberships to swimming pools and fitness centres.

The Company organizes regular sports and cultural events.

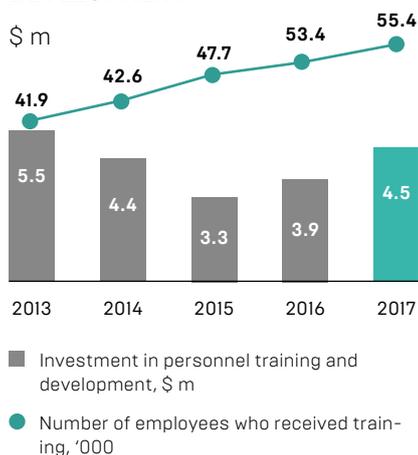
**Talent development**

NLMK sees investment into personnel development as a prerequisite for the Company’s long-term competitiveness, dynamic development, an increased potential of its human capital, and, ultimately, the increased fundamental value of the Company as a whole. Professional





**INVESTMENT  
IN PERSONNEL  
DEVELOPMENT**



development of personnel and relevant procedures is a key element of NLMK's Production System and Strategy 2017.

Professional training provides the level of employee qualification necessary for solving professional challenges. It also increases employee loyalty, forms a favourable social and psychological climate in the workplace and has a direct impact on the development of NLMK's corporate culture.

The primary direction of our talent development efforts focuses on our talent pool of promising employees, performance reviews of managers and line personnel, mandatory knowledge tests for workers (knowledge checks), induction, coaching, leadership initiatives, and skills competitions.

In 2017, the Company established its Corporate University, a division that forms and develops a common leadership vision on issues of HR management and the Group's strategy execution.

Alongside training sessions, NLMK Group develops other forms of training, including promotion of self-education. The Company has a library and is developing an e-learning system encompassing both general courses and company-specific trainings.

Compulsory education, required to carry out operations at the workplace in line with the regulatory requirements, remains one of the key priorities.



### NLMK GROUP LEADERS 2025

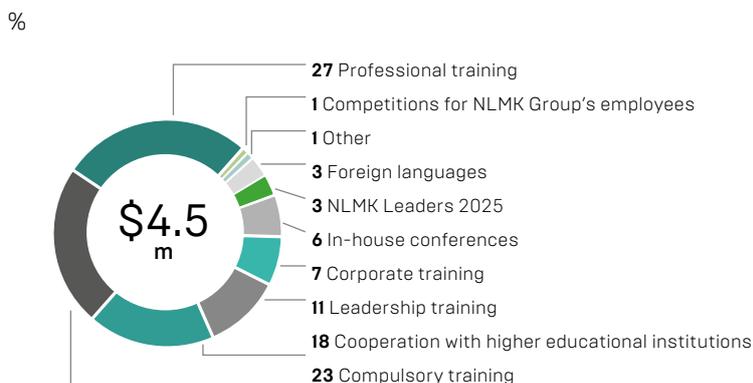
In 2017, the Group continued the implementation of its unique 'NLMK Group Leaders 2025' programme. This is the first and so far the only corporate educational programme aimed at the development of young leadership talent for NLMK Group's key companies. The structure of the programme is similar to e-MBA programmes offered by business schools. In the course of the programme, promising

employees from all NLMK Group's companies receive trainings by world-renowned professors and executives from global companies. The programme opens up new career and personal development horizons, motivating employees to reach what could have seemed unattainable. More than 50% of the programme participants have been promoted since its launch, including to vice president level.

In 2017, NLMK Group spent \$4.5 million on professional development of its employees. Starting from 2016–2017, investment breakdown by areas of education was aligned with the budget for staff training and development. The following items were added to the 2016–2017 costs breakdown vs. 2012–2015:

- Cooperation with colleges and universities, including payments to students and professors
- Vocational guidance
- In-house conferences
- Competitions for NLMK Group employees.

### INVESTMENT INTO PROFESSIONAL DEVELOPMENT BY AREA



# OCCUPATIONAL HEALTH AND SAFETY

The Company continues to improve its Occupational Health and Safety (OHS) performance, with \$98 m spent in 2017 on OHS initiatives.



## KEY HIGHLIGHTS

**Occupational health and safety** is an important element of NLMK's Production System. We strive for leadership in OHS and consider it a key part of our strategy.

**A number of initiatives were implemented in 2017 to improve occupational safety**

All of year-end targets used to assess the effectiveness of the Company's occupational safety efforts have been met.

**A significant reduction in industrial injuries**

The Lost Time Injury Frequency Rate (LTIFR) has declined more than two-fold since 2013.

# OCCUPATIONAL HEALTH AND SAFETY IS REGARDED AS THE CORNERSTONE OF NLMK PRODUCTION SYSTEM, A KEY ELEMENT OF STRATEGY 2017

**T**he Company aims to be a world leader in occupational health and safety (OHS) among steel companies through the application of the best available OHS practices, efficient risk management, provision of incentives and active involvement of employees in the occupational safety programme.

## NLMK GROUP'S KEY PRINCIPLES:

- Employees are NLMK's key value; their health and well-being are key to the success of our operation
- Occupational health and safety is an integral part of our business and the basis for decisions on developing and improving our business processes
- All accidents, incidents and professional illnesses can and must be prevented
- Safe operations are the responsibility of each and every employee.

To achieve these goals and implement the OHS principles, NLMK assumes the responsibility to ensure:

- Efficient management of potential risks to the health and safety of our employees, contractors and third parties
- Strict adherence to Russian and international occupational health and safety requirements
- Continuous improvement of employee skills in the area of occupational health and safety
- Transparency of OHS indicators.

Occupational health and safety is regarded as the cornerstone of the NLMK Production System, a key element of Strategy 2017.

NLMK Group's two Russian companies (NLMK Lipetsk and VIZ-Steel) were certified for compliance with the requirements of the OHSAS\* 18001:2007 international standard.

### Key OHS initiatives in 2017

**Organizational changes** that have increased the efficiency of occupational safety efforts:

- The Company revised its relations with contractors performing work or rendering services on the premises of NLMK Group companies (including OHS qualification and selection requirements up to step-by-step management of their activities)
- Leaders and professionals with a high level of commitment to safe production practices were selected and trained as in-house OHS trainers.

**Risk management.** NLMK Group's divisions continued their efforts to implement the risk management programme, aimed at identifying hazardous production factors, their elimination and efficient management of residual risks. In 2017, close to 53,000 risks of potential occupational trauma and material damage to the Company's property were eliminated.

**Personnel engagement.** OHS awareness campaigns were carried out together with the PR team via corporate communication channels. At the end of the year, two videos were filmed based on true stories of fatalities in steelmaking operations to prevent occupational accidents.

**Manager training.** Together with the Corporate University (see the 'Talent Development' section for more details), training programmes aimed at developing a safety culture and OHS management skills among senior and middle managers have been developed and implemented.

### OHS costs

OHS costs in 2017 increased by 51% yoy, driven by increasing costs for ensuring industrial safety, which amounted to \$60 million (73% yoy) and a stronger ruble.

### NLMK Group's occupational injury statistics

Occupational accidents and incidents are reported on and investigated in line with the prevailing laws of the country where the Company operates. Statistics on occupational injuries at NLMK Group is collected using common industry-specific methods adopted by the Worldsteel Association.

Lost Time Injury Frequency Rate (LTIFR\*\*) per 1,000,000 person-hours worked:

- NLMK Group: 0.97
- NLMK's Russian companies: 0.51.

There was a total of 90 accidents with employees across the Group in 2017, of which:

- 44 at NLMK's Russian companies
- 46 at NLMK's international companies.

There was a total of 31 accidents with contractors across the Group in 2017, of which:

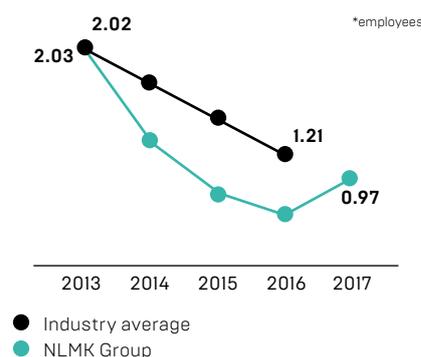
- 16 at NLMK's Russian companies
- 15 at NLMK's international companies.

Regrettably, we were not able to avoid 11 work-related fatalities in 2017. The Group has revised its relations with contractors (see the 'Key 2017 Initiatives' section).

### WORK-RELATED FATALITIES IN NLMK GROUP\*



### NLMK GROUP'S LTIFR\*



\* OHSAS – Occupational Health and Safety Assessment Series  
\*\* LTIFR – Lost Time Injury Frequency Rate

## BREAKDOWN OF OCCUPATIONAL HEALTH AND SAFETY COSTS (\$98 M IN 2017\*)



### TARGET OHS KPIs *Occupational health and safety*

2017 TARGETS	2017 PERFORMANCE	PROGRESS	2018 TARGETS
Keeping lost time injury frequency rate (LTIFR) for employees at NLMK Group's Russian companies below or equal to 0.60	The lost time injury frequency rate (LTIFR) for employees at NLMK Group's Russian companies was 0.51	Target exceeded by 15%	Keeping lost time injury frequency rate (LTIFR) for employees and contractors at NLMK Group below or equal to 0.85
Reducing lost time injury frequency rate (LTIFR) for employees at NLMK Group's international companies by 10% vs. 2016	The lost time injury frequency rate (LTIFR) for employees at NLMK Group's international companies was 7.13, which is 7% lower than in 2016, when it was 7.71	Not achieved (7% reduction vs. targeted 10%)	As part of the Risk Management Programme: <ul style="list-style-type: none"> <li>Identify TOP 3 risk categories for each department/company</li> <li>Assess operational risks as per TOP 3 risk categories</li> </ul>
Ensure that NLMK Group's LTIFR for employees does not exceed 1.00	The lost time injury frequency rate (LTIFR) for employees at NLMK Group was 0.97	Target achieved	<ul style="list-style-type: none"> <li>Develop company sub-programmes for TOP 3 risk categories for inclusion into the corporate OHS function's Maintenance and Overhaul Programme 2019–2023</li> <li>At least 90% of OHS projects implemented / timeliness and budget execution of the Maintenance and Overhaul Programme until the end of 2018.</li> </ul>
Eliminating or reducing no less than 50% of unacceptable risks identified in 2017 and those carried over from 2016	63.3% of identified unacceptable risks eliminated or reduced	Target exceeded by 27%	
Eliminating or reducing no less than 50% of conditionally acceptable risks identified in 2017 and those carried over from 2016	95.5% of identified conditionally acceptable risks eliminated or reduced	Target exceeded by 91%	
Implementation of best OHS practices	Over the course of the year the Company was implementing best OHS practices, incl. prevention of injuries and other initiatives	Target achieved	Continue the implementation of best OHS practices



*Long-term stability of business depends on social and economic stability of the regions where the Company operates, that's why social investment is a priority for NLMK.*

## STRATEGY 2017 TARGET INDICATORS

- SOCIAL RESPONSIBILITY MISSION AND STRATEGIC OBJECTIVES
- IMPROVING THE SOCIAL ENVIRONMENT
- NLMK GROUP'S INVESTMENTS IN THE REGIONS WHERE IT OPERATES
- PROMOTION OF SPORT AND CULTURE
- PROMOTION OF EDUCATION AND SCIENCE
- WORK WITH CHILDREN AND YOUNG PEOPLE
- CHARITABLE ACTIVITIES

# COMMUNITY DEVELOPMENT

## Social responsibility mission and strategic objectives

As a socially responsible company, NLMK Group assumes its duty to ensure the observance of international and national law, as well as to satisfy the social needs of its workers, the local communities in the regions where the Company operates, and of society as a whole.

The Company sees its social mission as achieving sustainability goals that meet the long-term economic interests of the business, contribute to community welfare, along with conservation of the environment and the observance of human rights within the territories of operation.

## NLMK'S KEY SOCIAL GOALS:

- Build relationships with employees based on the best practices of social partnership, ensuring equal social guarantees and creating equal opportunities for high-performance work, professional growth and unlocking each employee's creative potential
- Support the efforts of state authorities, local governments, and civil society aimed at social and economic development of the region; as well as to initiate the Company's own social programmes and projects, participate in the

## KEY HIGHLIGHTS

**As a socially responsible business, NLMK invests in the development of the local communities in the regions where it operates**

Improving the quality of life for the people living in the regions where the Company operates is one of NLMK's key social responsibility goals.

**NLMK consistently finances and implements programmes promoting education, healthcare, culture and sport**

NLMK Group's investment in social development of the regions of its Russian facilities totalled \$41 million in 2017.

**NLMK is also involved in charity work in the regions where it operates**

NLMK finances several charitable programmes, both through charitable organizations established by the Company and direct financial contributions.

development and implementation of social programmes and projects within the scope of public-private or community-private partnerships

- Improve the quality of management in the Company's social sphere, to enhance the efficiency of the Company's social activities that will enable sustainable use of resources to ensure the economic and social well-being of the Company, the regions where the Company operates and the country as a whole.

### Improving the social environment

Improving the quality of life for people who live in the regions in which the Company operates is one of NLMK's key social responsibility goals. The Company works with local communities and the authorities at

different levels to strive to create new opportunities for using cutting-edge mechanisms for development of the regions where NLMK operates and to resolve the most burning social issues. The Company makes ongoing investments into programmes that support science and education, culture and sports.

The Company makes significant efforts to support fruitful cooperation with state and local authorities, civil society institutions for the benefit of wide spectrum social and economic development and a favourable business climate across the territories of its operation.

NLMK supports charters and other initiatives developed by external parties that do not contradict the principles of business conduct. It actively cooperates with business and public organizations, such as the Russian Union of Industrialists and

Entrepreneurs and the Association of Russian Steelmakers (AMROS).

### NLMK Group's investments in the regions where it operates

NLMK consistently finances programmes aimed at promoting education, healthcare, and culture to form the economic and social well-being of the Company and the regions where it operates.

KEY ASPECTS OF CORPORATE RESPONSIBILITY	2017 TARGETS	2017 PERFORMANCE	PROGRESS	2018 TARGETS
Engagement with local communities  Development of regions where NLMK operates	Initiatives promoting sustainable development of the regions where the Company operates and maintaining social and economic stability in local communities	Investment in social needs and the development of the regions where the Company operates totalled RUB 3.3 billion, whilst ca. RUB 300 million was allocated to charity	Target achieved  NLMK Group actively participated in the development of the regions where it operates	Further implementation of initiatives promoting sustainable development of the regions where the Company operates  Formalize the Company's social policy



**KEY AREAS OF SOCIAL INVESTMENT:**

- Promotion of culture, mass and youth sport
- Promotion of education and science
- Work with children and young people
- Charitable activities.

In 2017, NLMK Group's social investment at its Russian sites totalled

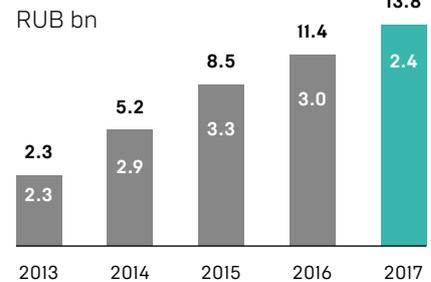
**RUB 2.4 billion (\$41 million)**

**Promotion of sport and culture**

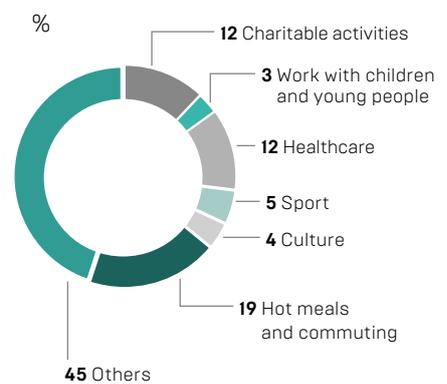
The Company sees the promotion of welfare and a healthy lifestyle for its employees and people in the regions where it operates as a priority of its social responsibility. Special focus is placed on involving children and young people in regular sports activities. NLMK provides assistance to sports groups and schools for children and young people, as well as to sports clubs and athletes. Funds are allocated for the maintenance of sports facilities and buildings (stadiums, sports complexes, sports halls), and the purchase of sports equipment.

NLMK finances the 'Lipetsk Metallurg' sports club that is successfully promoting sport in Lipetsk and creates the conditions for NLMK Lipetsk employees and the members of their families, as well as all other Lipetsk dwellers, to practice sports.

**NLMK'S SOCIAL INVESTMENT (CUMULATIVE)**



**BREAKDOWN OF 2017 SOCIAL INVESTMENT**





More than 20,000 residents of Lipetsk visit NLMK sports complexes every year. More than 2,000 schoolchildren participate annually in the sports competitions organized by NLMK. The 'Lipetsk Metallurg' sport club fully funded the establishment of the Children's and Youth Sports School of Olympic Reserve No. 13, where 300 young athletes are trained in clay target and rifle and pistol shooting. As a result, half of the Russian national shooting team are alumni of 'Lipetsk Metallurg' sport club. Over its lifetime, Youth Sports School No. 13 trained 10 international masters of sports, 35 masters of sports, more than 60 candidate masters and more than 350 athletes. 20 athletes from Lipetsk are members of the Russian national sports teams.

**MORE THAN 20,000 RESIDENTS OF LIPETSK VISIT NLMK SPORTS COMPLEXES EVERY YEAR**

Support for culture and art is one of the most important areas of social policy. The Company supports cultural, historical and educational organizations, allocates funds for the protection and proper maintenance of monuments of cultural, historical, and architectural heritage in the regions where it operates.

## Promotion of education and science

NLMK has a comprehensive programme to support the younger generation receiving quality technical education and develop scientific potential of educational institutions by creating its own talent pool of driven and technically qualified experts. This includes:

- Earmarked financing of scientific and educational activities of basic educational institutions



- Development and expansion of science and technology infrastructure of scientific centres in the metals and mining industry
- Arrangement and funding of science related conferences, R&D creative competitions among students of basic educational institutions
- Arrangement of Doors Open Days and site visits to production facilities for schoolchildren, on-the-job training at the Group's facilities for students of specialized vocational education institutions
- Establishing the conditions necessary for training and motivating students to obtain quality vocational education, for example by implementing scholarship programmes.

In 2017, the Company allocated close to RUB 54 million to support educational institutions in the regions where it operates.

## Work with children and young people

NLMK invests a lot of effort into organizing healthy recreational activities for children. During the summer vacation, the Company arranges trips for the children of its employees to summer camps, which are also open to children from low-income families and orphans.

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

Special emphasis is placed on patriotic education. Together with organizations of war veterans and trade unions, NLMK organizes meetings with veterans and visits to war memorials, as well as lessons on courage in schools and colleges.



## Charitable activities

NLMK contributes to charities through its own charitable organizations as well as through direct contributions to other charities.

Priority areas include support for orphans, low-income households, pensioners and differently-abled persons; support for victims of natural, environmental, industrial or other disasters; promotion of family values in society; environmental and animal protection.

The 'Miloserdije' ('Mercy') social protection fund, founded by NLMK in 1999, runs 11 programmes that cover all aspects of social support. Priority areas include support for orphans, low-income households, pensioners and differently-abled persons, as well as people that have found themselves in challenging life situations.

Over 30,000 people from the Lipetsk region, who require additional social support, receive help annually. Funds are allocated to pay for long-term medical treatment, medicine, technical rehab means, trips to resorts and children's camps and preparation for the beginning of the academic year, as well as other social projects.

The 'Zabota, pomoshch, miloserdije' ('Care, help, mercy') charity fund in Sverdlovsk Region helps promote sports and protect cultural heritage, also supporting veterans and pensioners.



PROJECT 'STEEL TREE'

### THE MOST MEMORABLE PROJECT IN 2017 WAS THE 'STEEL TREE' ENVIRONMENTAL INITIATIVES PROGRAMME

This programme was part of the 'Young Leader' corporate competition. Young employees were invited to lead project teams and implement their projects aimed at improving the environment in the city of Lipetsk.

More than RUB 2 million were allocated to the project in 2017, which allowed supporting the following initiatives:

- Melioration of the Matyr reservoir to prevent overgrowth
- Cleaning of the Nizhny Park drainage system in Lipetsk
- Revival of the recreational area at Syrskoye village in the area of the old riverbed of the Voronezh river
- Creation of an educational eco-trail in the Pine Forest site
- 'Eco-yard, eco-city, eco-world!' residential care

- 'From a clean slate': planting of a Family Alley in a new city district
- 'Ecology of the Future' edutainment platform aimed at fostering environmental consciousness in the younger generation
- 'Green is not just a colour. It is a philosophy': a graffiti art object aimed at fostering an environmentally literate and engaged younger generation
- 'NLMK for a clean forest'
- 'Steel Owl' festival of intellectual games
- Installation of solar batteries on a multi-apartment residential building.

The 'Steel Tree' project, well-loved by the local residents, attracted public attention and was highly appreciated by the municipal authorities. In 2018, NLMK Group plans to expand the project and make it citywide.

# KEY INDICATORS

## PERSONNEL

	2013	2014	2015	2016	2017
Number of employees, '000 people	61.7	60.1	56.7	54.0	<b>53.2</b>
Staff turnover, %	10.0	8.4	8.8	4.7	<b>4.0</b>
Number of female employees, %	27.3	27.2	27.0	28.0	<b>27.0</b>
Salary growth, %	10.0	12.0	8.0	10.0	<b>8.8</b>
Investments in employee training, \$ m	5.5	4.4	3.3	3.9	<b>4.5</b>

## OCCUPATIONAL HEALTH AND SAFETY

	2013	2014	2015	2016	2017
Accidents, total	217	177	123	90	<b>121</b>
<i>Employees</i>	194	151	102	73	<b>90</b>
<i>Contractors</i>	23	26	21	17	<b>31</b>
Fatalities, total	8	0	6	5	<b>11</b>
<i>Employees</i>	8	0	5	2	<b>5</b>
<i>Contractors</i>	0	0	1	3	<b>6</b>
Lost time injury frequency rate (LTIFR), NLMK Group	2.03	1.55	1.12	0.82	<b>0.97</b>
Lost time injury frequency rate (LTIFR), Russian assets	0.86	0.55	0.43	0.34	<b>0.51</b>
Investments in OHS, \$ m	34.07	39.48	24.57	65.04	<b>98.04</b>

## LOCAL COMMUNITIES

	2013	2014	2015	2016	2017
Social investments, \$ m	73	75	54	44	<b>41</b>
Social investments, RUB bn	2.30	2.91	3.28	2.95	<b>2.40</b>



## ABOUT NLMK

2017

This brochure gives an overview of the structure, business model, strategy, and performance of the Group over the past decade.

*“The scale of NLMK’s business, the quality of our strategy and execution will ensure that we use available growth options to continue creating shareholder returns going forward.”*

**Oleg Bagrin,**

President and CEO of NLMK Group\*



## OUR TEAM

2017

Detailed information on NLMK Group’s team, talent development, occupational safety policy and financial contribution to the development of local communities, and much more.

*“In the common cause of realizing Strategy 2017, it was not just the contribution of individual people that was important, but above all the contribution of the team that our large, international company represents.”*

**Oleg Bagrin,**

President and CEO of NLMK Group\*



## GOVERNANCE

2017

This brochure aims to showcase NLMK Group’s corporate governance practices, how the process of continuous improvement of corporate governance is arranged, and how we ensured our leadership in investor relations.

*“In 2017, the Company continued to actively improve its corporate governance practices as part of the corporate governance reform.”*

**Stanislav Shekshnia,**

Independent Director, Chairman of the Human Resources, Remuneration and Social Policies Committee



## ENVIRONMENT

2017

In this brochure we talk about how advanced technologies, efficient processes, and environmentally friendly approaches ensure our leadership as an environmentally-oriented company.

*“Our goal is to minimize our environmental footprint. And we will continue to implement the best available technologies.”*

**Galina Khristoforova,**

NLMK Group’s Director for the Environment

### FOR ESG INVESTORS

Our company is a socially responsible business. We focus on ensuring NLMK’s performance leadership goes hand in hand with the most advanced corporate governance practices. We have developed a dedicated section on the Company website at [www.nlmk.com](http://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.



\* Oleg Bagrin held the position of President (Chairman of the Management Board) until 12 March 2018