



Metalloinvest



LEADERSHIP in an era of change

Sustainable
Development Report 2018



CONTENTS

02	<u>Statement from the Chairman of the Board of Directors</u>	74	<u>Occupational Health and Safety</u>
04	<u>Statement from the CEO</u>	76	Plans and Results
06	<u>Materiality Matrix</u>	77	Occupational Health and Safety
08	<u>Company Profile</u>	86	Innovations in Occupational Health and Safety
10	Company at a Glance	88	<u>Human Rights</u>
12	Business Model	90	Company's Approach to Human Rights
14	Corporate Governance	91	Activities to Protect Human Rights
16	Company's Approach to Innovation	92	<u>Responsibility to Employees</u>
18	<u>Sustainable Development Strategy</u>	94	Plans and Results
22	Achieving the UN Sustainable Development Goals	96	Personnel Management System
26	Stakeholder Engagement	98	Personnel Structure
30	Corporate Communications	100	Personnel Recruitment
32	Sustainability Risk Management	101	Training and Development
36	Business Ethics and Anti-Corruption	104	Remuneration System
38	<u>Economic Performance</u>	105	Social Support for Employees
40	Plans and Results	106	<u>Contribution to Social Development</u>
42	Financial and Operational Results	108	Plans and Results
48	Supply Chain	110	Relations with Regions of Operation
52	<u>Environmental Responsibility</u>	112	External Social Programmes and Philanthropic Activities
54	Plans and Results	117	<u>About the Report</u>
57	Management of Environmental Responsibility	118	Development of the Reporting System
59	Material Resources Use	119	Defining Report Content
62	Water Consumption and Protection	120	GRI Content Index
66	Emissions, Air Protection and Climate Strategy	124	<u>Appendices</u>
69	Maintaining Biodiversity	126	Independent Auditor's Report
70	Energy Consumption and Efficiency	128	Participation in Industry Associations and Government Organisations
135	<u>Contacts</u>	130	Awards and Achievements
		132	Achieving the UN Sustainable Development Goals: contribution to other UN SDGs

LEADERSHIP in an era of change

The people who work at Metalloinvest are pushing the Company towards industrial leadership through the development of production and transformation. In an era of digital transformation, miners and steelworkers remain loyal to their profession and the common cause, just like the previous generations who also worked at factories (labour dynasties). Times change, but the most important aspect of the Company's activities remains the same – its employees united by a common goal. A new digital era – an era of change – has arrived. These changes will result in success provided that people are ready to change their consciousness and learn new things.

Statement from the Chairman of the Board of Directors

DEAR COLLEAGUES AND PARTNERS!

I am pleased to present Metalloinvest's first Sustainability Report. It replaces our previous Corporate Social Responsibility Report, which is a step reflecting profound shifts in corporate strategy. To us, sustainable development is the foundation and philosophy of Metalloinvest's business.



We are committed to leadership in the industry and are convinced that it can only be achieved by means of sustainable growth and value creation for all stakeholders.

New industrial and digital technologies provide unprecedented opportunities for efficient and sustainable production. In 2018, Metalloinvest continued to implement its ambitious Industry 4.0 transformation program, introducing advanced technologies and optimising business processes.

People are the core of our transformation processes and are the Company's main focus. We move forwards with a solid understanding that a team of like-minded individuals who share common goals and are ready to learn are the key of an organisational change. During the reporting period, Metalloinvest paid a great deal of attention to the professional and personal growth of its employees. The Company actively implemented programs to upgrade and advance personnel's skills and knowledge and engage them into solution development for sustainable production, digital transformation and automation.

Our top priority remains occupational health and safety of our workers. In 2018, Metalloinvest actively worked on incorporating best practices into Occupational Health and Safety management systems and developing a culture of intolerance to any safety violations.

Metalloinvest is committed to the principle of zero tolerance for any forms of corruption. All our employees are guided by the Anti-Corruption Compliance Program and Anti-Corruption Policy, which also apply to the Company's contractors and business partners.

Metalloinvest has put significant efforts into projects that aim at minimising negative impacts associated with business activities. We strive to increase the share of reusable resources. The Company has installed air filters at all production sites, and also set up water recycling systems that feed treated water back into production. The Company is launching systems to monitor and manage the environmental performance indicators of its production processes. Metalloinvest is also developing in-house power generation technologies at its production facilities to help reduce our consumption of natural gas.

The results of 2018 prove that we have chosen the right path towards sustainable development and guide us to further investment in sustainability.

Yours faithfully,
IVAN STRESHINSKY
Chairman of the Board of Directors
of Management Company Metalloinvest

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

Responsibility to Employees

Contribution to Social Development

Statement from the CEO

DEAR COLLEAGUES AND FRIENDS!

In 2018, Metalloinvest retained its dominant position and continued the transformation process that aims to improve efficiency and sustainability.




Yours faithfully,
ANDREY VARICHEV
CEO of Management
Company Metalloinvest

We are committed to offering products of the highest quality and prioritising the safety and protection of employees. We utilise the best available technologies to reduce our environmental impact. We ensure a balance of interests among all stakeholders.

The Company's strategic goal is to be a supplier of high-quality iron ore and metallised products that contribute to the world's sustainable development.

Metalloinvest constantly increases the share of high value added products it manufactures, such as high quality pellets and HBI, thus enabling it to respond to such challenges as climate change. The higher the iron content and the fewer the impurities in iron ore raw materials, the lower the environmental impact is from steel production.

The Company's top priority is occupational safety. Our goal of zero injuries remains unchanged. In 2018, we continued taking steps to enhance the organisation of production, improve the occupational safety system and provide training and increase awareness of employees.

We should acknowledge that the Company was unable to avoid accidents during the reporting period.

The Company will continue to do everything it can to prevent accidents, adopt best practices and technologies and develop a culture of responsibility among employees to ensure their safety.

Metalloinvest's transformation focuses on developing the potential of its employees. Our educational programmes encompass a wide range of disciplines – from the in-depth study of business processes to environmental safety and waste management. The Company concentrated on developing its talent pool programme in 2018. The programme aims to train management personnel from most promising Metalloinvest employees. In 2018, a single talent pool was established for all the Company's enterprises. In addition, we continued our extensive collaboration with specialised higher and secondary educational institutions.

Metalloinvest is always on the lookout for the most optimal solutions to minimise its impact on the environment. In 2018, the Company continued work to modernise its enterprises, improve energy efficiency, preserve biodiversity and reclaim land.

Our work in environmental protection and occupational safety has received a high independent rating. In 2018, for the first time, Metalloinvest received the Silver Level of EcoVadis Business Sustainability Ratings. The Company was ranked among the top 11% of the world's best producers of metal resources and steel.

We continue to develop regions where we operate in partnership with government, non-for-profit sector and local community. Metalloinvest's initiatives aim to develop urban infrastructure, education, health, culture and sports.

We believe that sustainable development will ensure Metalloinvest's long-term competitiveness and productivity.

Materiality Matrix

The material topics were identified and ranked in two stages. During the first stage, significant and material topics that were highlighted last year were analysed, and a critical assessment was conducted of the relevance of these topics in the current reporting period. There were no major changes to the list of topics, although some have been merged and expanded. The topics that were selected equally reveal the Company's economic, environmental, and social impact in accordance with the guidelines of the Global Reporting Initiative Standards.

102-49

During the second stage, the material topics were ranked. In order to determine the significance of the topics for stakeholders, a survey of internal (employees) and external stakeholders was conducted using questionnaires in electronic and hard copy formats. To determine the Company's impact within each topic, representatives of the Company's senior management were surveyed. A total of 80 people took part in the survey.

Of the 16 topics selected for disclosure, the following had the highest priority based on the results of the ranking:

- > personnel management, training, and motivation;
- > customer focus and quality control;
- > economic performance;
- > human rights;
- > engagement with local communities;
- > occupational health and safety;
- > innovation and operational (eco) efficiency.

A comparison of the current materiality matrix with last year's results showed that the key difference was the growing interest among stakeholders in respecting human rights, maintaining customer focus and quality control, and introducing innovations in the Company's activities. Meanwhile, the high level of materiality of the Company's economic performance, personnel management, workplace safety, and attention to the regions where it operates remained unchanged.

Materiality matrix



- 1 Business ethics, anti-corruption, and legal compliance
- 2 Sustainable supply chain
- 3 Innovation and operational (eco) efficiency
- 4 Economic performance
- 5 Customer focus and quality control
- 6 Energy consumption and efficiency
- 7 Water consumption and wastewater discharge
- 8 Sustainable use of resources
- 9 Climate strategy and air emissions
- 10 Waste management and waste reduction initiatives
- 11 Compliance with environmental legislation
- 12 Maintaining biodiversity and environmental measures
- 13 Engagement with local communities
- 14 Occupational health and safety
- 15 Human rights
- 16 Personnel management, training, and motivation

COMPANY PROFILE

CONTENTS

- 10 Company at a Glance
- 12 Business Model
- 14 Corporate Governance
- 16 Company's Approach to Innovation

Nº2

in terms of iron ore reserves globally

Nº1

producer of merchant hot briquetted iron globally

Nº1

pig iron exporter globally

Nº2

producer of pellets globally

Nº5

producer of commercial iron ore globally

01

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

Responsibility to Employees

Contribution to Social Development

Company at a Glance

Holding Company Metalloinvest (hereinafter Metalloinvest or the Company) and its subsidiaries comprise a group of mining and metallurgical companies whose profile includes the production of high-quality iron ore, metallised products, and high-quality steel products.

Holding Company Metalloinvest main assets include:

- > Lebedinsky Mining and Processing Plant Joint-Stock Company (hereinafter Lebedinsky GOK)
- > Mikhailovsky Mining and Processing Plant Public Joint-Stock Company (hereinafter Mikhailovsky GOK)
- > Oskol Electrometallurgical Plant Joint-Stock Company (hereinafter OEMK)
- > Ural Steel Joint-Stock Company (hereinafter Ural Steel)

The aforementioned assets are managed by Management Company Metalloinvest, which is headquartered in Moscow and has functional units based in the Belgorod Region city of Stary Oskol. The Company has set up a shared services centre in Stary Oskol – the subsidiary MKS LLC, which provides administrative support for the Company's activities, specifically accounting, tax, and personnel administration.

The Company operates in Russia. It has production facilities in three regions of the Russian Federation – the Belgorod, Kursk, and Orenburg Regions.

Metalloinvest's mission:

To support global technological development with a responsible approach to the environment through the high-quality production of iron ore and metallised products.

Metalloinvest's operations are divided into two key segments: mining and metallurgy

The Company's **mining and processing plants** develop unique deposits within the Kursk Magnetic Anomaly, which primarily consist of magnetite ores with an average iron content of 34–39%. The Company has the second largest proven iron ore reserves in the world at around 14 billion tonnes according to the international classification JORC,¹ which guarantees about 138 years of operations at the current level of production. Most of the iron ore concentrate produced is processed into products with high added value – mainly pellets and hot briquetted iron (HBI), which are shipped to external customers and further processed at the enterprises of the Company's metallurgical segment.

Metalloinvest's **metallurgical plants** produce direct reduced iron (DRI), pig iron, and steel products: semi-finished products (square billet, rail and shaped billets, and billets for the production of pipes and hardware), long products (coil and bars, including Special Bar Quality premium quality steel), and sheet metal (strips, bridge steel, and steel for shipbuilding).

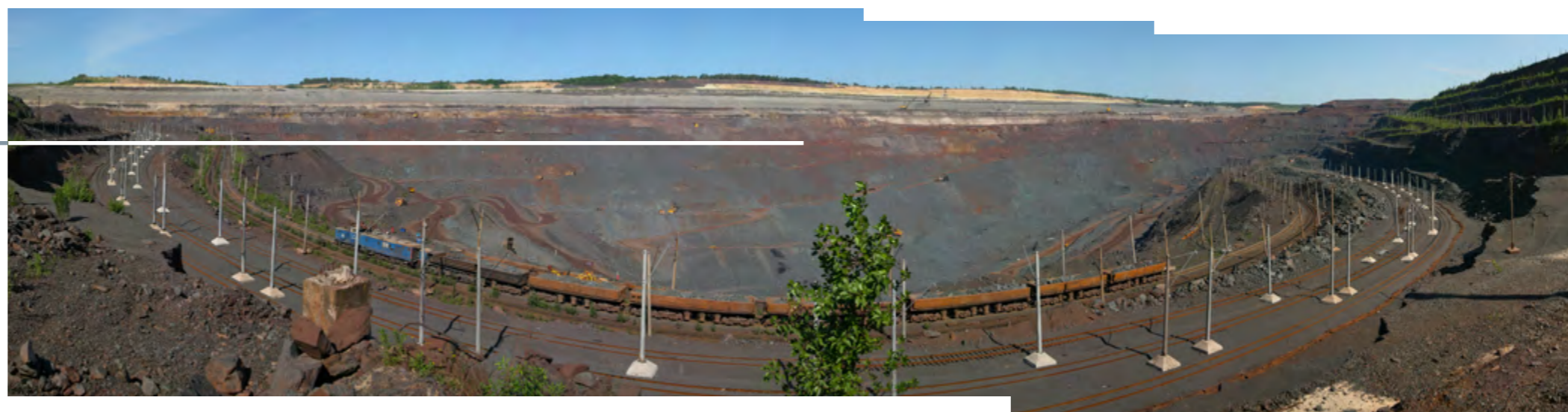
Snapshot of Metalloinvest's operations and key indicators in 2018



¹ Company data as of 1 January 2019 based on the Mineral Expert's Report of IMC Group Consulting Ltd prepared in 2010.

Business Model

The existing business model ensures that the Company maintains its leading position and key advantages on the market.



METALLOINVEST IS:

A global player on the iron ore market:

- > **Number two** in terms of iron ore reserves globally
- > **Number five** in terms of iron ore production globally

A company with a high level of vertical integration:

- > the **world leader** in the production of value-added products: **number one** producer of commercial HBI and **number two** producer of **pellets**;
- > a **high degree of raw materials processing**: pellets and HBI account for 71% of its total shipments of iron ore products, while steel products with high added value make up 29.6% of all shipments of metallurgical products.

A supplier with diversified clientele and a focus on emerging markets:

- > direct sales to the **world's largest steel producers**;
- > advanced **logistics**.

A company with sound financial indicators:

- > stable profit margin indicators

Integration

The integration of iron ore mining, its processing into high value-added iron ore products, and the production of high-grade steel products are all key competitive advantages of the Company. The Company's mining and processing plants supply feedstock to meet the iron ore and metallised raw material needs of its metallurgical plants.

Coordination and centralisation


Coordinating the production policy of enterprises and centralising sales and marketing functions makes it possible to effectively manage the production costs of enterprises and the risks associated with fluctuations in global prices for raw materials and metal products.

Diversification

A diversified system of product sales enables the Company to flexibly respond to market demand and take advantage of opportunities that arise on the domestic and foreign markets.

Digital transformation

The ongoing transformation of the Company's business with a transition to Industry 4.0 standards in the future will provide significant competitive advantages due to lower production costs and improved business efficiency based on the digitalisation and automation of production processes at the Company's mining and metallurgical plants.

 For more details, see the section **Company's Approach to Innovation** (pp. 16–17).

 For more details on the Company's business model, see the section **Business Model of the 2018 Annual Report** (pp. 36–37).

Corporate Governance

The Company's effective corporate governance system serves as the foundation for building trust-based relationships with shareholders, investors, employees, and other stakeholders, which provides a major contribution to the Company achieving its sustainable development goals.

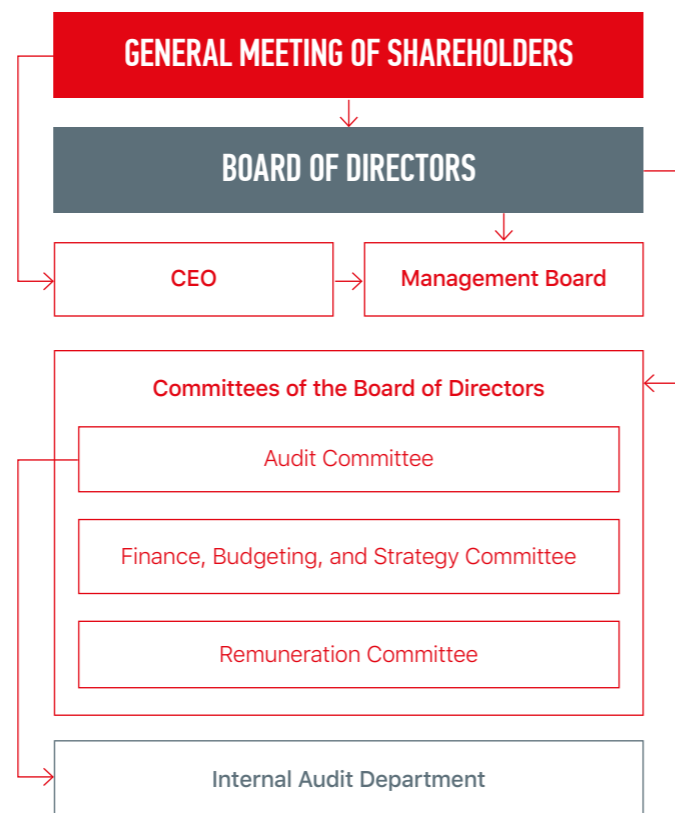
Corporate Governance Structure

Sustainable development management is integrated into the corporate governance structure and carried out at all organisational levels in accordance with best international practices.

Metalloinvest's main corporate governance bodies are the General Meeting of Shareholders, the Board of Directors, the Management Board (collective executive body), and the CEO.

The **General Meeting of Shareholders** is the Company's highest governing body.

The General Meeting of Shareholders elects members of the **Board of Directors** – a collective body that handles the day-to-day management of the Company's activities and determines its corporate development strategy. The Board of Directors' main role is to create conditions for the Company's sustainable development through a regular review of its strategic priorities. The Company's sustainable development objectives are determined at the level of the **Management Board**, which is chaired by the CEO.



As of 31 December 2018, the Board of Directors was comprised of eight members, three of whom were recognised as independent:

- › Ivan Streshinsky, Chairman of the Board of Directors, Non-Executive Director.
- › Galina Aglyamova, Independent Non-Executive Director
- › Andrey Varichev, Executive Director
- › Valery Kazikayev, Independent Non-Executive Director
- › Gleb Kostikov, Non-Executive Director
- › Irina Lupicheva, Non-Executive Director
- › Pavel Mitrofanov, Non-executive Director
- › Dmitry Tarasov, Independent Director

Ivan Streshinsky, who has been a member of the board since February 2013, was elected Chairman of the Board of Directors and is a member of the Remuneration Committee.

In 2018, the Board of Directors held seven meetings in person and 55 meetings in absentia where a number of major decisions were adopted concerning different areas of the Company's activities, including business transformation and progress in achieving sustainable development. The Board paid special attention to social issues such as social projects and collaboration with secondary and higher educational institutions.

All members of the Board of Directors undergo regular performance evaluations, including in terms of managing economic, environmental, and social issues.

102-18 The **Management Board** serves as the Company's collective executive body. It is comprised of the CEO, deputy CEOs, the managing directors of four enterprises as well as directors in charge of strategy, development, transformation, corporate affairs, finance, economics, and investment (11 directors in total). The Management Board is responsible for coordinating the work of the services and units of the Management Company and the Company's enterprises and adopting decisions on major issues related to day-to-day activities. In addition, the Management Board is in charge of preparing proposals for the Board of Directors on promising areas for the Company's development and plans for their implementation and also on developing strategies and policies for economic, environmental, and social issues.

The sole executive body is the **CEO**, who handles the operational management of the Company's day-to-day activities. The CEO acts on behalf of the Company and represents its interests.

Three permanent **committees** have been set up under the Management Company's Board of Directors:

- › Audit Committee
- › Finance, Budgeting, and Strategy Committee
- › Remuneration Committee

The committees under the Board of Directors conduct a preliminary review of and prepare recommendations on the most important issues within the remit of the Board of Directors, including on economic, environmental, and social matters. Certain issues related to ensuring sustainable development are submitted to the Board of Directors for review through the Committees. General approaches to resolving issues are approved by the Board of Directors, while the Management Board and the CEO ensure their implementation.

For more details on corporate governance, see the section **Corporate Bodies' Structure and Performance Results of the 2018 Annual Report** (pp. 80–90).

Sustainable Development Management

The following operational committees handle sustainable development issues:

- › Risk Committee
- › Environment, Health and Safety Committee

At the level of the Management Company's structural units, sustainable development activities are coordinated by the Social Policy and Corporate Communications Director, who reports directly to the CEO.

The relevant structural units of the Management Company are responsible for handling specific sustainable development tasks:

- › Social Policy Department
- › HR Department
- › Organisational Development Department
- › Security Department
- › Environment, Occupational Health and Safety Division
- › Health Division
- › Internal Audit Department
- › Corporate Communications Department

In addition to the aforementioned departments that are responsible for sustainable development at the highest level throughout the Company, production units also manage issues in this regard by handling specific tasks for each individual plant. These tasks are coordinated by special structural units that are created at each of the Company's enterprises – Social Affairs Directorates.

Metalloinvest also has a Social Council that includes representatives of trade unions and Company employees that ensure the implementation of socially-oriented activities at the local level.

For more details on Metalloinvest's corporate governance system, see the section **Corporate Bodies' Structure and Performance Results of the 2018 Annual Report** (pp. 80–90).

102-18

102-22

102-23


102-31

Company's Approach to Innovation

During the reporting period, Metalloinvest entered into the active phase of an ambitious initiative to transform its entire business for which it formulated a unified approach to the introduction of innovations as well as new production and management solutions.



The comprehensive digital transformation programme is a large-scale initiative to automate core business processes as well as to find technological solutions that enhance production efficiency and safety while also reducing environmental risks. The programme encompasses 18 functional areas, including the management of production, procurements and inventory, maintenance and repair, sales, personnel and contract management, volume planning, and budgeting.

 For more details on the objectives of the Programme, see the Metalloinvest 2017 Corporate Social Responsibility Report (pp. 20-21).

Implementing the programme is a strategic priority for Metalloinvest. The Strategy and Transformation Directorate is in charge of managing the process, with different tasks distributed among four departments responsible for strategic development, risk management, transformation, and the immediate introduction of the Industry 4.0 agenda. All the leaders of the functional areas encompassed by the programme are involved in its implementation.

An innovative approach means:


- › the digitalisation of production;
- › a policy of improving the efficiency and safety of business processes through research and introducing the best available technologies;
- › improving planning accuracy through the continuous monitoring of activities, automation of analytics, and improved forecasting;
- › implementing an energy efficiency strategy that creates opportunities to scale up production while reducing resource expenses and humans' impact on the environment;
- › increasing employees' expertise and knowledge in matters concerning Industry 4.0 in order to participate in the transformation processes;
- › continuous engagement with stakeholders and collaboration to promote digitalisation and technological modernisation.


Results of digital transformation as of the end of 2018

18
functional areas covered

>30,000
organisational changes made

- › Starting development of a unified information space for all the Group's enterprises supported by an ERP system to replace 100 local systems.
- › Launching an integrated management system for financial and economic activities for more than 4,000 users at Lebedinsky GOK and Mikhailovsky GOK to replace more than 100 production and management systems.
- › Initiating the second wave of Industry 4.0, which involves OEMK and Ural Steel, and is scheduled for completion in mid-2019.
- › The Company continued to implement the SAP S/4HANA system – an intelligent ERP system that is able to provide full information in real time about all business processes at the Company. The solution consolidates all the trends of Industry 4.0: hyper-connectivity and the ability to work with In-memory technologies and big data in real time, which makes it possible to implement the concept of Real Time Enterprise.

 For more details on the results of digital transformation, see the section Industry 4.0 Programme of the 2018 Annual Report (pp. 42-43).

 For more details on innovation and digital transformation in specific segments of operations, see the relevant sections of the Report.

SUSTAINABLE DEVELOPMENT STRATEGY

3

UN Sustainable Development Goals (SDGs) in Company's focus

13 out of 17

UN SDGs covered by the Company's contribution in 2018

TOP 100

of EcoVadis Business Sustainability Ratings

CONTENTS

- 22 Achieving the UN Sustainable Development Goals
- 26 Stakeholder Engagement
- 30 Corporate Communications
- 32 Sustainability Risk Management
- 36 Business Ethics and Anti-Corruption

02

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

Responsibility to Employees

Contribution to Social Development

Sustainable Development Strategy

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

Responsibility to Employees

Contribution to Social Development

102-116

Metalloinvest carries out its business activities, including sustainable development activities, in accordance with its **Development Strategy**. The Company takes a **flexible approach** to shaping the Development Strategy: it goes through **four stages of development** with a detailed analysis of the Company's effectiveness and market trends and is updated annually. This makes it possible to effectively manage risks when planning activities and implementing projects as well as optimise budget planning.

In 2018, an independent consulting company was involved in updating the Strategy based on instructions from the Board of Directors. Updates were made to the Company's development priorities as well as its long-term goals and objectives in the document taking into account key trends and current changes on the global market for iron ore, metallised, and steel products, modern technological trends in the global steel industry, and Metalloinvest's competitive advantages.

 For more details on the Company's strategy, see the 2018 Annual Report

As a supplier of high-quality iron ore and metallised products, Metalloinvest believes its strategic mission is to support global technological development with a responsible approach to environmental protection and a responsible social policy. Through efforts to improve the efficiency, innovativeness, and safety of production, the Company contributes to sustainable development by enhancing trust, reliability, and transparency in matters of occupational health and safety and environmental protection.

The principles of responsibility and sustainability are also integrated into strategic comprehensive programmes that support the Development Strategy. The strategic comprehensive programmes aim to make the Company's business more customer-oriented, improve product quality and develop a responsible approach to environmental protection. During the reporting period, Metalloinvest created four main strategic integrated programmes:

- › **Ural Steel:** a project to modernise the enterprise using technologies that are innovative for the Russian market, in particular the introduction of Flexible Modular Furnace (FMF) technology and the modernisation of a blast furnace plant with a transition to pellets produced by Mikhailovsky Mining and Processing Plant, which together reduces the production facility's environmental impact.
- › **Oskol Electrometallurgical Plant (OEMK):** a project to improve customer focus and the Special Bar Quality (SBQ) of premium high-quality long products. The project involves modernising the existing production facilities while simultaneously enhancing the environmental friendliness of the process as well as installing additional capacity, in particular for the heat treatment of rolled products.
- › **Lebedinsky Mining and Processing Plant (Lebedinsky GOK):** a project to improve the quality of premium products – pellets and HBI. The main objectives of the project are to increase the strength of briquettes in order to reduce the negative environmental impact as well as boost the iron content in products.
- › **Mikhailovsky Mining and Processing Plant (Mikhailovsky GOK):** a project is planned to improve the quality of iron ore products in order to increase the iron content therein and reduce the proportion of harmful impurities.

In its operations, the Company strives to meet the **quality standards** of foreign markets, where both the final product and its production process are subject to strict requirements, in order to reduce the carbon footprint within the product life cycle. Metalloinvest tries to apply these requirements to all types of products regardless of their sales markets. By offering products that meet the highest quality standards, Metalloinvest encourages positive environmental initiatives across the Russian market.

In 2019, the Company plans to develop energy efficiency metrics that will not only make it possible to track changes in its own economic performance indicators, but also compare them with the results of other market players. Assessing the efficient use of energy resources will enable Metalloinvest to competently transform and constantly improve business processes.

EcoVadis Business Sustainability Rating

During the reporting period, Metalloinvest was recognised in the EcoVadis Business Sustainability Rating for the first time in response to the growing interest among investment funds in the management of ESG risks (environmental, social responsibility, and corporate governance risks). When compiling the rating, experts conducted a comprehensive assessment of the Company's impact on the environment, its compliance with human rights and legislation, anti-corruption measures, and the organisation of sustainable supply chains. Based on the results of the assessment, Metalloinvest was among the top 100 (11%) of the world's best producers of metal resources and steel recognised in the EcoVadis Rating (more than 900 companies). The Company was also in the top 7% of the world's most environmentally friendly metals and steel producers.

Being part of the rating enabled the Company to identify its strengths and areas for improvement in the Strategy and activities that were outlined in the roadmap.

In 2019, once this Report has been published, we will have opened a green credit facility and have signed a loan agreement with ING. The interest rate on this loan (Sustainability Improvement Loan) may be reduced if assessments show that the Company has improved its corporate social responsibility indicators.



More details on the results of the green financing project will be presented in the 2019 report

Achieving the UN Sustainable Development Goals

102-12

Modern society expects companies to be reliable, transparent, safe, and accountable in their business. This means organisations need to integrate the principles of sustainable development into their business strategies, which should further contribute to improvements in the efficiency and long-term sustainability of business.

Metalloinvest's strategic goals are consistent with global trends in sustainable development, and the set of strategic initiatives that the Company is implementing not only helps to solve business problems, but also contributes to the achievement of the UN Sustainable Development Goals (UN SDGs).

The Company's top sustainable development priorities involve ensuring employee safety, environmental protection and social responsibility throughout the entire value creation process:

- > continuous efforts to reduce emissions and waste from in-house production;
- > providing customers with raw materials that help to improve environmental impact;
- > ensuring employees have safe working conditions, decent wages, vacation, and treatment;
- > making a social contribution in our regions of operation (with the support and participation of local employees).

During the reporting period, Metalloinvest focused on the following UN SDGs: Goal 3 Good Health and Well-Being, Goal 8 Decent Work and Economic Growth, and Goal 9 Industry, Innovation, and Infrastructure. The Company covers a range of targets in Goals 1, 4, 5, 6, 7, 10, 11, 12, 16, and 17 as part of its Development Strategy.



Priority UN SDGs and Metalloinvest's activities

Goal 3

Ensuring healthy lives and promoting the well-being for all at all ages

Targets within the SDG	Metalloinvest's contribution
3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.	<p>Metalloinvest employees were granted access to healthcare and health resort treatment.</p> <p> For more details, see the section Social Support for Employees (p. 105).</p> <p>A programme was implemented to reduce occupational morbidity among Metalloinvest employees by identifying early signs of occupational diseases (signs before symptoms appear).</p> <p>Preventive measures were carried out to prevent the development of occupational diseases.</p> <p> For more details, see the section Employee Health (p. 84).</p>
3.8 Achieve universal health coverage, including <...>access to quality essential health-care services <...>.	<p>A strategy was implemented to improve the quality of healthcare for residents in the regions where the Company operates by providing access to medical services at the Company's clinics.</p> <p> For more details, see the section External Social Programmes and Philanthropic Activities (p. 112-116)</p>

Goal 8

Promote inclusive and sustainable economic growth, employment, and decent work for all

Targets within the SDG	Metalloinvest's contribution
8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	<p>The Company increased the output of iron ore and metallurgical products, including products with high added value, which is a resource for the further production of high-tech equipment, vehicles, etc.</p> <p> For more details, see the section Financial and Operational Results (p. 42-47).</p> <p>A digital transformation programme was implemented as part of an ambitious initiative to automate key business processes as well as to find technological solutions that increase the efficiency and safety of production while simultaneously reducing environmental risks.</p> <p> For more details, see the section Company's Approach to Innovation (p. 16-17).</p>




Goal 8 (continued)

Promote inclusive and sustainable economic growth, employment, and decent work for all

Targets within the SDG	Metalloinvest's contribution
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation <...>	Metalloinvest implemented its development strategy, which aims to improve production efficiency through the introduction of strategic comprehensive programmes, digital transformation, and the optimisation of business processes and boost the productivity of employees and their well-being through their training and development.
8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead	<p>The Company introduced best available technologies (BAT) in the stages of production facility construction and modernisation and took part in the drafting of scientific and technical reference guides to assist industry companies in reducing their environmental impact.</p> <p> For more details, see the section Management of Environmental Responsibility (p. 57-58).</p> <p>Production facilities were modernised and technological solutions were introduced to significantly improve the efficient use of resources (including water and electricity) and reduce the carbon footprint from their operation.</p> <p> For more details, see the sections Water Consumption and Protection, Emissions, Air Protection and Climate Strategy, and Energy Consumption and Efficiency (p. 62-73).</p>
8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	<p>A responsible HR policy was built on the principles of equality and non-discrimination. Employees were provided with decent wages that exceed average wages in the regions of operation.</p> <p> For more details, see the sections Personnel Management System (p. 96-97) and Remuneration System (p. 104).</p>
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	<p>The Company collaborated with specialised higher and secondary educational institutions and provided internship opportunities at its enterprises.</p> <p>Individual annual development programmes were implemented for young professionals in order to comprehensively develop the skills needed for their future careers.</p> <p> For more details, see the section Personnel Recruitment (p. 100).</p>
8.8 Protect labour rights and promote safe and secure working environments for all workers <...>	<p>Advanced technological solutions were introduced to enhance the efficiency of the occupational health and safety system, with a transition to automated processes in order to minimise the human error factor that may cause injury.</p> <p>Metalloinvest enterprises took steps to exchange experience in occupational health and safety among each other and with third-party companies to ensure the best practices.</p> <p>Internal corporate coaching projects were implemented to educate leaders about occupational health and safety.</p> <p> For more details, see the section Occupational Health and Safety (p. 74-87).</p>

Goal 9

Build resilient infrastructure, promote sustainable industrialisation, and foster innovation

Targets within the SDG	Metalloinvest's contribution
9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	<p>The Company has invested in programmes to develop and maintain the development of social infrastructure in regions of operation, including medical, sports, health, educational and cultural institutions.</p> <p> For more details, see the sections Relations with Regions of Operation and External Social Programmes and Philanthropic Activities (p. 110-117).</p>
9.2 Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product <...>	<p>Production volumes of high-quality iron ore and metallurgical products were consistently increased. The introduction of advanced digital solutions and improvements to the safety of production processes have made the metallurgical industry more attractive.</p> <p> For more details, see the sections Company's Approach to Innovation (p. 16-17) and Financial and Operational Results (p. 42-47).</p>
9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes <...>	See the description of the contribution to Target 8.4.
9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries <...>	<p>The Company engaged in scientific cooperation with MISIS National University of Science and Technology and conducted joint research in the scientific and technical laboratory. It also participated in the development of scientific and technical reference guides for BAT.</p> <p> For more details, see the sections Personnel Recruitment (p. 100) and Management of Environmental Responsibility (p. 57-58).</p> <p>Research projects were implemented within the Company, in particular projects to find solutions to enhance energy efficiency.</p> <p> For more details, see the section Energy Consumption and Efficiency (p. 70-71).</p>

 For more details on the Company's contribution to the achievement of other UN SDGs, see the Appendices (pp. 126-137).

Stakeholder Engagement

Principles and Mechanisms for Stakeholder Engagement



Balancing the interests of stakeholders is an integral part of business sustainability and responsibility, which in turn ensures its environmental stability. When selecting an area of strategic development, the Company strives to actively engage all stakeholders and take into account each of their opinions while adhering to common principles, but selecting an individual approach to each group.

The key mechanisms for engagement are enshrined in the corporate policy on stakeholder engagement and are based on the five basic principles described below:

- › consistency: regularly informing the public about the impact of the Company as well as its decisions and activities on society, the economy, and the environment and taking the necessary steps to minimise the negative impact taking into account the expectations and positions of stakeholders;
- › transparency: providing comprehensive and reliable information about its activities, using various methods to keep stakeholders informed and collecting feedback;
- › materiality: integrating the interests of all stakeholders into the Company's Strategy based on their priorities;
- › completeness: constant interaction and comprehensive coverage of the views, needs, and concerns of stakeholders;
- › response: the obligation to respond to significant issues and stakeholders' expectations.

Metalloinvest's engagement with stakeholders involves a regular dialogue between the Company and stakeholders, which can be initiated by any of the parties.

The Company regards the following as its stakeholders:

- › shareholders;
- › customers;
- › suppliers, contractors, and other market participants;
- › the government authorities, including:
 - federal executive bodies;
 - regional authorities and local governments;
- › investment community;
- › employees;
- › local communities (local residents, non-profit organisations, and municipal institutions).

The list of stakeholders is given in the Stakeholder Engagement Policy and is updated as changes occur.

Stakeholder engagement is conducted across multiple interactive channels. Suggestions and criticisms are recorded and discussions are held on topics that are important to stakeholders.

102-43

Key engagement channels include:



Internal channels:

- › corporate radio;
- › information boards and booklets;
- › 'Your Voice' feedback boxes;
- › hotline;
- › meetings with employees;
- › corporate Internet portal.



Combination of internal and external channels:

- › media;
- › Annual Report;
- › Sustainable Development Report;
- › social media;
- › web-based information portals in cities where the Company operates;
- › corporate website.



External channels:


- › dialogues and events with external stakeholders.

The communication channel is selected depending on the group of stakeholders and the type of interaction.

Methods and Results of Engagement with the Main Groups of Stakeholders

One of the results of stakeholder engagement was the identification of key issues for each of the stakeholders and the prompt response to these issues.

Group of stakeholders	Engagement channels	Key engagement measures	Questions and interests of the stakeholder	Company's response to questions raised
Shareholders	<ul style="list-style-type: none"> › General Meeting of Shareholders › Publishing corporate reports 	<ul style="list-style-type: none"> › Meetings of shareholders › Collection of feedback from shareholders and the submission of key issues to meetings of the Board of Directors › Regular informing of shareholders 	<ul style="list-style-type: none"> › Stable dividend income and return on equity for shareholders › Risk management 	<ul style="list-style-type: none"> › Implementation of the Development Strategy › Implementation of a multi-tiered corporate-wide risk management and internal control system (CRMICS) › Implementation of the Industry 4.0 digital transformation programme
Customers	<ul style="list-style-type: none"> › Long-term contracts › Regular meetings with clients › Public events 	<ul style="list-style-type: none"> › Face-to-face meetings with customers and the collection of feedback on product quality › Customer surveys › Informing customers about product quality standards 	<ul style="list-style-type: none"> › Product quality › Satisfaction with service › Understanding customer needs and how they are influenced by new industry trends 	<ul style="list-style-type: none"> › Implementation of a comprehensive programme to improve the customer focus in the sale of steel products › Conducting an annual consumer survey › Conducting on-site customer interviews › Holding coordination councils and working meetings with customers › Business trips to customers' enterprises › Visits to production sites by customers › Introducing customers to the production process
Employees	<ul style="list-style-type: none"> › Training programmes › Corporate website › Monitoring of employee engagement › Corporate media and radio › 'Your Voice' feedback boxes › Hotline 	<ul style="list-style-type: none"> › Corporate assessment of the Company's management regarding the personal, business, and professional potential and other skills necessary for managers of this level to solve the tasks facing the Company and market practices › Launch in September of a four-modular nine-month Comprehensive Corporate Development Programme for key Company employees › Launch of corporate training programmes for key employees based on the results of professional certification starting from December 2018 › Creation of a top 100 talent pool › Launch in May 2018 of a five-module annual corporate training program called Institute of Production Leaders › Launch of the Experience Sharing corporate programme starting from May 2018 	<ul style="list-style-type: none"> › Labour relations › Salary and social support › Training and development › Safe working conditions 	<ul style="list-style-type: none"> › Signing collective agreements to ensure social support for employees, their families, and retirees (former employees) › Corporate events › Corporate social programs for employees › Employee training on occupational safety › Assessment of occupational risks and hazards › Taking measures to reduce the risk of accidents at hazardous production facilities

 For more details on the employee engagement events, see the section **Responsibility to Employees** (pp. 92–105).


Group of stakeholders	Engagement channels	Key engagement measures	Questions and interests of the stakeholder	Company's response to questions raised
Local communities	<ul style="list-style-type: none"> › Coordination councils in the course of implementing external social programmes › Dialogues with representatives of the local population › Public consultations with representatives of the local population as part of the implementation of investment projects › Charity programmes 	<ul style="list-style-type: none"> › Dialogues with representatives of the cities of Gubkin and Stary Oskol in 2018 › Feedback on the implementation of social programmes › Provision of Metalloinvest grants as part of the implementation of social programmes › Review of appeals by local residents received through various channels 	<ul style="list-style-type: none"> › Socioeconomic development of the regions where the Company operates 	<ul style="list-style-type: none"> › Implementation of charitable and social programmes in the regions where the Company operates with the following focuses: <ul style="list-style-type: none"> › support for education; › development of the social and cultural environment; › improving the quality of healthcare services; › support for amateur and children's sports; › support for vulnerable segments of the population.
Federal and regional authorities	<ul style="list-style-type: none"> › Face-to-face meetings and negotiations › Working and expert groups, commissions, and committees › Public events (conferences, forums, and roundtables) › Corporate development programmes and social infrastructure support and development programmes 	<ul style="list-style-type: none"> › Face-to-face negotiations and meetings with senior officials › Industry-wide conferences and meetings › Conferences › Signing of an action plan as part of socioeconomic partnership agreements 	<ul style="list-style-type: none"> › Compliance with the orders of the State Council of the Russian Federation › Implementation of the initiatives of the federal executive authorities › Implementation of best industry practices 	<ul style="list-style-type: none"> › Analysis of the impact of initiatives on the Group's day-to-day and financial activities › Preparation of the Group's proposals and positions on initiatives and draft amendments to regulatory acts
Investment community	<ul style="list-style-type: none"> › Conferences and forums › Meetings in different formats › Investor Day › Site visits › Non-deal roadshow › Deal roadshow 	<ul style="list-style-type: none"> › Participation in seven investment conferences and forums in Russia and abroad (USA, UK). 	<ul style="list-style-type: none"> › Financial indicators › Corporate social responsibility 	<ul style="list-style-type: none"> › Publication of reporting › Participation in industry-wide forums and conferences
Suppliers and contractors	<ul style="list-style-type: none"> › Tenders for the purchase of goods and services › Specialised conferences and exhibitions › Holding dialogues with suppliers 	<ul style="list-style-type: none"> › Face-to-face meetings with suppliers › Conducting an initial assessment of suppliers for compliance with tender criteria › Obtaining feedback from suppliers 	<ul style="list-style-type: none"> › Transparent bidding procedures for the purchase of goods and services 	<ul style="list-style-type: none"> › Automation of the procurement process › Interaction with suppliers as part of commercial negotiations

 For more details on the community outreach activities, see the section **Contribution to Social Development** (pp. 110–111).

 For more details on engagement with the investment community, see the section **Investor Relations of the 2018 Annual Report** (pp. 55–56).

 For more details on the interaction with suppliers see the section **Supply Chain** (p. 48).

In addition to regular interaction with stakeholders on the topics and issues listed above, a survey was also conducted to determine material topics for the current report and to form a materiality matrix.

 For more details on the materiality matrix, see the section **Materiality Matrix**.

Corporate Communications

102-21

The Company adheres to a policy of transparency when interacting with employees as well as other stakeholders. Metalloinvest actively cooperates with MediaCentre LLC, which has various media channels in the cities where the Company operates, including print newspapers that cover both in-house and municipal audiences, television and radio channels, and websites.

102-43

The internal communications tools that have been introduced help to inform employees about developments in the Company's day-to-day activities, including changes to its strategy and the release or updating of corporate documents, best manufacturing practices, key projects, and issues concerning corporate culture and social policy. All channels have feedback mechanisms through which both employees and external users can ask questions and give suggestions.

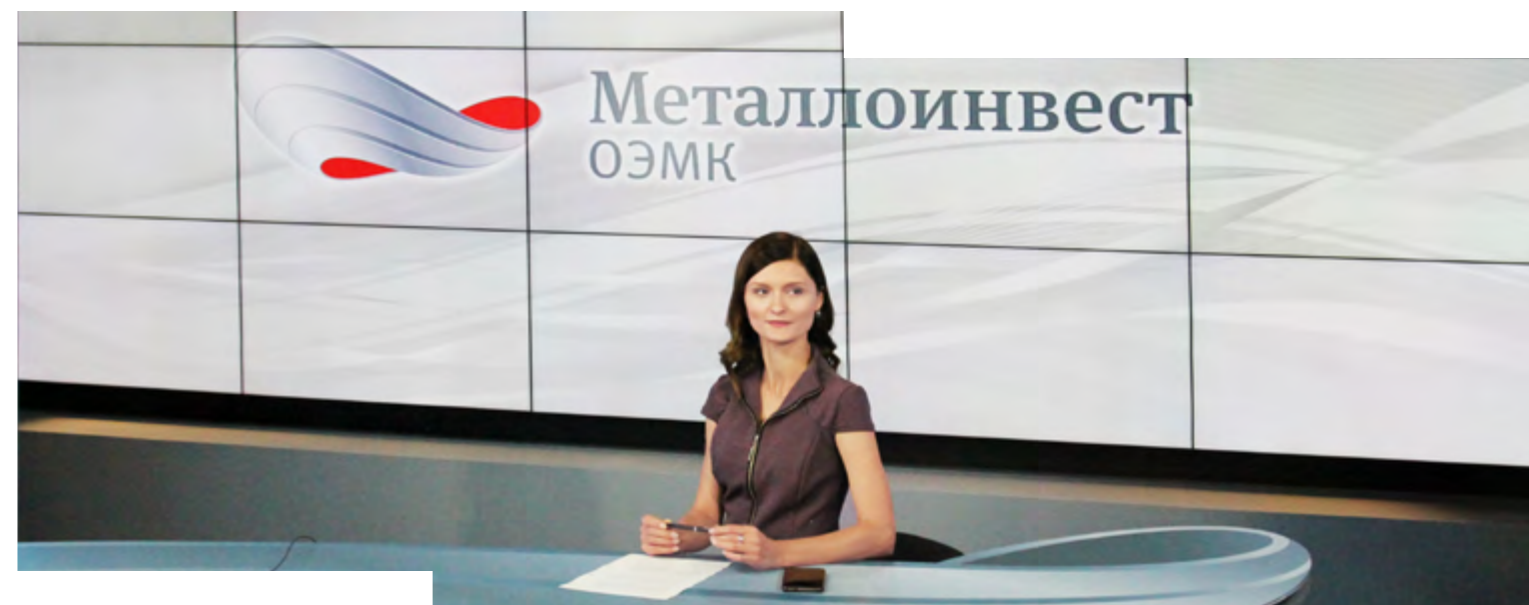
The Company takes a progressive approach when interacting with stakeholders and, in addition to conservative sources of providing information and collecting feedback, is actively working on engagement through social media. During the reporting period, the Company relaunched its pages on Facebook, VKontakte, Instagram, and Odnoklassniki. The Company interacts with 3.5 million members of its audience using social networks.

In addition, the Company has a digital mechanism for collecting employee feedback through its Self-Service and corporate website.

'Your Voice'

Metalloinvest has a feedback box called 'Your Voice', which the Company's employees can use to anonymously or publicly address any question to management. All the inquiries are sent to the communications office, which distributes them to the responsible departments and structural units. Feedback on the issues in question is provided both personally to the applicant and publicly through mass communication tools depending on the nature of the issue.

A total of **96 feedback boxes** have been set up at the Company's enterprises and helped to resolve **218 disputes** during the reporting period.



Internal and external corporate communications

Each of the Company's enterprises has up to four information sharing channels.

- Lebedinsky GOK
 - > The Working Tribune newspaper, with a circulation of 16,465 copies
 - > The Gubkin.city website
 - > The Lebedinsky Express local interest programme for STS channel
 - > The Lebedinskaya Wave radio station for the town of Gubkin
- Mikhailovsky GOK
 - > The Kurskaya Ore newspaper, with a circulation of 12,050 copies
 - > The Zhel.city website for the town of Zheleznogorsk
- OEMK
 - > The Metallurg newspaper, with a circulation of 13,459 copies
 - > The Oskol.city website for the town of Sary Oskol
 - > The OEMK-TV local interest programme for Ren-TV channel
 - > The Radio OEMK station
- Ural Steel
 - > The Elektrostal newspaper, with a circulation of 16,000 copies
 - > The ntr.city website for the town of Novotroitsk

As at the end of 2018, the Metallurg and Elektrostal newspapers ranked 17th and 18th, respectively, and were among the top ten in the Metallurgy segment, according to a rating compiled by the Production Management portal.

Plans for 2019

In order to improve the efficient processing of information obtained via feedback, the Company plans to launch a new corporate portal in the coming year, which will include an automated and centralised feedback platform.

In order to raise the level of awareness and involvement among the Company's employees, it is developing an Employee Awareness and Support System, including in the following segments:

- > development of a line of thematic souvenir and printed products;
- > holding internal corporate events;
- > support for corporate sports teams;
- > support the volunteer movement in the regions.

3.5 million
Total number of interactions with the audience using social networks

Sustainability Risk Management

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

Responsibility to Employees

Contribution to Social Development

102-11


Risk management is one of the key processes that ensures the stability of business. Metalloinvest strives to proactively manage risks before they materialise and thus introduces risk management components into each business process.

As part of the **Corporate Risk Management and Internal Control System**, each functional unit performs risk management. The Management Company's Internal Control and Risk Management Department serves as the main methodologist and is responsible for developing and improving procedures used to identify, assess, and monitor risks. Risks identified at the level of structural units are evaluated, ranked, and documented in the unified risk register. The Board of Directors monitors the response measures and ongoing status of key risks.

The Risk Committee of the Management Board handles the operational management of the Corporate Risk Management and Internal Control System. The Risk Committee, which includes the heads of functions at production facilities, meets at least once a month to discuss day-to-day risk management matters. The committee may meet more frequently if there are issues requiring urgent resolution. The Risk Committee met 15 times in 2018. Feedback from business units directs the meeting agenda. The Risk Committee develops its main conclusions and recommendations on the issues in question and refers the most significant matters to the Audit Committee for consideration. The Audit Committee also monitors quarterly reporting on the status of the risk management and internal control system, reports on risks that have materialised, and compliance with the Group's risk appetite. It approves the Corporate Risk Management and Internal Control System Strategy and key initiatives to develop this function. The Board of Directors is the final authority that reviews and approves reports and the Corporate Risk Management and Internal Control System Strategy. The current status of the CRMICS is reported by the Chairman of the Audit Committee of the Board of Directors.

In 2018, Metalloinvest approved the Strategy for the Corporate Risk Management and Internal Control System, which has become a top-level document within the risk management system that is complemented by the existing Corporate Risk Management and Internal Control System standard and the regulation on the management of business processes (risk management and internal control). The approval of the Strategy has become part of the implementation of the recommendations obtained during an independent audit of the maturity of the Risk Management System that was carried out in 2017.

According to the Strategy, one of the priority areas for developing the risk management and internal control system is the development and introduction of targeted risk management programmes for occupational health and safety and environmental safety, the development of the compliance function and an integral compliance programme, and conducting an assessment of compliance with the ISO 37001:2016 Anti-bribery management systems. As part of its strategy, the Company establishes zero tolerance for any manifestations of the risk of corruption, fraud, harm, or damage to the health of workers and the environment.

 For more about the risk management system and regulatory documents, see the 2018 Annual Report.

Key measures carried out in 2018

- › One of the key roles of the risk management and internal control function in the **transformation and automation of the Group's business processes**.
- › **Active participation in the work of the Transformation Office**, a structural unit headed by the Director for Strategy, Development and Transformation, which manages over 20 related automation and transformation projects with methodological support from the Internal Control and Risk Management Department.
- › **The introduction of the automated SAP GRC Access Control module** as part of the first deployment phase of the mining segment's integrated management system for financial and economic activities (IMS FEA). The module separate access rights and reduce the risk of errors and personnel misconduct.
- › **The creation of a process model of the Company and the coordinated development of regulations for automated business processes, including risk and control matrices**.

102-15

Key risk groups relevant to the Company's sustainable development

Non-financial risks groups	Brief description of risks	External factors	Internal factors	Possible implications	Risk mitigation measures
Risks related to changes in legislation	› Government decisions that have a direct significant impact on the Company's operations	› Changes to external economic and political factors and lobbying		› Additional costs for business; civil and administrative liability for management of the Company	› Monitoring of changes in legislation and quarterly compilation of a report on the impact these changes have on the Company's operations › Decision-making on the Company's response to changes and the notification of the responsible units
Risks associated with personnel management	› Lack of qualified personnel › Outflow of key employees › Workplace tensions and employee dissatisfaction		› Lack of employee motivation › Ineffective personnel training system	› Worsening of discipline and manageability › Financial damage › Slowdown and decline in the efficiency of production processes	› Modernisation of the corporate employee training system › Development of a system to hire young employees and the creation of a talent pool › Development of a system of financial and non-financial incentives for employees as well as a system of social support
Risks related to corporate governance	› Shortcomings in corporate governance	› Lack of human resources on the market	› Redundancy of job functions › Lack of expertise › Gaps in regulation › High transaction costs › Shortcomings in training programmes	› Slow pace of decision-making and implementation › Poor decision-making by management › Negative impact on ratings	› Periodic evaluation of activities, including in terms of managing economic, environmental, and social issues




For more details on engagement with employees, see the section Responsibility to Employees (pp. 92-105).




For more details on the corporate governance system, see the section Corporate Governance (pp. 14-15).


Key risk groups relevant to the Company's sustainable development (continued)


Non-financial risks groups	Brief description of risks	External factors	Internal factors	Possible implications	Risk mitigation measures
Cyber risks	<ul style="list-style-type: none"> › Cyber attacks by intruders › Breach of information security as a result of employee's actions/inaction 	<ul style="list-style-type: none"> › Paid-for and criminal nature of information security threats 	<ul style="list-style-type: none"> › Lack of qualified personnel › Insufficient effectiveness of existing information security tools 	<ul style="list-style-type: none"> › Breach of information systems, workstations, and automated process control systems › Financial damage › Disclosure and theft of confidential information › Unauthorised modification and deletion of information › Fines and claims by regulators, claims by individuals, criminal liability, and the disqualification of managers 	<ul style="list-style-type: none"> › Hiring highly qualified personnel › Regular checks and timely security system updates
Corruption risks	<ul style="list-style-type: none"> › Economic damage due to abuse by employees, corporate fraud, or corruption 	<ul style="list-style-type: none"> › Third parties offering bribes to Company employees 	<ul style="list-style-type: none"> › Criminal intentions of employees › Inadequate performance of official duties by employees › Ineffective leadership › Lack of control procedures › Conflict of interest 	<ul style="list-style-type: none"> › Likelihood of losing of assets › Damage to business reputation › Economic damage › Deterioration of employees' production discipline › Possible lawsuits › Claims by the state authorities 	<ul style="list-style-type: none"> › Promoting awareness about ethics and anti-corruption issues › Use of a hotline on anti-corruption policy issues › Investigation of complaints and disciplinary action in cases when violations are confirmed › Employee training at the International Compliance Association
Risks related to cooperation with third parties (suppliers)	<ul style="list-style-type: none"> › Economic damage from counterparty wrongdoing 	<ul style="list-style-type: none"> › Improper performance of contractual obligations › Unreliable counterparties › Accumulation of receivables › Unfair competition 	<ul style="list-style-type: none"> › Signing of contracts on knowingly unfavourable conditions › Insufficient verification of counterparties 	<ul style="list-style-type: none"> › Probability of loss of assets › Court proceedings / costs › Damage to business reputation › Economic damage › Dissemination of inaccurate negative information about the Company's enterprises, shareholders, and employees 	<ul style="list-style-type: none"> › Introduction of an effective procurement operating model to streamline processes › Automation of procurement activities › Strict supplier selection based on ESG criteria


 For more details on anti-corruption measures, see the section Business Ethics and Anti-Corruption (pp. 36–37).

 For more details on engagement with suppliers, see the section Supply Chain (p. 48).

Non-financial risks groups	Brief description of risks	External factors	Internal factors	Possible implications	Risk mitigation measures
Environmental risks	<ul style="list-style-type: none"> › Negative environmental impact as regards emissions, discharges, and waste as well as water and energy consumption › Failure to comply with the requirements of environmental legislation 	<ul style="list-style-type: none"> › Changes in environmental legislation 	<ul style="list-style-type: none"> › Commissioning of new production facilities that do not meet environmental criteria › Cumulative effect of negative environmental impact 	<ul style="list-style-type: none"> › Loss of goodwill › Financial damage › Claims by the state authorities › Possible lawsuits 	<ul style="list-style-type: none"> › Timely monitoring of changes in environmental legislation › External audit of the compliance of the Company's environmental management systems and integrated management systems with the requirements of ISO 14001:2015 › Integration of the best available technologies (BAT) during the construction and modernisation of production facilities
Risks related to occupational health and safety	<ul style="list-style-type: none"> › Workplace accidents › Occupational diseases among employees › Accidents and incidents 	<ul style="list-style-type: none"> › Equipment defects › Incidents resulting from traffic accidents › Employees' susceptibility to diseases due to weakened immunity 	<ul style="list-style-type: none"> › Violation of safety instructions by employees › Insufficient monitoring of hazards and emerging risks › Commissioning of equipment that has not been tested and insufficient monitoring of the condition of existing equipment › Equipment depreciation 	<ul style="list-style-type: none"> › Damage to business reputation › Financial damage › Claims by the state authorities › Possible lawsuits › Slowdown and decline in the efficiency of production processes › Weakened employer brand 	<ul style="list-style-type: none"> › Audit of the workplace safety system › Ensuring compliance with the recommendations of OHSAS 18001:2007 › Increased occupational health and safety costs › Modernisation of personal protective equipment › Implementation of a programme to reduce the number of cases of occupational disease › Introduction of an innovative approach to the occupational health and safety management system: behavioural audits, integration of the internal corporate training system, and the introduction of an automated inspection system

 For more details on environmental protection measures and compliance with environmental legislation, see the section Environmental Responsibility (pp. 52–73).

 For more details, see the section Occupational Health and Safety (pp. 74–87).

 For more details on the Company's key risks, including commercial, financial, industrial, investment, legal, GR, and HR risks, see the section Key Risks of the 2018 Annual Report (pp. 100–104).

Business Ethics and Anti-Corruption

102-16

Metalloinvest places a particular emphasis on anti-corruption and anti-fraud, as well as creating an ethical culture. Creating a system of universal compliance control is a priority for Metalloinvest that ensures sustainable business development. The Company consistently updates and improves anti-corruption procedures while integrating them into all business processes in which there is a risk of corruption violations. Combatting corruption and adhering to business ethics are an essential part of the Company's corporate culture.

The Company has an Anti-Corruption Policy and a Code of Corporate Ethics, which formalise issues concerning honest and ethical business, a zero tolerance attitude towards discrimination or corruption, the rules for doing business, and internal and external engagement with the Company's employees. Along with the general corporate policies, each business unit adopts in-house internal documents that regulate compliance with anti-corruption measures.

In addition to the policies, the Company has integrated a number of anti-corruption mechanisms, in particular the following.

205-2

Briefing employees about anti-corruption and anti-fraud practices

The briefing of employees is a formal procedure used to familiarise all the Company's employees with fundamental regulatory acts upon hiring as well as when such acts are updated. In addition, the Company made preparations in 2018 to launch training courses using the distance learning system in 2019. The training courses will primarily consist of videos providing information about the Company's rules and principles for combatting corruption. These training courses will become an additional tool to consolidate the knowledge and skills of employees regarding anti-corruption.

In 2018, 100% of employees – senior executives, middle managers, managers, specialists, employees, and workers – were briefed about the provisions of anti-corruption policies. All business partners (including employees of contracting organisations), which includes more than 270,000 people, were also briefed.

205-2

Anti-corruption and anti-fraud training

In addition to the mandatory briefing for all of the Company's employees, Metalloinvest provides specialised training for employees whose professional activities directly involve managing corruption risks.

In 2018, three of the Company's employees were trained at the International Compliance Association (ICA) and received the relevant certificates. In the next reporting period, two more employees will be trained and certified.

102-17

A whistleblower hotline

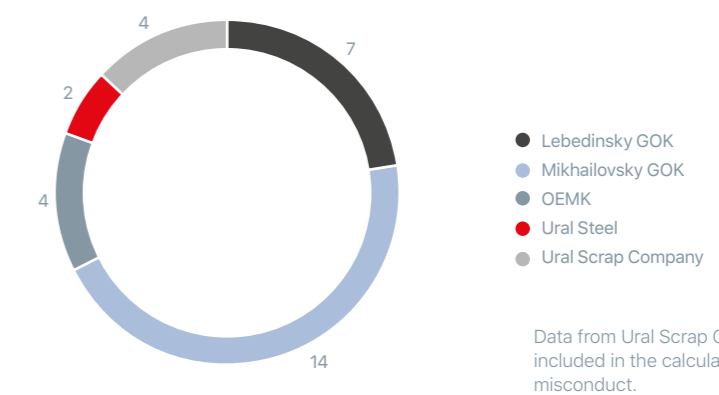
205-3

The Company continued to operate an anti-corruption hotline in 2018. In addition to a dedicated telephone line and email address, internal and external stakeholders were also able to send their requests through Viber and WhatsApp and also fill out a special form on the Company's corporate portal, which was an innovation in the reporting period.

During the reporting period, the hotline received 120 calls, which resulted in 31 cases of misconduct being confirmed as a result of checks. Violators were subject to disciplinary measures in accordance with existing legislation and the Company's internal documents. In addition, revisions and changes were made to the business processes in which the violations occurred.

Metalloinvest welcomes the practice of whistleblowing, guarantees all applicants confidentiality and a lack of retaliation, and also investigates each inquiry.

Cases of misconduct



205-1

Anti-corruption appraisals

As part of the anti-corruption expert evaluation that all draft contracts must undergo, procedures are examined in terms of their transparency and to make sure there are no unreasonable exceptions.

205-3

Anti-corruption monitoring

Anti-corruption monitoring involves the Company conducting an independent assessment of corruption risks by tracking the effectiveness of steps that have been taken. Part of the procedure is a quarterly report given by the Security Director to the Company's CEO on the results of the evaluation with suggestions for improving anti-corruption activities.

There were no contract terminations or nonrenewals with business partners due to corruption violations in the reporting period. There were also no cases of legal proceedings against the Company or its employees based on involvement in violations of anti-corruption legislation.

In 2018, an assessment of corruption risks was carried out at all four of Metalloinvest's units (plants). Based on the monitoring results, all mechanisms for managing anti-corruption activities proved to be effective, which enabled the Company to join the Anti-Corruption Charter of Russian Business in November 2018.

In the future reporting period, the Company is planning to prepare for an external audit for compliance with the requirements of ISO 37001:2016 Anti-bribery management systems

ECONOMIC PERFORMANCE

The Company strives for consistent growth in its financial and production indicators and continuous economic growth and takes into account the interests of all stakeholders by distributing the added value that it creates.

40.4 million tonnes
of iron ore production in 2018

27.7 million tonnes
of pellet production in 2018

3.0 million tonnes
of pig iron production in 2018

5.1 million tonnes
of steel production in 2018

7.8 million tonnes
of HBI/DRI production in 2018

CONTENTS

- 40 Plans and Results
- 42 Financial and Operational Results
- 48 Supply Chain
- 49 Interaction with local suppliers

03

Plans and Results



Plans for 2018 and the medium-term	Results of the reporting period	Plans for 2019 and the medium-term
<h2>Improved economic and production indicators</h2>		
Increased value and the growing investment appeal of the Company	Growth in revenue and production indicators for all types of core products	<ul style="list-style-type: none"> › Increased EBITDA › Increased business margins by strengthening Metalloinvest's position on the iron ore and metallised product markets
Increased sales margins	High share of sales of iron ore products (pellets, HBI) with high added value	
Improved operational and managerial effectiveness	 <p>For more details, see the section Financial and Operational Results.</p>	
Improved product quality and customer-oriented approach	Introduction of technological innovations: improved product quality and eco-friendliness of production while maintaining growth in production	
Increased production of high quality products with high added value	 <p>For more details, see the sections Sustainable Development Strategy and Environmental Responsibility.</p>	
	Transformation of operational and management processes: increased labour productivity. The main financial and production indicators continued to grow despite employees cuts	
	 <p>For more details, see the section Responsibility to Employees.</p>	

Plans for 2018 and the medium-term	Results of the reporting period	Plans for 2019 and the medium-term
<h2>Interaction with suppliers</h2>		
Completing the process of optimising the organisational structure of supplies	Transformation of the procurement operating model with the allocation of three functions. The model is uniform and has been introduced at all the Company's enterprises	<ul style="list-style-type: none"> › Development of category management: training of category managers and the development of basic analytics on category management
Introduction of the ERP system (enterprise resource planning system) at Lebedinsky GOK and Mikhailovsky GOK	Automation of individual steps of the procurement process to improve its efficiency	<ul style="list-style-type: none"> › Consideration of interim supplier registration tools until the SAP SRM module is introduced
Introduction of the Supplier Relationship Management System (SAP SRM)	 <p>For more details, see the section Supply Chain.</p>	<ul style="list-style-type: none"> › Introduction of a differentiated approach to supplier management: development of methodology, development and regulation of target processes, segmentation of suppliers, and updating the list of potential suppliers › Creation of a system of analytical reporting on suppliers

Financial and Operational Results

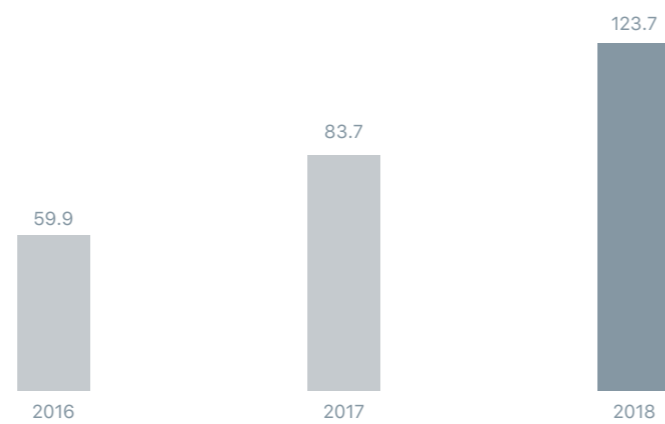
Based on the Company's updated Development Strategy, Metalloinvest seeks to:

- › become the global leader in the production of HBI/DRI as well as the leading supplier of iron ore products in Russia;
- › to remain a high-margin and efficient producer of high-quality steel products on regional and international markets.

To achieve these goals, Metalloinvest is constantly enhancing the quality of its products and improving production processes, which contributed to the growth in key performance indicators seen in 2018. One of the Company's objectives is to boost the effectiveness of sustainable development practices along with reducing its negative environmental impact while simultaneously scaling up production. The Company strives for maximum efficiency and is always seeking opportunities to build capacity while investing heavily in R&D to improve its products and existing technologies. The Company spent RUB 123.7 million on R&D in 2018, a 48% increase on the previous year.

Metalloinvest boosted its main financial indicators in 2018 due to growth in sales of high value-added products and a favourable market environment, in particular an increase in global iron ore and steel prices.

Investment in research and work to improve the production [RUB million]

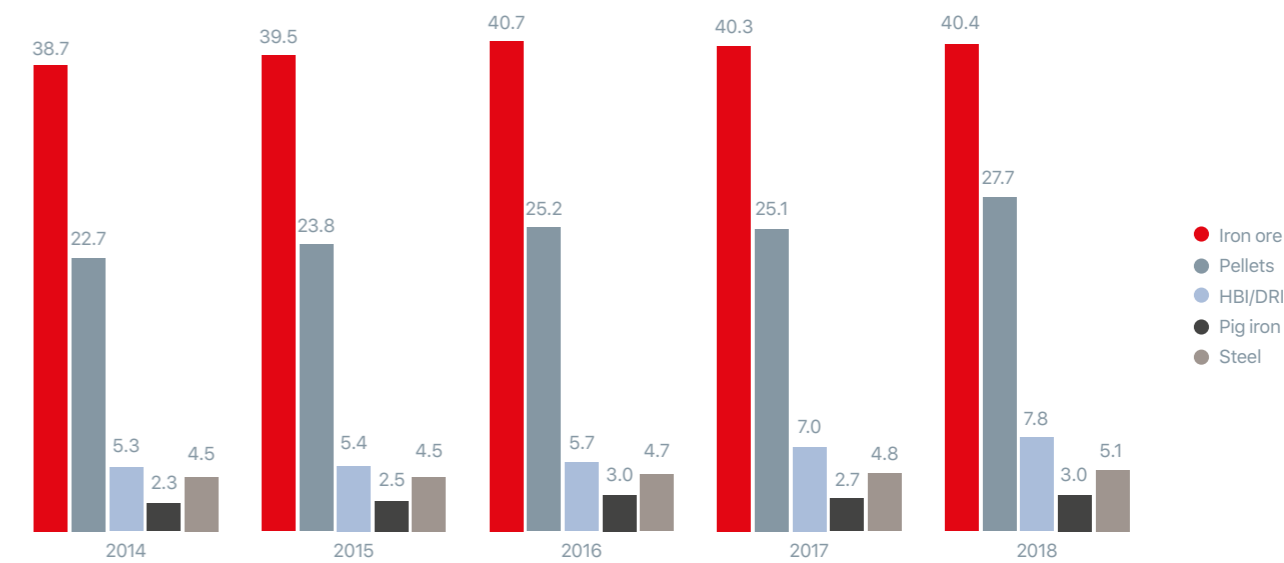


Key production indicators in 2018

The production of all Metalloinvest's core product types increased during the reporting period.

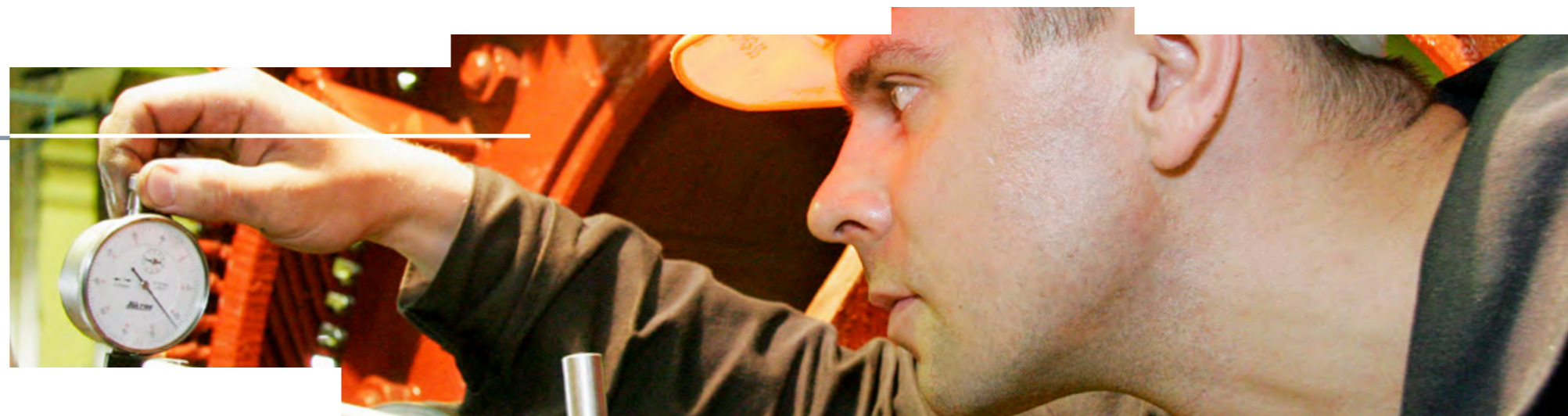
For more details on the Company's operational results, see the section Operational Results in the 2018 Annual Report (pp. 48-52).

Production [million tonnes]



Main changes seen during the reporting period:

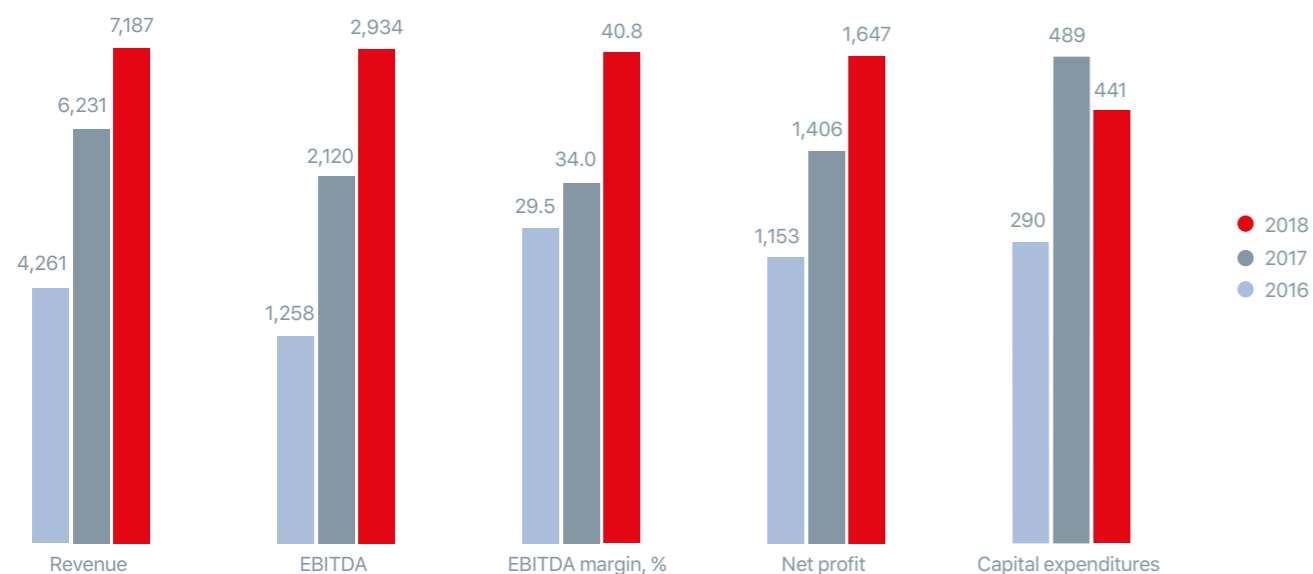
- > 17.6% increase in revenue from sales of metallurgical products;
- > 13.0% increase in revenue from sales of iron ore products;
- > the proportion of high value-added iron ore products (pellets, HBI) sold in overall sales of products of this type increased to 84.1%;
- > the share of the domestic market in the Company's consolidated revenue remained at 40.1% in 2018.



Key financial indicators

The Company saw a significant improvement in its financial performance in 2018 due to improved loan portfolio parameters and the introduction of best corporate governance practices.

Financial results [USD million]



Metalloinvest's generated and distributed value, 2016-2018

Name	Stakeholder	2016*	2017	2018
Direct economic value generated, USD million		4,496	6,294	7,257
Revenue	Wide range of stakeholders	4,261	6,231	7,187
Income from financial investments		235	63	70
Income from the sale of tangible assets		0	0	0
Economic value distributed, USD million		-6,823	-5,992	-5,463
Operating expenses	Employees, suppliers, and contractors	-2,910	-3,960	-4,102
<i>Including salary</i>	<i>Employees</i>	<i>-596</i>	<i>-719</i>	<i>-670</i>
Other employee payments and benefits	Employees	-10	-8	-7
Charitable donations	Local communities	-52	-89	-80
Payments to capital providers	Shareholders and investors	-3,719	-1,505	-752
<i>Including dividends paid</i>		<i>-3,404</i>	<i>-1,180</i>	<i>-436</i>
<i>Including financial expenditures</i>		<i>-315</i>	<i>-325</i>	<i>-316</i>
Budget contributions	Authorities	-132	-430	-522
<i>Including profit tax</i>		<i>-83</i>	<i>-372</i>	<i>-460</i>
Economic value retained, USD million		-2,327	302	1,794

* Dividends in the amount of USD 3,382.1 million that were paid as part of the consolidation and transfer of the Company's shares into Russian jurisdiction are not included in the total amount for the year since the funds were returned to the Company to repay previously issued intragroup loans.

For more details on the Company's financial results, see the section Financial Results of the 2018 Annual Report (pp. 53-57).

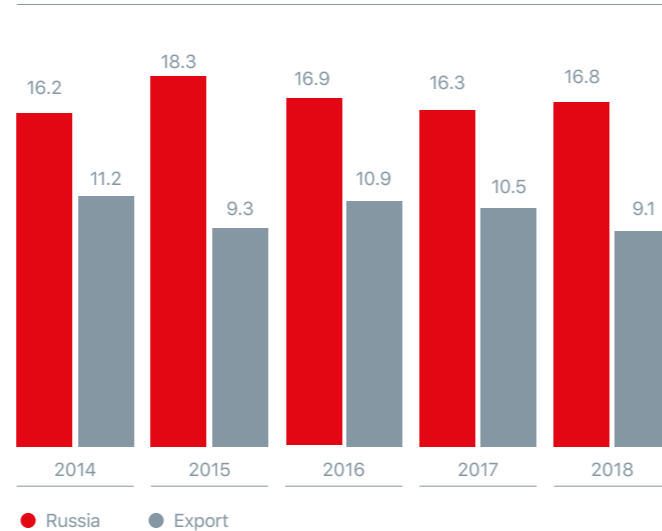
Key product sales indicators

102-2
102-6
102-7

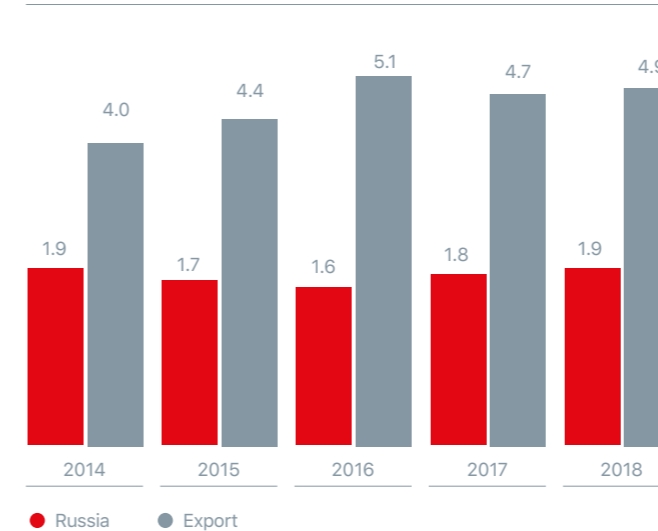
Metalloinvest held on to its leading position in key segments of the international iron ore market during the reporting period despite a slight decrease in sales of iron ore products (by 3.5%). This decrease was due to changes in the product range: pellet shipments increased by 9.3%, while HBI/DRI shipments grew by 18.9%. Iron ore exports accounted for 19% of the total ore produced by the Company versus 26% in 2017.

The Company managed to maintain steady growth in shipments of steel and pig iron both in Russia and on foreign markets in 2018. Supplies of steel and pig iron to Russian customers totalled 1.9 million tonnes, while exports amounted to 4.9 million tonnes.

Changes in iron ore sales [million tonnes]



Changes in steel and pig iron sales [million tonnes]



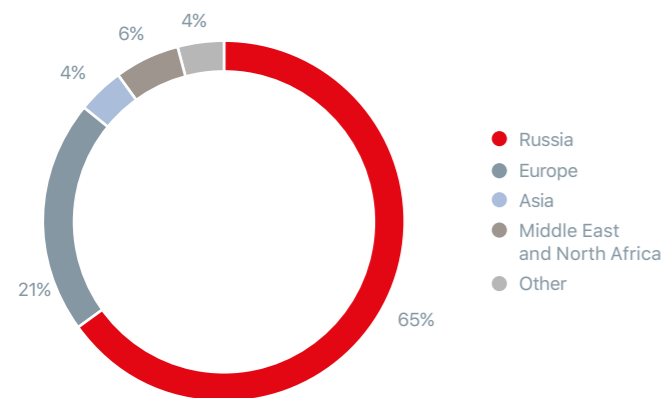
Customer focus and product quality assurance principles

The fundamental principle of Metalloinvest's engagement with customers is to ensure a level of quality that meets advanced global standards. The Company is committed to building long-term relationships with customers and serving as an open and reliable partner.

Metalloinvest regularly interacts with the customers of its products: it conducts surveys in order to further assess satisfaction with the service and quality of its products and also organises interviews with on-site customer surveys. Based on an analysis of the feedback obtained during the survey and in-person meetings, the Company makes changes to its marketing and production strategy taking into account the dynamics on the markets where its clients operate and their changing expectations regarding products.

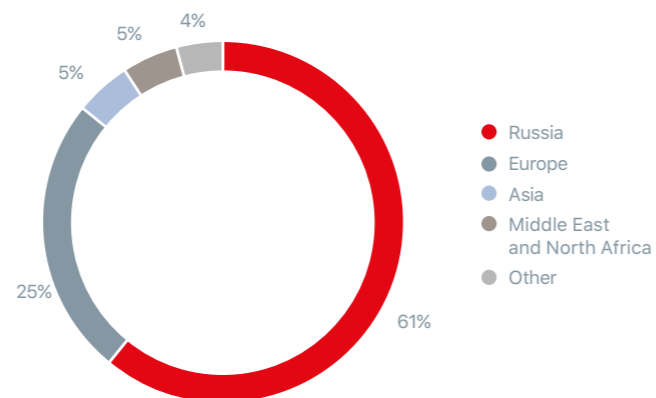
Structure of iron ore product sales by region in 2018 [%]

26 million tonnes



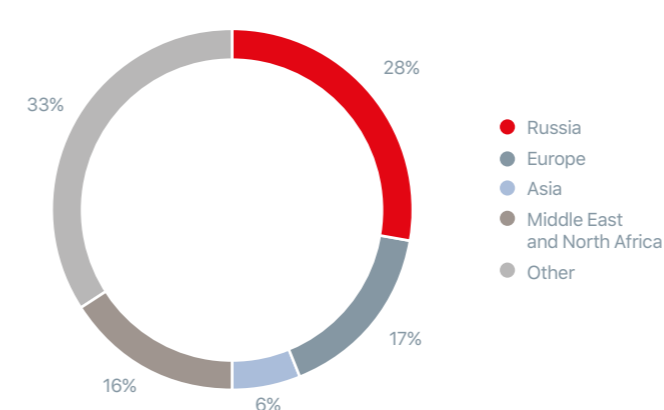
Structure of iron ore product sales by region in 2017 [%]

26.8 million tonnes



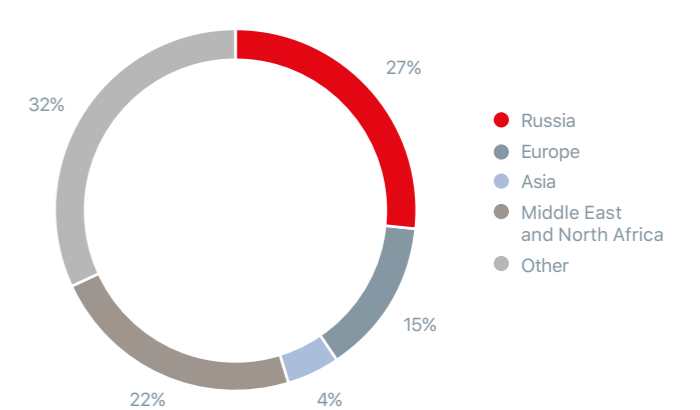
Structure of steel and pig iron sales by region in 2018 [%]

6.8 million tonnes



Structure of steel and pig iron sales by region in 2017 [%]

6.5 million tonnes



For more details on production and product shipments, see the section Operating Results of the 2018 Annual Report (pp. 48-52).

Supply Chain

102-9

Metalloinvest's supply chain management system reflects the entire movement of materials within the Company's production processes and includes the procurement of materials, their use in production, product creation, marketing, and logistics.

Procurement activities are a strategic component of Metalloinvest's supply chain management system. Procurement management is handled by the Supply Directorate and is governed by the Company's Procurement Policy.

At present, procurement activities are undergoing a stage of active transformation in order to ensure a full transition from a support function to a strategic function.

Role of the procurement function:

- > determining the need for material resources;
- > searching for and selecting suppliers;
- > concluding contracts and monitoring their fulfilment;
- > obtaining the material resources. Processing incoming flows of material resources, identifying products, clarifying quantity, preparing reports, and transferring the raw materials to the place of their use and storage
- > checking incoming products and confirm quality.

The department's key functions include:

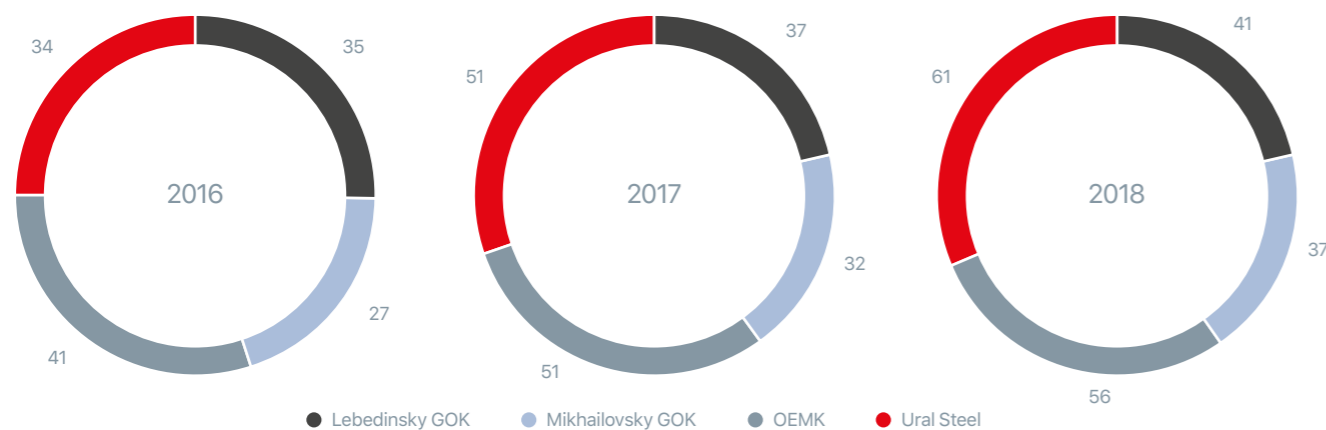
- > creating added value through cross-functional interaction;
- > optimising procurement procedures, which significantly affects business efficiency indicators;
- > impacting the business environment through interaction with suppliers and finding mutually beneficial positions.

In order to ensure the sustainability of procurement activities, the Company adheres to the following principles:

- > transparency;
- > hiring of local suppliers;
- > priority of procurements from manufacturers and their legal representatives;
- > diversification of procurement channels;
- > focus on building long-term relationships with suppliers;
- > continuous quality control of purchased goods and services.

RUB 195 billion
Total procurements by the Company's core enterprises in 2018

Main procurements by enterprise [RUB billion]



Except intragroup procurements from Lebedinsky GOK, OEMK, Mikhailovsky GOK, Ural Steel, Holding Company Metalloinvest, Management Company Metalloinvest, and Metalloinvestleasing.

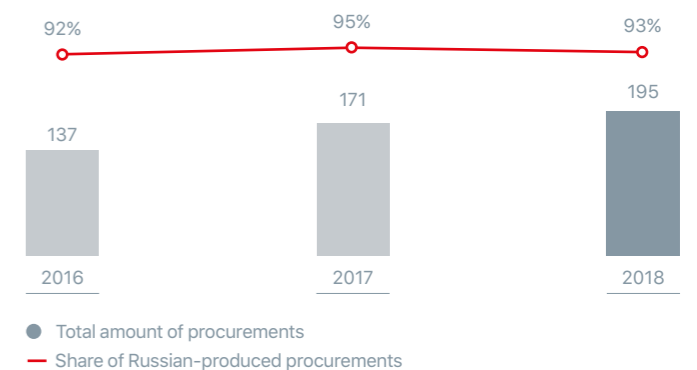
Interaction with local suppliers

204-1

Metalloinvest continued to focus on procurements from domestic manufacturers in 2018. The share of Russian suppliers remained high at 93%*. Materials that are not produced on the Russian market were imported.

* Russian procurements include all purchases made within Russian borders. This value excludes procurements from Russian manufacturers in foreign countries with production facilities outside the borders of the Russian Federation

Changes in the Company's procurements from domestic manufacturers or Russian-produced goods and services [RUB billion]



As part of the overall corporate transformation carried out at the Company, one of the objectives that was set during the reporting period was to **introduce an effective operating model** for procurements in order to streamline the process and to also **ensure that the changes in the operating model are consistent with the project to introduce SAP**.

The extensive preparatory work carried out over the first quarter of 2018, which included the development of a roadmap and seminars for employees of the procurement unit, resulted in the introduction of a new operating model at all of the Company's plants in autumn 2018. The new model involves spinning off systematic category management practices as well as a clear division of functions, which helps to considerably simplify and speed up procurement processes.

In addition, **procurements of work and services were centralised** for the needs of the plants. This process has led to the following key results:

- > a reduction in costs by consolidating demand;
- > increased transparency due to unified procurement procedures;
- > the formation of category strategies and a focus on strategic categories of services.

As part of the procurement process, Metalloinvest has expanded the **use of electronic trading platforms (ETP)**, which has made it possible to increase the transparency of procurements and ensure a transition to unified interaction with all suppliers. A total of **RUB 5.6 billion** worth of procurements were transferred to the electronic process in 2018.

The Company continued to transition to the **automation of the procurement process** during the reporting period in accordance with its policy on digitisation and the introduction of the SAP system: individual procurement steps were automated to ensure their unification, improve control procedures, and minimise errors.



Transformation of the procurement operating model

The new procurement operating model that has been introduced at all Metalloinvest enterprises divides procurement activities into three main functions.

- › **Front office.** The front office's key tasks include category management of procurements, including the development and implementation of a category strategy, as well as strategically managing the provision of materials by specific groups, including the selection of partners for long-term contracts.
- › **Middle office.** The middle office is in charge of operational procurements. Middle office employees study the Company's current procurement needs, determine the best procurement channels, and coordinate the sources of supply.
- › **Back office.** The back office performs a supporting role: it drafts contracts and specifications, monitors and controls the execution of transactions, organises transport support, and monitors the receipt of products and their payment.

In addition, each enterprise has set up **methodological support and procurement development** services that are tasked with identifying ways to improve and implement procurement activities, drafting and updating regulatory documents, and providing technical support when working with information systems.

Accounting support for procurement activities (sending and receiving contracts as well as accepting and recording primary documents) was spun off into a separate function and transferred to be managed by the multifunctional shared services centre (MF SSC).

The transformation has resulted in a transition from a reactive procurement management system that involved carrying out procurements for specific tasks, long periods of bidding and signing contracts as well as one specialist performing the entire range of functional tasks to a **unified end-to-end process**. The transformation has created the following advantages:

- › the creation of an organised structure that ensures the rapid development of the function and allows for swift changes;
- › enhanced transparency of the procurement process;
- › the ability to effectively forecast the Company's needs.

Plans for 2019:

In 2019, Metalloinvest plans to:

- › optimise processes within each of the functional units that have been spun off;
- › continue developing category management through effective work by cross-functional teams;
- › standardise requirements for category strategies;
- › introduce cross-functional analytical reporting;
- › introduce a differentiated approach to supplier management.

Automation of the procurement process: results of 2018

Metalloinvest introduced a number of automated tools in 2018, including:

- › Automatic generator of tender forms, which helps to streamline the work of employees for a group of operational procurements
- › Automatic generator of specifications – a handy tool for specialists as part of contractual work
- › Tool for automatic distribution from the monitoring registry, which helps to streamline the monitoring process and make interaction with suppliers more efficient
- › Automatic generator of contracts with suppliers that are residents of the Russian Federation with the ability to add specific provisions, which significantly speeds up the process of negotiating contracts
- › A tool for interaction between supply service employees and suppliers to track the operational procurement process, exchange information quickly, and collect information about procurements that have been completed
- › Dynamic analytical reports based on data obtained from the system of employee interaction. This tool helps to track the day-to-day activities of departments, identify delays in work, and take corrective measures.

Principles of interaction with suppliers

Metalloinvest is guided by the principles of transparency and equal opportunity when it selects suppliers. In addition to conventional criteria for selecting suppliers, such as price, the quality of products and services, supplier reliability, and delivery time, the Company takes into account the adaptability of manufacturing processes, including for eco-friendly production and also takes into account the willingness of suppliers to strictly adhere to the principles of business ethics and human rights. Standard contracts with suppliers include an anti-corruption clause, which states that Metalloinvest's suppliers agree to combat corruption. Any violation of these obligations results in the termination of business relations.

Key mechanisms for interaction with suppliers:

- › verification of suppliers to confirm their reliability;
- › interaction with potential suppliers within commercial negotiations;
- › interaction with suppliers to improve the economic conditions of agreements with core suppliers.

In 2019, the Company plans to further stabilise interaction with suppliers by introducing a survey of the parties involved in the tender process with questions about whether potential business partners have appropriate social and environmental policies and practices.

ENVIRONMENTAL RESPONSIBILITY

The Company has made it a priority to reduce its negative environmental impact in the regions where it operates as it expands production and makes use of the best available technologies to improve the efficient use of natural resources.

RUB 1.3 billion

allocated for the modernisation of enterprises

+8.4%

increase in waste recycling in 2018

-4%

reduction in solid particles emitted into the atmosphere

RUB 7.2 billion

spent on the environment and invested in environmental protection

RUB 516.5 billion

reduction in energy consumption in monetary terms in 2011-2018 as a result of implementing innovative solutions

CONTENTS

- 54 Plans and Results
- 57 Management of Environmental Responsibility
- 59 Material Resources Use
- 62 Water Consumption and Protection
- 66 Emissions, Air Protection and Climate Strategy
- 69 Maintaining Biodiversity
- 70 Energy Consumption and Efficiency

04

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights


Responsibility to Employees

Contribution to Social Development

Environmental Responsibility

Plans for 2018	Results of the reporting period	Plans for 2019 and the mid-term
<h2>Retrofitting, modernisation, outfitting, and technical measures in order to reduce the environmental impact</h2>		
<p>Lebedinsky GOK</p> <ul style="list-style-type: none"> Irrigation of the dusting areas at the tailings facility with a reinforcing solution of the DUSTBIND treating agent from small aircraft on 616 hectares Dust suppression at over 338.4 hectares of open pit roads, tailings facilities and at the crushing and sorting plant with the Bischofite binding agent Application of clay soil (using a hydro-mechanical system) to temporarily unused sections #2 and #3 of the tailings facility on 300 hectares (600,000 m³) 	<p>All the plans were implemented in full, which made it possible to significantly improve the air quality both inside the enterprises and in nearby regions. All the measures that were carried out have proven to be effective</p> <p> For more details, see the sections Material Resources Use (pp. 59-61), Emissions, Air Protection and Climate Strategy (pp. 66-68), and Water Consumption and Protection (pp. 62-65).</p>	<p>Metalloinvest</p> <ul style="list-style-type: none"> Measures to equip stationary emission sources <ul style="list-style-type: none"> automatic measuring and recording tools for pollutant emissions and/or discharges; technical equipment to record and transmit information about pollutant emission and/or discharge indicators. Summarising the initial results of the retrofitting conducted in 2018 Completion of construction and installation work as part of the reconstruction of the granemite emulsion explosive component production facility
<p>Mikhailovsky GOK</p> <ul style="list-style-type: none"> Retrofitting of the pelletising plant. Modernisation of the dust collection system at transshipment sites of open pellet warehouses CO-3-GR-8, CO-2-CO-6 (2018 stage – equipment installation) 		
<p>OEMK</p> <ul style="list-style-type: none"> Retrofitting of the 5th and 6th cooling water circuits to ensure the simultaneous operation of five continuous casting machines (final stage, commissioning) Installation of a suction system in the limestone screening unit 		
<p>Ural Steel</p> <ul style="list-style-type: none"> Reconstruction of the suction system at the stock houses of Blast Furnaces No. 3 and 4 (drafting of design documentation, choice of equipment supplier) 		



Plans for 2018	Results of the reporting period	Plans for 2019 and the mid-term
<h2>Construction of new facilities</h2>		
<p>Lebedinsky GOK</p> <ul style="list-style-type: none"> Construction of a landfill for industrial waste disposal 	<p>Construction of the landfill has commenced and will continue in the new reporting period</p>	<p>Lebedinsky GOK</p> <ul style="list-style-type: none"> Landfill for industrial waste disposal: reconstruction of Landfill Area No. 3; construction of a 100-tonne weigh house
<h2>Reclamation and biodiversity maintenance</h2>		
<p>Lebedinsky GOK</p> <ul style="list-style-type: none"> Biological reclamation of a 25 hectare loose overburden dump pit Biological reclamation of a 15.8 hectare tailings dam Sanitary and hygienic reclamation of tailings dam levees 	<p>Planting of acacias on the territory of the loose dump pits and tailings dam contributed to more dust-forming surfaces</p> <p> For more details, see the section Maintaining Biodiversity (pp. 69-70)</p>	<p>Lebedinsky GOK</p> <ul style="list-style-type: none"> Monitoring the vegetation cover at the landfill site Development of basic procedures for the comprehensive continuous tracking (monitoring) of the condition and changes in the ecosystem of the Yamskaya Steppe and its components <p>OEMK</p> <ul style="list-style-type: none"> Final (mining) reclamation of the landfill for the production and consumption waste of OEMK (2nd stage)
<h2>Certification</h2>		
<p>Certification for compliance with the ISO 50001 Energy management standard by Mikhailovsky GOK, Lebedinsky GOK, and Ural Steel</p>	<p>All Metalloinvest enterprises have been certified for compliance with ISO 50001 Energy management</p>	<p>Continual confirmation of compliance with environmental management systems</p>
<p>Confirmation of compliance with the environmental management systems</p>	<p>External audits confirmed compliance of the environmental management systems / integrated management systems with the requirements of ISO 14001:2015</p>	

Plans for 2018	Results of the reporting period	Plans for 2019 and the mid-term
<p>Improved environmental indicators</p> <p>Continued work to reduce the environmental impact, including by modernising production facilities</p>	<ul style="list-style-type: none"> Increased material reuse rate Increased waste utilisation rate and reduced waste disposal rate Reduced emissions of solid particles (dust) into the atmosphere Introduction and modernisation of in-house generation technologies in order to reduce energy consumption and reduce energy consumption costs 	<p>Metalloinvest</p> <ul style="list-style-type: none"> Increased material resource reuse rate Research work on reactive power compensation <p>Lebedinsky GOK</p> <ul style="list-style-type: none"> Overall decrease in dust air pollution due to a reduction in dust-forming areas <p>OEMK</p> <ul style="list-style-type: none"> Reduced negative environmental impact during the operation of the shot-blasting unit of the metal conditioning site and during the transportation of oxidised and metallised pellets <p>Ural Steel</p> <ul style="list-style-type: none"> Decrease in harmful air pollutant emissions from emission sources of the blast furnace shop
<p>Environmental strategy and planning</p>		<p>Metalloinvest</p> <ul style="list-style-type: none"> Updating existing policies with provisions on how to interact with specially protected natural areas Developing measures to reduce direct greenhouse gas emissions and increase carbon capture



For more details, see the sections [Material Resources Use, Emissions, Air Protection and Climate Strategy](#) (pp. 66-68), and [Energy Consumption and Efficiency](#) (pp. 70-73)

Management of Environmental Responsibility

Environmental responsibility issues are managed as part of a two-tier system: at the level of the Management Company and at the level of enterprises. At the Management Company level, the First Deputy CEO and Production Director and the Environment, Occupational Health and Safety Division coordinate environmental protection issues. At enterprises, chief engineers and the core units under their control are responsible for environmental protection activities.

Environmental protection issues as well as the Company's goals for environmental responsibility are enshrined in the Health, Safety and Environment Policy. The Company's primary goal in this regard is to reduce its environment impact through the following objectives:

- continuously developing and improving production processes;
- sustainable use of production and natural resources;
- improving the efficiency of industrial environmental monitoring;
- compliance with environmental legislation.

Metalloinvest carries out a number of measures to achieve these objectives such as investing heavily in environmental protection activities and improving the technologies it uses.

The Company's expenses on environmental protection amounted to RUB 7.2 billion during the reporting period, a 10% increase compared with the previous reporting period. Of this amount, RUB 1.3 billion were spent on the retrofitting of enterprises. In total, the Company's expenditures on environmental protection measures and investment in environmental protection amounted to RUB 37 billion in 2014-2018.

All the Company's enterprises have environmental management systems. In order to ensure compliance with the Company's high environmental protection standards and environmental legislation, internal corporate inspections of environmental management activities and management systems are carried out at all the Company's plants. Corrective measures are taken based on the results of inspections to improve the existing environmental management systems.



In addition to internal corporate inspections, the Company conducts industrial environmental monitoring as well as internal and external audits of the environmental management system. An external audit carried out during the reporting period reaffirmed that the Company's environmental management systems and integrated management systems comply with the requirements of ISO 14001:2015.

External supervisory authorities also conducted a number of inspections during the reporting period, which revealed a few areas of noncompliance with environmental legislation. The Company was fined a total of RUB 200,000. All the violations found were investigated and rectified. A set of preventive measures was developed in each case to prevent violations in the future.

Such measures include, for example, regular monitoring of changes in legislative requirements and the annual training of employees who are responsible for environmental issues at the enterprises as part of seminars on environmental legislation, which are also attended by government representatives.

Metalloinvest's high level of awareness of changes to the aforementioned requirements resulted in the all the holding's enterprises complying with future requirements of Russian environmental protection legislation as well as the integration of the best available technologies (BAT) during the construction and modernisation stages of production facilities. This approach ensures sequential ecological and technical transformation and a reduction in the environmental impact. In addition, information and technical reference guides on BAT were drafted with Metalloinvest's support on such issues as Iron Ore Mining and Processing, Pig Iron, Steel, and Ferroalloy Production, and Ferrous Metal Downstream Production.

The Company not only provides awareness about the importance of environmental issues at the management level, but also at the level of all enterprise employees with a series of informational events that includes monthly committee meetings on occupational health and safety and environmental safety, briefings of directors, reports by managers, a quarterly summary of the results of monitoring procedures, and an annual corporate seminar on occupational health and safety and environmental safety.

In addition, the Company does not neglect the interests of external stakeholders and engages them by providing periodic reports and organising public hearings on issues concerning the assessment of the environmental impact of the Company's current and planned activities.

Effective feedback mechanisms with internal and external stakeholders on issues concerning environmental responsibility received high marks in the WWF environmental responsibility rating in which the Company was ranked 6th among Russian mining and steel companies.

The Company's commitment to managing environmental responsibility is confirmed by Metalloinvest's use of EMS-certified production facilities. The share of employees and contractors working at EMS-certified facilities remains consistently high and amounted to 80% of the total headcount in 2018. EMS-certified production facilities manufactured a total of 5,053 thousand tonnes of steel. Thus, all manufactured steel is 100% certified in accordance with ISO 14001 certificates.

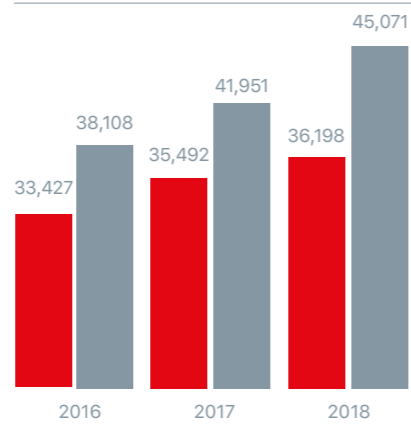
Drafting of scientific and technical reference guides on the best available technologies

In accordance with Federal Law No. 219-FZ dated 21 July 2014 On Amendments to the Federal Law on Environmental Protection and Certain Legislative Acts of the Russian Federation, all ferrous metals enterprises must switch to the use of BAT that are specific to each type of activity and described in the BAT reference guides in the period from 1 January 2019 to 1 January 2025. Sharing environmental values and promoting environmental legislative activities, Metalloinvest supported the drafting of the guides and one of the Company's representatives chaired the Working Group that prepared them.

In addition to describing the industries and their typical technological processes, the guides include a list of the best available technologies that can be used to help reduce the impact in each particular industry and set targets for their use.

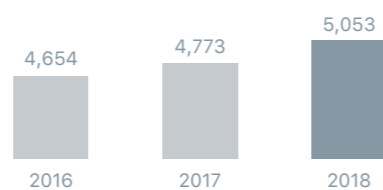
All the Company's enterprises confirmed compliance with all the requirements specified in the BAT reference guides during the reporting period and thus confirmed compliance with the legislative requirements.

Management of emissions



- Number of employees and contractors working at EMS-certified production facilities
- Total number of employees and contractors working at production facilities (excluding non-production units)

Amount of steel produced at EMS-certified production facilities [thousand tonnes]



Material Resources Use

Metalloinvest strives to maximise efficiency in its use of resources and waste generation and is making significant efforts to reduce material consumption and increase the proportion of recycled and reused raw materials.

Metalloinvest enterprises form a direct production chain. The holding's mining enterprises (Lebedinsky GOK and Mikhailovsky GOK) produce iron ore raw materials, which are both finished products that can be sold as well as the main material resource used in the production process at the holding's metallurgical enterprises (OEMK and Ural Steel).

In addition to iron ore, the metallurgical enterprises use coking coal and scrap metal in their production cycle. The use of material resources increased overall in the reporting period due to an increase in production capacity in the same period, in particular due to an increase in the production of pellets, HBI, DRI, pig iron, and steel.

301-1

Key material resources used in production [thousand tonnes]

Resource	2015	2016	2017	2018	Change
Iron ore	8,220	9,274	8,644	9,439	+9.2%
Coking coal	1,764	2,156	1,824	1,674	-8.2%
Scrap metal	1,529	1,575	1,765	1,818	+3.0%

Overburden rocks are generated as a by-product during the stage of extraction and recovery of iron ore raw materials. Metalloinvest cares about the maximum efficiency of resource use and strives to use all the by-products of mining and production. In particular, if overburden rocks are suitable for

use as mineral raw materials, the Company takes advantage of this opportunity by processing them into an alternative product (for example, overburden rocks have become widely used in the production of crushed stone for road filling).

Iron ore extraction waste subsequently used for operational needs [000' tonnes/000' m³]

Waste	2017	2018	Change
Black soil (000' m³)	24.0	150.2	+526%
Clays and loams (000' m³)	24.3	29.0	+19%
Crushed stone (000' m³)	884.0	998.6	+13%

Data on clays and loams was adjusted in comparison with the 2017 Corporate Social Responsibility Report.

A number of waste products that can be recycled or reused are generated during the metallurgical cycle when manufacturing products. The Company supports the idea of efficiently utilising resources and ships a significant proportion of the waste it generates for reuse. In particular,

blast furnace slag can be used in construction work (for example, for concrete mixes) or can be resold to construction companies, while internal scrap can be reused in the production process.

Most of the waste (98%) consists of overburden and barren rock as well as refinement tailings, is classified as Hazard Class 5, and has virtually no effect on ecological systems. The total volume of waste edged up by 1% during the

reporting period, due to an increase in the volume of Hazard Class 5 waste (virtually non-hazardous waste) as well as increased production.

Reused material resource waste [000 tonnes]

Waste	2017	2018	Change
Blast furnace slag	1,108	1,205	+ 8.8%
Dust	556	534	- 4.0%
Sludge	113	112	- 1.3%
Recirculated scrap	465	486	+ 4.5%

Production waste that cannot be reused is recycled, disposed of, or transferred to other organisations. During the reporting period, the Company managed to significantly increase the

volume of recycled waste (by 8.4%) and waste transferred to other organisations (by 6.8%), while decreasing the volume of disposed waste (by 2%).

Key responsible resource usage measures

The Company began building a landfill for industrial waste disposal during the reporting period

Plans for 2019

The following goals have been set for 2019 in accordance with the short-term environmental goals of the Group's enterprises:

- › final (mining) reclamation of a landfill for production and consumption waste at OEMK;
- › reconstruction of a landfill for industrial waste disposal and construction and equipping of a 100-tonne weigh station at Lebedinsky GOK.

Waste generation and treatment by class [tonnes]

	Hazardous waste						Non-hazardous waste				Total	
	Class 1		Class 2		Class 3		Class 4		Class 5		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Recycling (by-products generated)	0	0	472	395	181	416	258,232	843,031	18,608,028	19,605,351	18,866,913	20,449,193
Thermal deactivation (incineration)	0	0	0	0	43	35	35	48	10	6	87	90
Processing for recycling, including sorting, disassembling, and treatment	0	0	0	0	249	245	540,733	0	5	0	540,987	245
Materials sent for disposal, including:	0	0	0	0	570	603	112,671	126,202	106,767,553	106,699,045	106,880,794	106,825,850
To landfills	0	0	0	0	152	603	101,733	126,202	56,649,583	55,467,086	56,751,468	55,593,891
On-site storage	0	0	0	0	418	0	10,938	0	50,117,970	51,231,959	50,129,326	51,231,959
Transfer of waste for processing, recycling, deactivation, storage, and disposal	28	23	62	87	4,111	3,725	1,645,771	1,765,380	220,897	229,960	1,870,869	1,999,175
Total	28	23	534	482	5,154	5,024	2,557,442	2,734,661	125,596,493	126,534,362	128,159,650	129,274,551

Water Consumption and Protection

303-1

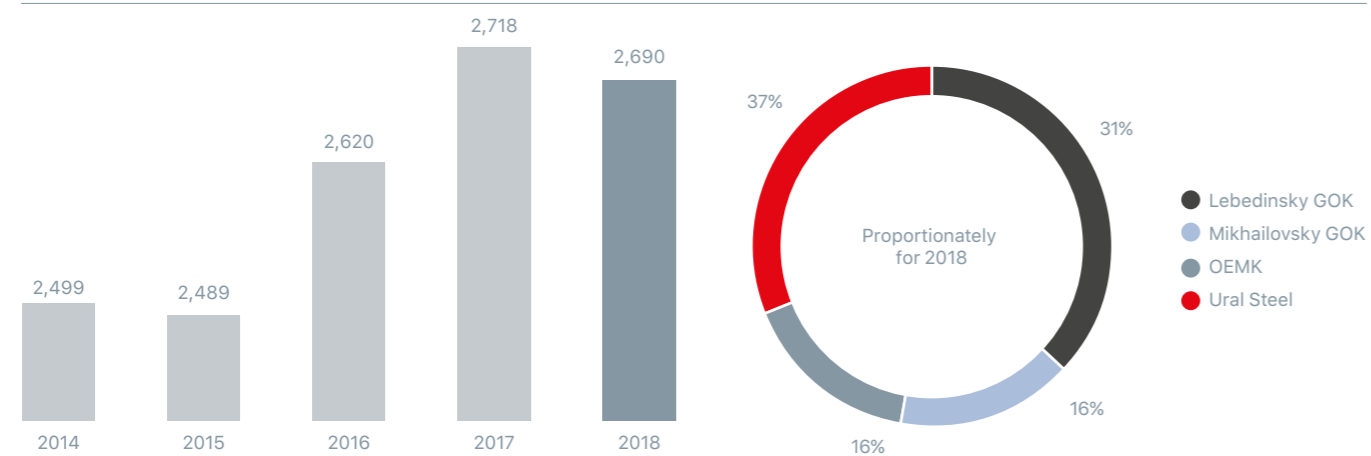
Metalloinvest strives to increase the amount of water it recycles and reuses in an effort to reduce the impact on water bodies. The Company uses special settling tanks whose equipment prevents used water from penetrating the soil. Wastewater stored in tanks is used as process water.

Overall water consumption increased compared with the previous reporting period due to the scaling up of production, while the share of water consumed amounted to 5.6% of the total volume of water recycled and reused. Most of the water consumption is used to cool furnaces and equipment, a process in which no water pollution occurs.

The total volume of water reused at plants is calculated using water balance estimation in the water recycling systems.

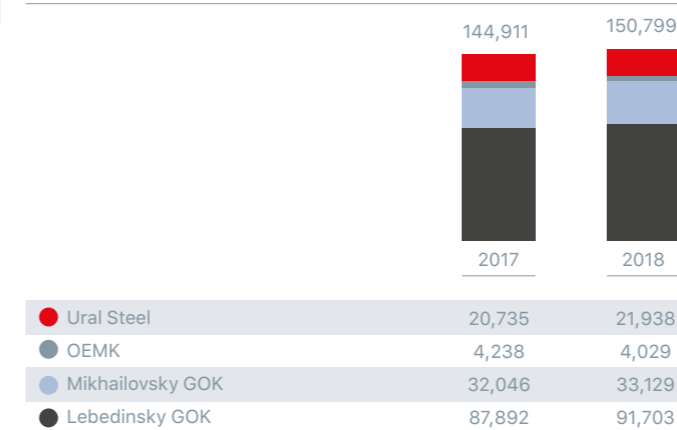
Metalloinvest enterprises receive water for industrial needs and drinking water supply from surface and groundwater. The main sources of water intake and wastewater discharge are rivers (Oskol, Oskolets, Ryasnik, Chern, Rechitsa, and Ural) and a reservoir (Starooskolsky reservoir) located in the regions where the plants operate.

Total volume of water recycled and reused [million m³]



303-3

Total water intake [million m³]



There are no water shortage in any regions from which water is taken.

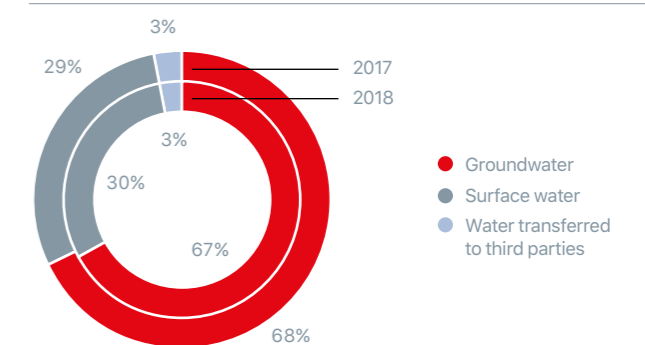
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The Company pays significant attention to compliance with water usage conditions and takes a responsible approach to monitoring its impact on water resources. In particular, the Company's accredited in-house laboratories monitor and analyse the content of pollutants both in intake water as well as wastewater on a monthly basis. In addition, the Company maintains strict records of water intake and monitors the condition of water bodies and their water protection zones within which it carries out diving surveys of fish protection structures at water intakes each year, among other measures.

303-2

Wastewater discharge edged down slightly in 2018 compared with the previous year and amounted to 34,060,000 m³. The Company carries out timely and effective measures to prevent accidents at water bodies. No unplanned wastewater discharge was carried out in 2018.

Amount of water intake with a breakdown by source [%]



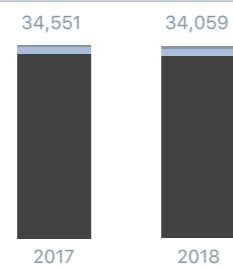
The Company does not use formation or sea water, and all the water it takes is classified as fresh.

Prior to being discharged, the entire volume of polluted water was treated at sewage treatment plants using biological, mechanical, physical, and mechanical methods, which significantly reduced the impact of Metalloinvest's plants on the biodiversity of water bodies.

All the Company's wastewater complies with state and municipal quality standards as well as the internal monitoring programme for water bodies and their water protection zones and is discharged within the prescribed limits.

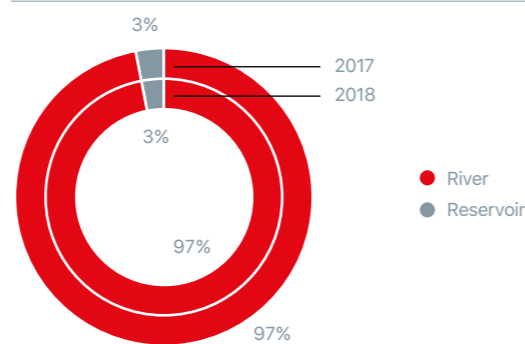
The main body of water into which water is discharged is the Oskolets River near Lebedinsky GOK, and the quality of the wastewater is much higher than the quality of water in the river itself.

Wastewater discharge [million m³]



	2017	2018
Ural Steel	0	0
OEMK	169	256
Mikhailovsky GOK	1,508	1,363
Lebedinsky GOK	32,874	32,440

Wastewater discharge by type of destination [%]



Ural Steel does not discharge wastewater. All wastewater discharges were planned.

Wastewater discharge by quality [000' m³]*

Wastewater treatment method	Lebedinsky GOK	Mikhailovsky GOK	OEMK	Wastewater discharge volume using treatment method	
				2018	2017
Standard treated water including	18,092	889	256	19,237	18,544
Biological treatment	19	0	0	19	26
Physical and mechanical treatment	0	0	256	256	169
Mechanical treatment	18,073	889	0	18,962	18,349
Untreated wastewater	0	0	0	0	0
Effluents	0	0	0	0	16
Standard clean (untreated)	14,348	474	0	14,822	15,991
Total wastewater discharge by facility	32,440	1,363	256	34,059	34,551

* Ural Steel does not discharge wastewater.

Greywater is transferred to municipal wastewater services for further treatment. A total of 12,280,000 m³ of wastewater was transferred to municipal services during the reporting period, which is 8% less than in the previous year.

Key water consumption measures

Retrofitting cooling water circuits at OEMK

In December 2018, OEMK completed the retrofitting of its 5th and 6th cooling water circuits. The project ensures uninterrupted water supply for the closed cycle and the simultaneous operation of five continuous casting machines (CCMs). The modernisation of the water circuits helped to reduce the volume of water taken and discharged while increasing production.

Process water recycling system at Mikhailovsky GOK

A project was launched in the fourth quarter of 2018 to equip the crushing and screening plant (CSP) at Mikhailovsky GOK with a recycling water supply system. The project will eliminate wastewater discharges into the Ryasnik River.

Creation of a water protection zone in the Chern River at Mikhailovsky GOK

This measure was carried out to eliminate the risk of pollution of the Chern River.

Plans for 2019

Due to an expansion in production, the Company's top priority is to maintain the level of water intake and water consumption at the current level in accordance with the short-term environmental objectives of the Group's enterprises for 2019.

The Company plans to continue work to equip the crushing and screening plant (CSP) at Mikhailovsky GOK with a process water recycling system.



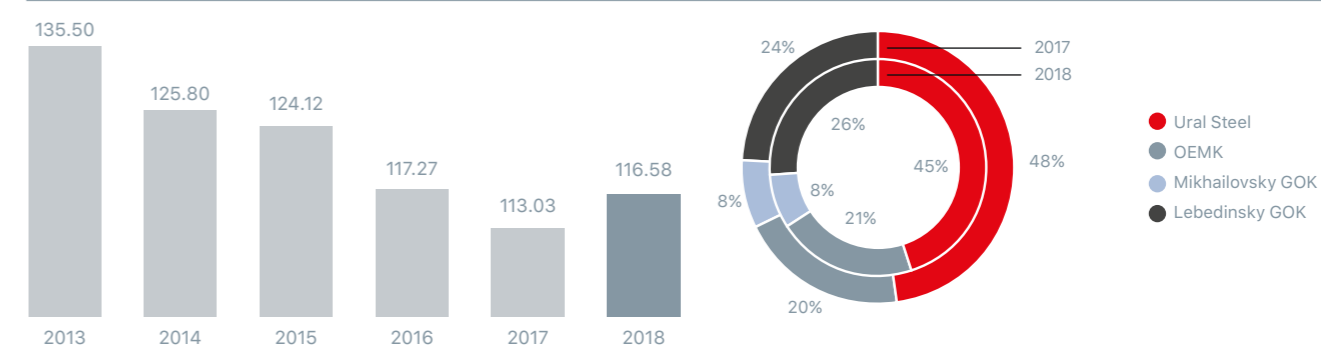
Emissions, Air Protection and Climate Strategy

305-7

Air protection is a major priority for the Company in terms of environmental protection. The Company is implementing a number of initiatives that aim to stabilise the amount of pollutant and dust emissions as it significantly expands production.

Total air emissions totalled 116,600 tonnes in 2018, an increase of 3% from the previous year due to the Company's expanded production capacity. Dust control initiatives that were implemented during the reporting period, including retrofitting (for more details, see the section Key air protection measures), helped to reduce the amount of solid particles emitted into the atmosphere by 4%.

Total air pollutant emissions from stationary sources [000' tonnes]



Structure of pollutant emissions [000 tonnes]

	2016	2017	2018
Particulates	18.3	17.3	16.6
Gaseous, including	98.9	95.7	100.0
SO ₂	20.7	21.4	22.3
CO	60.6	57	59.8
NO ₂	14.4	14	13.8
Other volatile organic compounds	3.2	3.3	4.1
Total emissions	117.2	113	116.6

Key air protection measures

The Company implemented a wide range of dust control and air protection initiatives in 2018.

Installation of a suction system in the limestone screening unit at OEMK

The suction system cleans the air of the limestone dust that is generated when it is screened and has treatment efficiency of 99.99%. The installation of the suction system has helped to significantly reduce the amount of fugitive emissions.

Reclamation and greening of industrial sites at Lebedinsky GOK

Metalloinvest carried out biological reclamation work on loose dump pits in 2018 by planting acacia (on an area of 10 hectares) as well as lilac saplings and grass (on an area of 15 hectares). In addition, a forest shelter belt was created along the perimeter of the overburden rock. These measures not only had a positive effect on the region's biodiversity (for more details, see the section Maintaining Biodiversity), but also helped to reduce dust generation.

In addition to the biological reclamation of rock and loose overburden, Lebedinsky GOK conducted sanitary and hygienic reclamation on dam levees on its territory

at a tailings dam using loam (9.3 hectares) and black soil (8.5 hectares) and also washed away temporarily unused compartments of the tailings dam with loam (on an area of 300 hectares). These measures helped to restore disturbed lands (for more details, see the section Maintaining Biodiversity) and also fortified dust-forming surfaces.

Dust control measures using reinforcing solutions at Lebedinsky GOK

The Company continued to implement hydro-mechanical dust control measures using ground-based irrigation equipment and small aircraft. Dust-forming areas of tailings facilities were irrigated with the DUSTBIND acrylate-containing agent using aircraft (616 hectares). In addition, the roads of the mining pit, tailings facilities and crushing and sorting plant were treated with the Bischofite binding agent (Bischofite solution). Both agents stabilise dust-forming surfaces, binding solid particles and preventing surface weathering. These measures have significantly reduced dust generation.

Retrofitting and modernisation of the dust collection system at Mikhailovsky GOK

A major environmental event for Mikhailovsky GOK during the reporting period was the start of the modernisation of the dust collection system at the pellet plant's open storage facilities, which mainly tranship pellets. This inevitably results in fugitive emissions of dust from bulk materials due to wind exposure. The new dust collection system will significantly reduce dust generation.

Reconstruction of the suction system at Ural Steel

Ural Steel launched a project in 2018 to rebuild the suction system at blast furnace stock houses. The suction system was rebuilt to ensure that the dust concentration after treatment is no more than 20 mg/m³. New bag filters and blower equipment are slated to be installed as part of the renovations. The project will significantly reduce the dust load on the environment.

Plans for 2019

The following goals were set for 2019 in accordance with the short-term environmental goals of the Group's enterprises:

- reducing dust air pollution due to a decrease in dusty areas at the tailings dam at Lebedinsky GOK;
- reducing emissions of harmful air pollutants by replacing the integrated equipment of the shot-blasting unit, including the suction system at OEMK;
- reducing emissions of harmful air pollutants from emission sources at the blast furnace shop at Ural Steel as a result of the completion of the modernisation of the blast furnace dust collection system.

In the mid term, the Company also plans to equip stationary emissions sources at all plants with automated devices to measure and record pollutant emissions and/or discharges as well as technical equipment to record and transmit information on pollutant emissions and/or discharge indicators.

Managing climate change

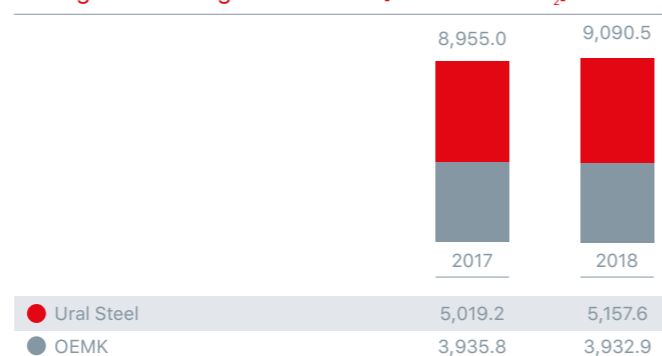
Greenhouse gas emissions are primarily generated by burning natural gas and coal when manufacturing steel products, iron, and HBI/DRI at plants in the metallurgical segment.

In this regard, the Company is implementing a number of measures to monitor greenhouse gas emissions, is a member of various industry associations, and supports initiatives to reduce CO₂ emissions. Each year, the Company receives a certificate of the international Climate Action programme from the World Steel Association.

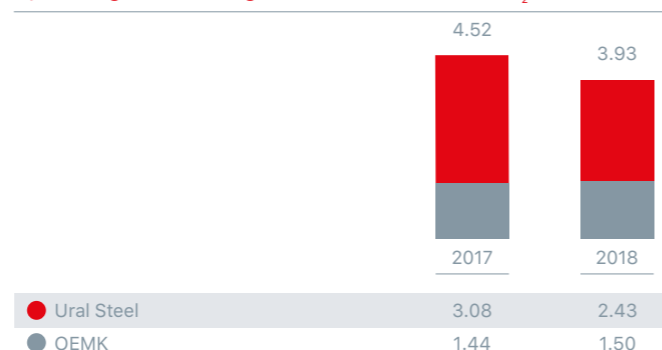
Total direct carbon dioxide emissions (scope 1) by the metallurgical sector's plants totalled 9,091,000 tonnes of CO₂ equivalent during the reporting period, up slightly (by 1.5%) from the previous period due to increased production. At the same time, the successful implementation of initiatives to counter climate change has made it possible to significantly reduce (by 21%) specific emissions at Ural Steel and avoid a significant increase at OEMK.

In addition to monitoring emissions at all the holding's enterprises, the Company plans to devote significant attention to reducing direct greenhouse gas emissions and increasing carbon capture. These measures should help Metalloinvest assess its capabilities for cutting greenhouse gas emissions and set reduction targets by 2021.

Total greenhouse gas emissions [^{'000 tonnes of CO₂}]



Specific greenhouse gas emissions [tonnes of CO₂/tonne of steel]



Direct emissions (scope 1) and specific greenhouse gas indicators are calculated in accordance with WSA methodology.

Cooperation with the World Steel Association

Metalloinvest is a member of the World Steel Association, which is one of the largest international organisations in the industry and brings together more than 160 global steel companies, as well as national and regional industry associations and research institutes. World Steel Association members collectively account for roughly 85% of global steel production.

Metalloinvest is committed to meeting the highest industry standards and regularly hosts representatives of the association who inspect the Company's enterprises for compliance with safety and occupational health requirements. The Company began regularly providing the association with quantitative data on environmental and occupational health and safety indicators as well as personnel indicators during the reporting period. In 2019, Metalloinvest also plans to begin providing quantitative indicators for a life cycle assessment of steel products as part of the Life Cycle Assessment initiative. The association will then use this data to conduct research

to assess the impact that production processes have on the environment.

A key area of cooperation between Metalloinvest and the World Steel Association is their membership in the Climate Action programme, which is the basis of a global initiative to reduce CO₂ emissions in the steel industry. As part of this programme, the Company collects, calculates, and provides data on greenhouse gas emissions generated during production based on the association's methodology and standards. A comparison of data from the Company's different enterprises will determine the most effective tools for reducing CO₂ emissions.

Maintaining Biodiversity

304-1

Despite the fact that Metalloinvest enterprises do not operate in protected areas or areas with a high level of biodiversity, the Company pays considerable attention to monitoring and preserving the biological system in the regions where it operates and provides regular support to organisations involved in preserving and studying typical and unique ecosystems.

304-2

In particular, Lebedinsky GOK specialists actively cooperate with the Belogorye Nature Reserve, whose Yamskaya Steppe national park is located near the plant. A number of activities were implemented in 2018 as part of joint activities, in particular:

- > the condition of and changes in the ecosystem at the Yamskaya Steppe park of the Belogorye Nature Reserve was monitored in order to obtain information on Lebedinsky GOK's impact on the reserve's ecosystems;
- > the plant prepared a report on the results of its dust control and flood protection initiatives on the Yamskaya Steppe's ecosystem.

at the border of the sanitary protection zone (including where the Belogorye Nature Reserve is located) within which Lebedinsky GOK operates did not exceed 14.7% of the upper limit of the safe level.

In addition, a scientific study titled Study of the biological diversity (flora and fauna) of the man-made landscapes of Mikhailovsky GOK, which was published at the start of the reporting period, showed that entirely man-made and semi-natural landscapes are suitable for both typical as well as rare species of flora and fauna. The study involved a primary inventory of the flora and fauna within the man-made landscapes at Mikhailovsky GOK, and sites were selected to set up permanent test areas in 2019 to study the condition and abundance of rare plant and animal species within the plant's impact zone.

The monitoring results show that the Company has no significant direct or indirect impact on the biodiversity of the ecosystem. In particular, the average concentration of pollutants

Plans for 2019

The Company plans to implement a number of measures in 2019 to monitor biological diversity in the regions where it operates.

Research into the biological diversity of the man-made landscapes of Mikhailovsky GOK will continue with the involvement of employees from the Professor Alekhin Central Black Earth State Natural Biosphere Reserve. Plans for 2019 include completing an inventory of biological diversity (flora and fauna) within the man-made landscapes as well as creating a database for further long-term monitoring.

Basic procedures will be developed to comprehensively and continuously monitor the condition of and changes in the Yamskaya Steppe's ecosystem to obtain up-to-date information about Lebedinsky GOK's impact on the reserve's ecosystems and assess the effectiveness of dust control and flood protection measures.

The work will be carried out in two stages:

- > during the first stage, information will be collected about the condition of flora and fauna and small mammals, and an analysis will be conducted on the condition of and changes in the quality of surface water;
- > during the second stage, an optimal network of stationary observations will be devised for terrestrial ecosystems in the Yamskaya Steppe region, the observation materials will be processed, and the results of the assessment of surface water quality (for eight waterways and water bodies) and atmospheric pollution of ecosystems with heavy metals in the area being studied will be presented.

> The Company plans to monitor the plant cover at the landfill site.

In addition to the monitoring activities, existing environmental policies will be updated in 2019 to include provisions on how to interact with specially protected natural areas.

Energy Consumption and Efficiency

Metalloinvest takes energy consumption very seriously and is committed to improving energy efficiency as its business constantly evolves and production increases. All the Company's enterprises have been certified with ISO 50011 Energy management and meet international energy efficiency requirements.

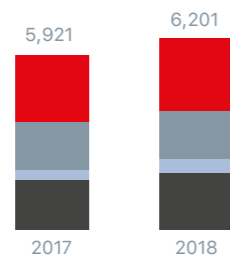
The Company adjusts its **Energy Efficiency Improvement Strategy** in accordance with its current business objectives on an annual basis. The current version of the Strategy was adopted until 2023 and makes energy efficiency a key parameter in the Company's investment projects. The Strategy states that energy efficiency should be integrated with production management system at Metalloinvest's plants during the design stages.

Energy efficiency measures help to reduce growth rates in fuel and electricity consumption. This is particularly important when scaling up production by introducing new equipment and building new facilities, which traditionally involves high energy consumption. Taking into account the results of measures that were adopted to increase energy efficiency, fuel and electricity consumption increased by 1% and 3% in 2018 accordingly.



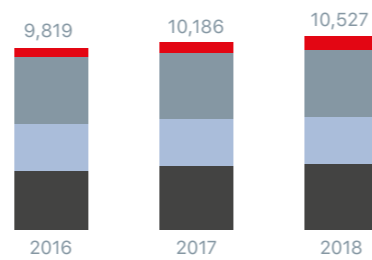
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Fuel consumption [tonnes of oil equivalent]



Enterprise	2017	2018
Ural Steel	2,529	2,512
OEMK	1,510	1,584
Mikhailovsky GOK	246	277
Lebedinsky GOK	1,636	1,828

Changes in electricity consumption [GWh]



Enterprise	2016	2017	2018
Ural Steel	510	619	812
OEMK	3,585	3,565	3,585
Mikhailovsky GOK	2,535	2,579	2,591
Lebedinsky GOK	3,189	3,423	3,539

* The conversion to kJ may be performed using the following ratio: 1 GW h = 3,600,000,000 kJ.

Data on electricity consumption at Ural Steel does not take into account the consumption of electricity generated at its Ural Steel Combined Heat and Power Plant and Turbo Blower Station. Data for 2016 and 2017 was recalculated compared with the 2017 report.

302-1

Fuel consumption by fuel type [000' tonnes of oil equivalent]

	2016	2017	2018	2018/2017
Coal	2,034	1,717	1,451	-15%
Fuel oil	2	3	3	0%
Natural gas	3,891	4,589	4,909	+ 7%
Diesel fuel	79	108	114	+ 6%
TOTAL	6,006	6,417	6,477	+ 1%

* Fuel converted from natural physical units to tonnes of oil equivalent (TOE) in accordance with the ratios proposed by the Ratio Reference Book. Natural gas: ratio = 1.154; diesel: ratio = 1.45; coal: ratio = 0.768-0.876, depending on the deposit. The figure can be converted to kJ using the following ratio: 1 TOE = 29,307,600 kJ.

Energy consumption (coal, natural gas, and diesel fuel) directly depends on the production programme of enterprises and their plans for repair and maintenance work.

During the reporting period, Metalloinvest continued to reduce the share of coal consumption as it gradually replaces it with natural gas. Fuel oil is mainly used as a backup fuel for boilers.

302-1

Share of different types of fuel in total consumption

	2016	2017	2018
Coal	33.87%	26.76%	23.96%
Fuel oil	0.03%	0.05%	0.04%
Natural gas	64.78%	71.50%	74.28%
Diesel fuel	1.32%	1.69%	1.72%

Key measures to improve energy efficiency

Measures to improve energy efficiency aim to accomplish two main goals: reducing energy consumption and reducing energy consumption costs.

- > **Development of internal generation technologies** at production facilities to ensure the continuity of production processes in the event of disruptions in external power supply. The initiative includes the launch of projects to rebuild boiler houses at all the Company's plants to incorporate efficient in-house generation technologies. The initiative is expected to reduce the consumption of natural gas that is traditionally used as a resource for generation along with reducing emissions of greenhouse gas and harmful substances and also lower costs for the maintenance of obsolete equipment. A project was also initiated during the reporting period to modernise the CHP plant at Ural Steel, which entails installing medium-pressure boilers in order to use both natural and blast-furnace gas – a by-product of pig iron production – as a source of energy.
- > **Commissioning of the Lebedi substation** as part of the reconstruction of the Lebedinsky GOK external power supply system, which resulted in significant savings in energy consumption costs. In the long term, the initiative also aims to provide the plant with a sufficient reserve of capacity in order to develop production.

Metalloinvest is an energy supplier in the Orenburg Region city of Novotroitsk where it supplies almost 100% of all energy

Plans for 2019:

Metalloinvest initiated a study of the methods used for reactive power compensation. Unlike active power, which transforms electricity into useful forms of energy, reactive power consists of electricity that is mainly consumed for the ineffective heating of electricity conductors. The Company plans to consider ways to release useful energy from reactive power to increase the total capacity of production units. Examples of such units are diesel locomotives that transport ore from quarries. The increase in their traction power while not losing any speed will contribute to increased process efficiency and overall productivity.

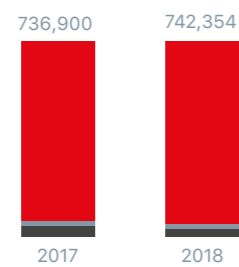
Metalloinvest employees themselves make a significant contribution to improving the Company's energy efficiency. Since 2011, an annual competition has been held for the best innovative proposal to improve energy efficiency. As part of the competition, employees individually or collectively

prepare and submit their proposals, which are considered by special commissions at each of the plants. The best proposals are approved for future implementation and are included in the investment programme and the submitters of winning ideas are rewarded with a cash bonus.

Key facts of the competition for the best innovative proposal to improve energy efficiency

- 93 – the number of participants since the competition was launched in 2011
- 63 – the number of approved proposals since the competition was launched
- RUB 516.5 billion – total reduction of energy costs in monetary terms from 2011 to the end of 2018 due to the implementation of the innovative proposals
- 11 – the number of participants in the competition in 2018
- 11 – the number of approved proposals from the 2018 competition

Thermal energy sales [Gcal]



Entity	2017	2018
Ural Steel	676,313	689,468
OEMK	21,159	21,677
Mikhailovsky GOK	0	0
Lebedinsky GOK	39,428	31,209

* Metalloinvest does not sell electricity. The conversion to kJ may be performed using the following ratio: 1 Gcal = 4,187 kJ.



OCCUPATIONAL HEALTH AND SAFETY

The Company strives to continuously improve the occupational health and safety management system and create the safest and healthiest workplace conditions possible for all employees. In its search for continuous improvement, the Company integrates innovative methods to ensure safety and actively collaborates with companies in the sector to develop the most effective solutions.

RUB **1.5** billion

spent on occupational health and safety

0.60

injury rate (LTIFR)

CONTENTS

- 76 Plans and Results
- 77 Occupational Health and Safety
- 86 Innovations in Occupational Health and Safety

05

Plans and Results

Plans for 2018	Results of the reporting period	Plans for 2019 and the mid-term
Communications on OHS issues		
Continue the practice of exchanging experience with other representatives of major and medium-sized businesses on occupational health and safety issues	Attendance of external health and safety events organised by representatives of the Russian extractive industry  For more details on the 2018 results, see the section <i>Innovations in OHS</i> (pp. 86–87)	Invite representatives of the extractive industry to the holding's enterprises to exchange experience on health and safety issues
Implement the Pursuit of Safety programme, which aims to involve employees in the process of identifying hazards and risk management and developing a safety culture that aims to prevent incidents	Implementation of a series of measures, including: the visualisation of hazardous activities at enterprises, behavioural safety audits, and the integration of the internal corporate training system  For more details on the 2018 results, see the section <i>Innovations in OHS</i> (pp. 86–87)	Continue and expand the programme for the visualisation of hazardous actions, process the results of behavioural safety audits, and expand the trainer personnel and audience of internal corporate training sessions
Draft and introduce a communications programme for occupational health, safety and environmental safety that includes educational courses, behavioural safety audits, etc.	Implementation of a series of information and educational activities	
Modernisation of the industrial safety system		
Audit the existing workplace safety system in order to draft and introduce the Integrated System to Ensure Workplace Safety	Assessment of the strengths and weaknesses of the Integrated System to Ensure Workplace Safety. Development of an internal 1C-based local system that integrates all the strengths of the Integrated System to Ensure Workplace Safety.  For more details on the 2018 results, see the section <i>OHS Management Systems</i> (pp. 77–78)	Integrate the OHS and Environmental Protection Automated Management System based on 1C
Providing employees with personal protective equipment		
Manage the quality of personal protective equipment (PPE): conduct a repeat survey of employees on their satisfaction with PPE in 2019	Introduction of a regulation on bar code testing and practices  For more details on the 2018 results, see the section <i>Innovations in OHS</i> (pp. 86–87)	Continue testing PPE in the prescribed manner and conduct a repeat survey of workers in the second half of 2019

Occupational Health and Safety

Employee safety remains the Company's highest priority. Total investments in OHS increased by more than 3% during the reporting period compared with the previous reporting period and enabled the Company to implement a number of measures and integrate advanced technologies into OHS. The Company provides its employees with the highest quality personal protective equipment, which is selected based on multi-stage testing, and its fitness is now monitored automatically using a bar-coding system over the course of its service life. Metalloinvest is continuously searching for optimal solutions in employee safety and encourages continuous interaction in this regard both between enterprises and outside of the holding.

Occupational Health and Safety Management System

403-1

The occupational health and safety management system did not undergo any changes during the reporting period and still encompasses all employees of the holding's enterprises.

OHS issues are managed both at the level of the Management Company, as represented by the First Deputy CEO – the Chief Operating Officer as well as the Environment, Occupational Health and Safety Division, and at the enterprise level, as represented by chief engineers and heads of specialised departments.

403-4

The Company has had an Environment, Health, and Safety Committee since 2017. The Committee meetings are held on a monthly basis and chaired by the CEO. In addition to the CEO himself, the Committee includes his first deputies, heads of functional units, Company employees, and representatives of all companies under the holding's management. The Committee's main function is to make strategic decisions and coordinate the work of the OHS units.

The Company's working condition requirements are not only determined by Russian legislation, but also by the recommendations of the OHSAS 18001:2007 international management and occupational safety system.

In the mid-term (starting from 2021), the Company also plans to introduce the ISO 45000:2018 standard to unify working conditions. In order to establish a unified classification of working conditions at workplaces for employees from various enterprises of the holding that perform activities that are similar in terms of their danger, the Company invited a third-party organisation (Klin Institute of Occupational Safety and Conditions). The unification of working condition classes will make it possible, among other things, to optimise the process of providing benefits, compensation, and additional vacation days.

The general principles and requirements of Metalloinvest, which integrate the requirements of all the manuals used, are compiled in corporate documents that describe the Company's policies on health and safety issues.

The corporate documents include:

- › Company's Development Strategy;
- › Health, Safety and Environment Policy;
- › Major Requirements in Occupational Health and Safety;
- › Manager's HSE Code of Practice.

In accordance with the requirements of OHSAS 18001:2007, each of the Company's enterprises has developed a risk and hazard classification system based on which each risk is assigned a level unacceptable or acceptable. Despite the fact that only measures to reduce unacceptable risks are mandatory, the Company also makes maximum efforts to reduce acceptable risks as part of its observance of the principle of permanent risk reduction. All risk reduction measures aim to:

- › eliminate sources of danger;
- › prevent employees from accessing hazardous areas;
- › use safer technical devices, materials, and technologies;
- › improve safe work methods and techniques;
- › provide visual and automated monitoring of technical parameters that indicate potential danger;
- › use locks, alarms, and warning labels;
- › reduce the severity of personnel's exposure to hazards;
- › use and improve personal protective equipment.

An assessment of the feasibility of introducing the Integrated System to Ensure Workplace Safety was conducted during the reporting period.

The detailed assessment of the feasibility of introducing the Integrated System to Ensure Workplace Safety identified the advantages and potential difficulties of its integration. Based on the assessment as well as an exchange of experience with representatives of the extractive industry, the Company decided to initiate its own project to automate the management of occupational, industrial and environmental safety issues on the basis of the 1C system.

The distinctive features and advantages of this system are its compatibility with the SAP ERP system in terms of data integration and transmission as well as an interface that is easy to use and accessible for users of any level and is suitable for operational on-site work.

This system will effectively document the results of industrial safety audits. Management will be able to view the data stored in the system, including information on the site at which the audit was conducted, who was designated as the person responsible for eliminating the violations, and when the violations should be eliminated. The system also provides information about the deadlines for eliminating violations, which makes it easier to monitor them. This system is similar to the existing violation log at the Company's enterprises, although it is fully automated.

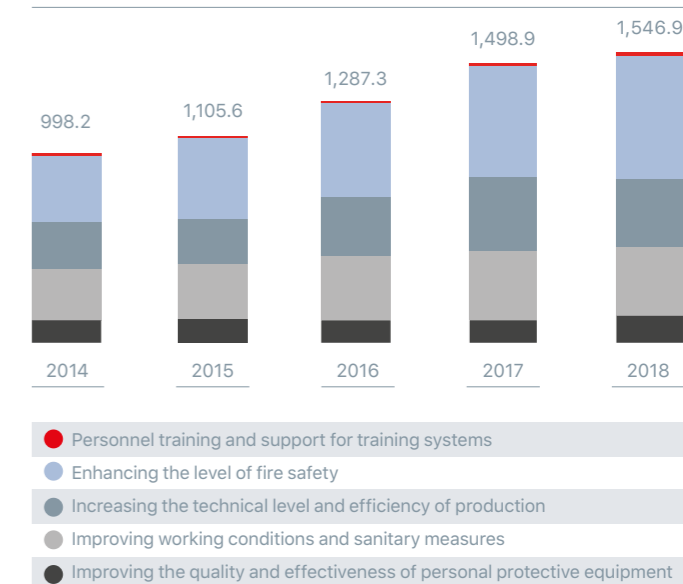
Expenditures on Occupational Health and Safety

The Company annually invests in the occupational health and safety of its employees. Total investments during the reporting period amounted to RUB 1,547 million, which were distributed among the following main areas of investment:

- › improving the quality and effectiveness of personal protective equipment;
- › improving working conditions and sanitary measures;
- › increasing the technical level and efficiency of production;
- › Enhancing the level of fire safety;
- › personnel training and support for training systems.

During the reporting period, the biggest increases in investment were seen in the segments Improving the quality and effectiveness of personal protective equipment (10%) and Enhancing the level of fire safety (21%).

OHS expenditures [RUB million]



	2014	2015	2016	2017	2018
Personnel training and support for training systems	5.1	4.3	4	9.7	10
Improving the quality and effectiveness of personal protective equipment	347.1	442.2	509.2	603.8	666.1
Improving working conditions and sanitary measures	255.4	244.7	317	399.8	365.2
Increasing the technical level and efficiency of production	276.6	292.8	338.7	373	369.3
Enhancing the level of fire safety	114	121.6	118.4	112.6	136.3
TOTAL	998.2	1,105.60	1,287.30	1,498.90	1,546.90

Ural Scrap Company is also included in the calculation of indicators related to OHS expenditures.



For more details on risk reduction measures, see the section Occupational Injury Prevention (pp. 80–82).

Occupational Injury Prevention

Three fatal accidents took place at the holding's enterprises during the reporting period. The injury rate (LTIFR) was 0.60. All the accidents that occurred were identified and investigated by a commission chaired by the chief engineer. According to the Company's requirements, each investigation involves identifying the circumstances, taking pictures, interviewing eyewitnesses and victims, verifying the technical condition of the facility, and complying with OHS requirements. Based on the inspection results, the commission proposes measures to prevent similar accidents (e.g. conducting safety audits, retraining and testing staff on their knowledge about OHS standards, improving the effectiveness of personal protective equipment as well as monitoring and preventive measures) and also conducts an assessment of environmental and material damage.

The injury rate increased compared with the previous reporting period due to the Company's adoption of a new information transparency policy under which any injury (including microtrauma and off-the-job injuries) must be disclosed and investigated. The investigation procedure is detailed in the new regulation on the investigation of microtraumas, which took effect at all the holding's enterprises in 2018.

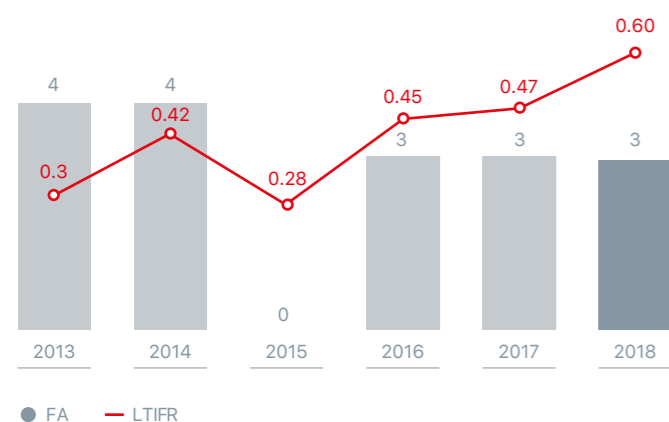
This approach will help to reduce the number of serious injuries going forward since investigating and mitigating any potential danger will ensure the greatest safety of employees.

Moreover, a **Stop Card Regulation** will be introduced in 2019 in order to ensure employees are as safe as possible. The introduction of the Regulation will result in employees responsible for safety using a special notebook with tear-off stop cards. If a dangerous situation is detected, the responsible employee can prepare a stop card with a full description of the incident that could cause injury to employees and the persons involved. Based on this stop card, work will be suspended at the site, an investigation into the hazardous situation will be launched, and the necessary actions will be taken based on the results of the investigation. This practice is somewhat similar to the Safety Book document that is already used at the enterprises, but it has one key difference. Whereas the previous practice aimed to immediately hold an employee responsible for a violation without conducting an interim investigation, the new practice is more focused on identifying the causes of the hazardous event rather than punitive measures.

At the end of the year, employees who made the greatest contribution to improving safety at the Company's enterprises – employees who identified the highest number of confirmed violations and employees who ensured the maximum safety in their territory – will be rewarded.

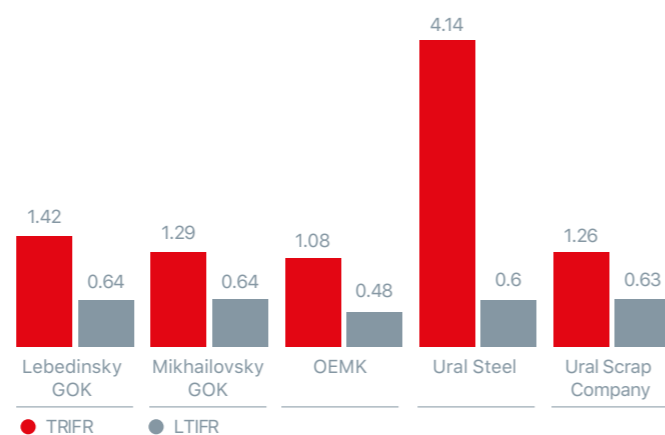


Fatal accidents (FA) and injury rates (LTIFR) in 2013-2018*

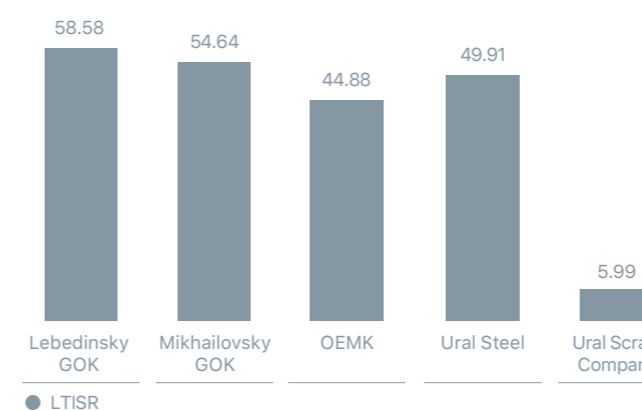


* Ural Scrap Company is also included in the calculation of injury indicators.

Total Recordable Incident Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) at Metalloinvest enterprises in 2018*



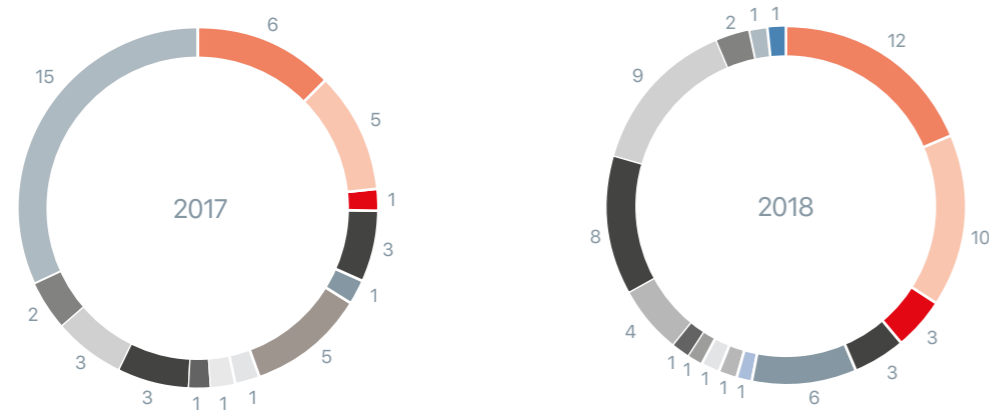
Lost Time Injury Severity Rate (LTISR) at Metalloinvest enterprises in 2018*



* Ural Scrap Company is also included in the calculation of injury indicators.

LTIFR in 2018
0.60

Types of accidents resulting in injuries to employees and contractors in 2017 and 2018 [cases]



	2017	2018
Falls from height	6	12
Falling objects	5	10
Operating equipment (mobile)	1	3
Bridge cranes	3	3
Rail	1	6
Traffic accidents on external road	0	1
Other mobile equipment	5	0
Explosion	0	1
Fire	1	1
Gas poisoning, asphyxiation	1	0
Hot metal	0	1
Hot substances	1	1
Electric shock	0	4
Manual work and tools	3	8
Slipping, stumbling, or falling on a level surface	3	9
Foreign body injury to the eye	2	2
Other	15	1
Movement / storage of products	0	1

Providing Employees with Protective Equipment in the Workplace

The Company always welcomes feedback on ways to improve OHS, rewards proactive employees, and independently initiates surveys on employee satisfaction with occupational safety. In particular, the Company conducted a survey among employees about their satisfaction with the quality of personal protective equipment (PPE) during the previous reporting period.

The results of this survey were studied and examined in detail in the current reporting period. In particular, based on the results of the previous survey held on 18 May 2018, the Company created the standard **Procedure for Testing Pilot PPE**, which regulates the testing procedure for industrial prototypes. Per the standard, each piece of PPE that is to be purchased is tested by workers in the workplace for three months. Based on the testing results, employees fill out feedback forms, which are then sent to the commercial

service. The test results are among the main criteria for the purchase of the PPE.

In addition, technical specifications for the purchase of PPE that integrate the requirements for the workplace and provide the necessary respiratory and dermatological protection were drawn up during the reporting period. Thus, despite the decentralised purchase of PPE by each individual plant, the requirements for their high quality remain uniform at all the holding's enterprises.

In the new reporting period, the Company plans to continue testing PPE in the prescribed manner. Employees are to be surveyed again in the second half of 2019.

In addition, workwear will be designed in the same corporate style for all the holding's enterprises starting from 1 January 2019.

Occupational Safety Training for Employees

403-5

Employees obtain the necessary knowledge about occupational health and safety during training programmes that the Company conducts on a systematic basis. The training programmes meet both the legislative requirements of the Russian Federation as well as the internal standards of the Company's enterprises. The training programmes cover such issues as occupational safety requirements, occupational risk management, the occupational safety integrated management system, legal support for occupational safety, the rights and duties of employees as regards occupational safety, briefings, social support for

workers injured in the workplace, first aid, and environmental safety and offer **more than 45 courses** in total. Employees have their knowledge on OHS tested through certification and assessments.

Training is conducted by certified health and safety specialists as well as department managers and specialists from the Company's enterprises both at the Company's own training centres and at third-party organisations. All training costs are borne by the Company.



In the reporting period, the Company invested **more than 350,000 man-hours** in training employees of all positions.

Employee Health

403-1 Metalloinvest continued working on ways to improve the quality of healthcare for employees in 2018. Metalloinvest employees have access to medical services provided by the Company's clinics and medical centres. At present, corporate medical institutions have a staff of **more than 720 employees**, including highly qualified medical personnel and support staff. The Company is introducing solutions to automate administrative processes, which has gradually reduced the size of the support staff.

403-4
403-5
403-6 One milestone of the reporting period was that the Company unified the practices of all existing medical services at each of Metalloinvest's enterprises and the Company's medical institutions for the first time.

In 2018, the Company worked to harmonise healthcare regulations. This work resulted in the release of the Regulation on Medical Support for the Company's Employees, which created a cross-functional agenda and distributed responsibility for access to health services among occupational health and safety units as well as social and HR services. Metalloinvest employees were duly informed about the release of the document, which has been publicly available in the internal corporate system since 2019.

56 cases
of occupational diseases
identified in 2018

Occupational Illness Reduction Programme

An Occupational Illness Reduction Programme was developed in 2018 based on instructions from the Metalloinvest Board of Directors and is being implemented in collaboration with the Izmerov Occupational Medicine Research Institute. The Programme was launched as part of the Company's desire to increase the efficiency of medical examinations envisaged by Russian legislation (regulated by Article 213 of the Labour Code of the Russian Federation) given that a substantial proportion of Metalloinvest employees work in harmful and dangerous working conditions.

The Programme not only aims to identify the symptoms of occupational diseases, but to detect early warning signs (signs before the onset of symptoms). This approach is designed to reduce occupational illness as a result of timely diagnosis at the earliest stages. As part of this initiative, the Company invested in the purchase of high-quality medical equipment in 2018 as well as the salaries of healthcare personnel at the Metalloinvest Diagnostic Centre (LebGOK-Health LLC).

In 2018, some **2,000 Lebedinsky GOK employees** underwent an examination as part of the pilot launch of the Programme during which it was found that **275** of them had subclinical signs of disease. Preventive measures are being taken for these workers, which

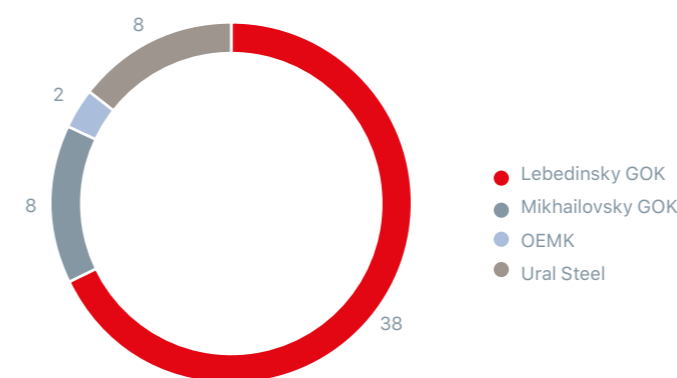
will reduce cases of newly diagnosed occupational diseases by 10%. In 2019, the Company plans to continue introducing the initiative at Lebedinsky GOK and also launching the Programme at other Metalloinvest enterprises.

Treatment plans are being developed for employees with signs of occupational diseases. These plans may include outpatient treatment at the day patient facilities of the Metalloinvest Diagnostic Centre as well as health resort treatment at Metalloinvest resorts. The Company has resort facilities in all three regions where it operates: the Ural Health Centre in the Orenburg Region, the Gornyatsky Health Resort in the Kursk Region, and the Belogorye sports complex in the Belgorod Region. In 2018, **7,151** Company's employees underwent a health and wellness programme at corporate and third-party health resorts.

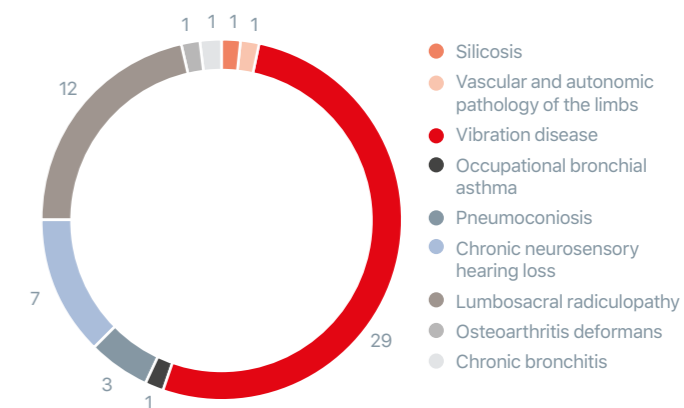
The Company plans to assess the Programme's effectiveness based on two indicators: the number of cases of occupational disease and the number of new cases of occupational disease that are identified as part of the annual examinations. One of Metalloinvest's goals in the medium term is to reduce the number of newly detected diseases by 10%, which is a unique KPI on the Russian market among companies in the industry.

403-10

Number of diseases caused by industrial factors in 2018



Occupational diseases in 2018



* The statistics cover the Company's employees. The occupational illnesses of third parties (including contractors) are not taken into account. There was not a single case of occupational illness that resulted in death during the reporting period.

In addition to health resorts, the Company is implementing a set of preventive and anti-epidemic measures that aim to reduce the incidence of disease in order to achieve a sufficient level of collective immunity. In particular,

it is providing vaccinations for employees. A total of **16,185 employees** were vaccinated in preparation for the 2018-2019 flu and SARS season.



Innovations in Occupational Health and Safety

The Company makes enormous efforts to continually improve and modernise the occupational health and safety system.

During the reporting period, Metalloinvest considered introducing new technological solutions for the occupational health and safety of its employees in order to improve the effectiveness of existing initiatives and streamline occupational safety management processes. In particular, the Company decided to introduce **automated medical examination systems** as part of the activities performed by its health centres.

Automated medical examination system



The Company's health centres continued to function during the reporting period. At present, each of the Company's enterprises has eight to twelve health centres whose activities include conducting pre-shift medical examinations, including checking employees' pulse, blood pressure, pupil response, and alcohol levels. Such examinations are particularly important for ensuring the safety of rolling stock workers. In an effort to improve the accuracy of examination results and reduce the human error factor during the diagnosis as well as optimise the work of healthcare personnel, Metalloinvest plans to launch automated examinations in 2019. Technology developed by the System Technologies Group of Companies – one of the leading suppliers of automated occupational safety solutions – provides a comprehensive analysis of a person's condition (analysis of the pulse wave, hemodynamics, and heart rate), records the examination results, and promptly transmits them to a control panel that is maintained by a medical professional. This solution is expected to help avoid critical errors in the workplace associated with employees' impaired psychical and physiological condition.

RUB 93 million
Total investment

As it searches for ways to improve, the Company not only relies on its own expert opinion, but also engages in the practice of exchanging experience with other enterprises, which helps to identify the most effective methods for managing occupational health and safety issues.

Exchanging experience

Metalloinvest actively developed the practice of exchanging experience to ensure industrial safety during the reporting period and plans to further develop it in 2019.

The Company conducted a series of cross-audits between its enterprises during the reporting period to develop an optimal unified system on industrial safety issues.

In addition to internal exchanges of experience, the Company regularly takes part in external events, including occupational safety measures organised by major mining companies in Russia. The first such event in 2018 for Metalloinvest was the congress 'Occupational Safety and Ecology at Metallurgical Enterprises', which was held by MMK PJSC in Magnitogorsk on 12-14 November. In the future reporting period, the Company plans to attend congresses on personal protective equipment issues and other occupational safety and health congresses held by companies in the extractive industry (Gazprom Neft PJSC, Polyus PJSC) and also host its colleagues from the extractive industry.



An exchange of experience resulted in the launch of a **project to barcode personal protective equipment**. The barcoding procedure involves placing waterproof bar codes on each piece of PPE that contain the owner's name, information about the employee's workshop and work section, the issuance date, and the last washing date. During each wash, the data will be scanned so that employees and the responsible parties can be informed when the service life has expired (after more than 20 washes). The project will ensure continuous monitoring of the quality and maintenance of the protective functions of workwear and also prevent its wear.

In addition, experience sharing activities helped identify the need to take a personalised approach to employees in order

to improve the occupational health and safety system. In particular, the Company integrated advanced practices for improvements to the OHS culture not only from a technological standpoint, but also in terms of interaction with employees by launching a project that provides internal corporate coaching and conducting behavioural audits during the reporting period. Moreover, as part of the **Pursuit of Safety** programme, the Company carried out a range of activities with the support of the Corporate Communications Department to visualise dangerous actions and events. The goal of this measure is to provide broad awareness and urge employees to observe safety procedures at their enterprises. Digital posters and slogans, for example 'They're waiting for you at home' and 'Daddy, come home', were used as part of the initiative.

Internal corporate coaching system

As part of this project, 14 employees from the Company's enterprises (foremen and shop floor managers) were trained at the School of Leadership. In an effort to improve its efficiency, the Company eliminated the component of mandatory training and focused on a voluntary initiative. Employees were nominated for training based on their desire to develop a culture of safety among an enterprise's staff and leadership qualities.

The employees who underwent training later conducted internal corporate industrial safety training sessions in the form of open dialogues and roundtables. Such events take an individual approach taken to each participant

and focus on identifying the causes of non-compliance instead of blindly complying with legislative and corporate occupational safety requirements. In 2018, two roundtables were held at each of Metalloinvest's plants.

The project is expected to result in a significant decrease in the injury rate at all enterprises, which has already been seen at other companies in the industry that have implemented a similar training system. In the future reporting period, the Company plans to double the coaching staff, intensify vocational training, enhance coaching skills, increase the number of events, and expand the audience participating in roundtables.

Behavioural safety audits

Behavioural safety audits involving third-party organisations were another measure carried out as part of the Pursuit of Safety programme. The audits aimed to identify the root causes of security breaches using the 5 Whys technique

without imposing disciplinary measures. A set of appropriate measures was adopted to reduce workplace injuries based on the results of each of the audits.

HUMAN RIGHTS

As part of doing responsible business, the Company attaches great importance to the observance of human rights and guarantees their protection at all stages of the production process in accordance with international, national, and in-house documents.

CONTENTS

- 90 Company's Approach to Human Rights
- 91 Activities to Protect Human Rights

06

Company's Approach to Human Rights

Respect for human rights is a fundamental principle of Metalloinvest's activities and also serves as the basis for relations with all stakeholders.

Metalloinvest guarantees compliance with the labour and human rights enshrined in the Constitution of the Russian Federation, the Labour Code of the Russian Federation, UN conventions, and the International Labour Organisation (ILO).

The principles of human rights are reflected in the Company's internal documents:

- › Code of Corporate Ethics;
- › Health, Safety and Environment Policy;
- › Stakeholder Engagement Policy;
- › Corporate Social Responsibility and Philanthropy Policy.

Metalloinvest offers working conditions that meet all established internal and external requirements. In particular, the Company:

- › observes the ban on the use of child and forced labour;
- › guarantees the protection of human dignity and privacy;
- › recognises the right to freedom of thought, conscience, and speech;
- › seeks to provide decent wages and the best social support for all its employees and to prevent its activities from harming the inhabitants of the regions where it operates.

The Company guarantees freedom from discrimination based on racial, gender, ethnic, religious, political, or sexual grounds, political or other beliefs, national or social origin, property, estate, or other status, and based on other characteristics not related to job results.

Metalloinvest is aware of the high health risks associated with its production processes and strives to ensure maximum safety levels in the workplaces. The Company also makes significant efforts to reduce its environmental impact and preserve biodiversity and recognises and respects the rights of residents to a favourable environment. Metalloinvest also takes into account the risks of its negative impact on the wellbeing of the regions of operation due to the opening and closing of production facilities and thus all possible efforts to introduce compensatory mechanisms.

In order to make sure that human rights are strictly observed, Metalloinvest continuously interacts with stakeholders using various channels of two-way communication. The Company carefully considers each inquiry, request, or question that is submitted publicly or anonymously regardless of the applicant's status. The Company encourages transparency and invites all stakeholders to take part in an open dialogue, including the most vulnerable groups of the population.



Activities to Protect Human Rights

See the relevant sections of this Report for more about Metalloinvest's activities to protect fundamental human rights.



For more details on the equality of rights and freedoms regardless of gender, race, nationality, language, origin, property and official status, place of residence, religious beliefs, convictions, or affiliation with public associations (Article 19 of the Constitution of the Russian Federation), see the sections Responsibility to Employees (pp. 92–105) and Contribution to Social Development (pp. 106–116) and the section Supply Chain (pp. 48–51).

The key initiatives of the reporting period were:

- › implementation of a corporate training programme that provides opportunities for all employees – from foremen to senior management – to develop managerial and leadership skills
- › effective functioning of the 'Your Voice' feedback channel, which enables all employees to send public or anonymous appeals to the Company's management to resolve disputes, including those related to violations of ethical standards and employee rights
- › implementation of social programmes in the Company's regions of operation with the aim of integrating vulnerable segments of the population into society
- › modernisation of procurement procedures while continuing to observe the principles of equal opportunities and respect the rights of participants in the supply chain



For more details on the right to work in conditions that meet safety and hygienic requirements (Article 37 of the Constitution of the Russian Federation) and the right to health protection and medical care (Article 41 of the Constitution of the Russian Federation), see the section Occupational Health and Safety (pp. 74–87) and the section Social Support for Employees (p. 105).

The key initiatives of the reporting period were:

- › a programme to reduce occupational illness among Metalloinvest employees;
- › automation of the medical examination system to effectively identify potential health risks;
- › exchanges of experience in occupational health and safety among Metalloinvest enterprises and third-party companies in order to introduce best practices in occupational safety and health;
- › internal corporate coaching projects to educate leaders on occupational health and safety who are capable of effectively identifying risks at enterprises and managing them using an individual approach;
- › a strategy to improve the quality of medical care for residents of the regions where the Company operates.



For more details on the right to remuneration for work without any discrimination and to be paid no less than the minimum wage set by federal law, the right to rest and leisure (Article 37 of the Constitution of the Russian Federation) as well as voluntary social support (Article 39 of the Constitution of the Russian Federation), see the sections Remuneration System and Social Support for Employees (pp. 104–105).

The key initiatives of the reporting period were:

- › competitive salary level was maintained with an average amount exceeding the average remuneration rates in the regions of operation by 50%
- › the Company's employees were given opportunities to recuperate at health resorts;
- › comprehensive social package in addition to the social benefits regulated by the legislation of the Russian Federation.



For more on preventing economic activities aimed at monopolisation and unfair competition (Article 34 of the Constitution of the Russian Federation), see the section Business Ethics and Anti-Corruption (pp. 36–37).

The key initiatives of the reporting period were:

- › training of employees responsible for managing anti-corruption activities and ensuring compliance with anti-corruption principles at the International Compliance Association in order to implement the best management and control standards;
- › enhanced convenience of the hotline on issues concerning anti-corruption violations: the development of feedback channels on social media.



For more details on the right to a favourable environment (Article 42 of the Constitution of the Russian Federation), see the section Environmental Responsibility (pp. 52–73).

The key initiatives of the reporting period were:

- › introduction of water recycling systems, suction systems, and dust collection technologies to reduce the negative impact on water resources, air quality, and biodiversity in the regions where the Company operates.



For more details on charitable activities recognised as a form of voluntary social support (Article 39 of the Constitution of the Russian Federation), see the section Contribution to Social Development (pp. 106–117).

The key initiatives of the reporting period were:

- › social investments in the development of the socio-cultural environment, education, healthcare, sports, projects to support vulnerable people as well as initiatives to develop entrepreneurship;
- › launch of a corporate volunteering programme.

RESPONSIBILITY TO EMPLOYEES

Metalloinvest devotes significant attention to the professional and personal growth of employees and views it not only as its own priority task as a responsible employer, but also as a key to improving production efficiency, financial performance, and business sustainability. The Company traditionally makes considerable efforts to ensure the comprehensive development of its employees and devotes financial and time resources to this.

44,303 people

number of employees at the end of 2018

RUB 3,195 million

social support expenses in 2018

1,583 hours

invested in employee training in 2018

RUB 45,700

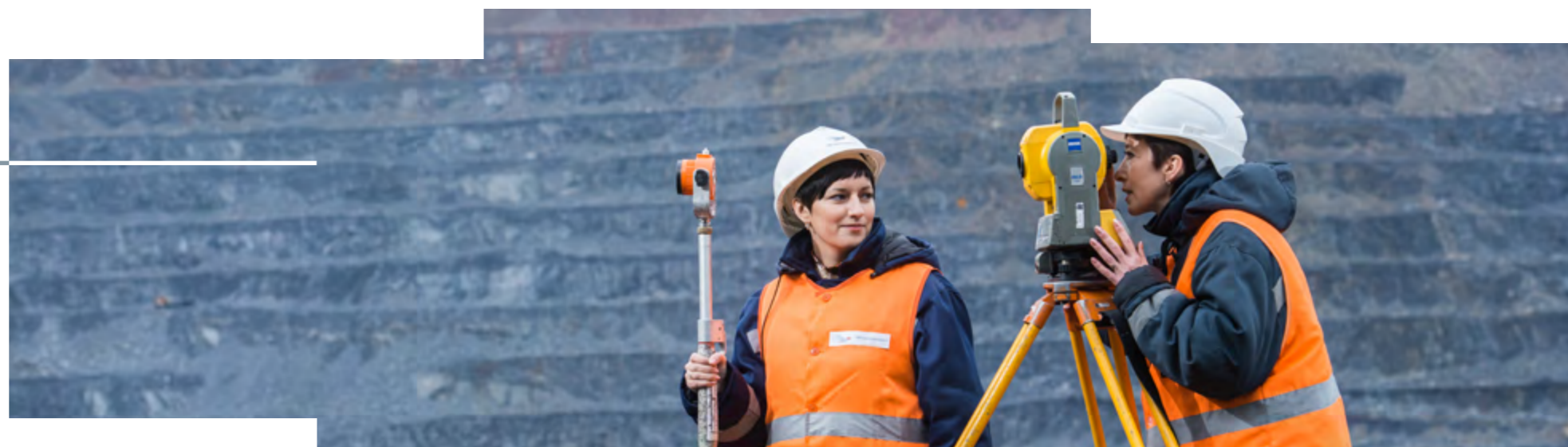
average monthly salary at the Company in 2018

CONTENTS

- 94 Plans and Results
- 96 Personnel Management System
- 98 Personnel Structure
- 100 Personnel Recruitment
- 101 Training and Development
- 104 Remuneration System
- 105 Social Support for Employees

07

Plans and Results



Plans for 2018 and the medium term Results of the reporting period Plans for 2019 and the mid-term

Management system and organisational structure

Unification of organisational structures in the metallurgical and mining segments

Reorganisation of 140 production sector structures, including intra-company transfers, a reduction in the number of management levels, and the expansion of the span of control



For more details on the 2018 results, see the section Personnel Management System (pp. 96–97)

Reorganisation of auxiliary functions through the transformation and centralisation of business processes

Completion of the introduction of the SAP system

Completion of the introduction of the SAP Human Capital Management system



For more details on the 2018 results, see the section Personnel Management System (pp. 96–97)

- › Automation of the goal-setting process and key performance indicators of employees, knowledge management and training system as well as procedures for working with the talent pool
- › Introduction of the entire SAP system by the start of the third quarter

Plans for 2018 and the medium term Results of the reporting period Plans for 2019 and the mid-term

Employee engagement

Completion of the formation of a unified talent pool for all the Company's enterprises (top 500 and top 100)

Formation of a unified talent pool



For more details on the 2018 results, see the section Talent Pool Programme (p. 103)

Development of the talent pool through:

- › quarterly meetings with management;
- › integration of talent pool representatives into advisory processes;
- › organising events to exchange experience with companies that are leaders in the metals and mining industry.

Systematisation of work with young professionals

Implementation of individual annual development programmes for newly arrived employees

Systematic interaction with secondary and higher education institutions



For more details on the 2018 results, see the section Work with Young Talent (p. 100)

- › Continued work as part of individual annual development programmes
- › Further cooperation with educational institutions and the recruitment of young talented employees

Replication of the 'Production Leaders Institute' pilot programme at all the Company's enterprises

The programme is being implemented at all Metalloinvest's plants and encompasses middle managers of the Company's enterprises

- › Defence of final projects by participants who completed training under the 'Production Leaders Institute' pilot programme
- › Continued implementation of the Production Leaders Institute pilot programme as well as the Foreman School programme and Comprehensive Development Programme

Personnel Management System

I Level



II Level



The Company has two organisational levels of personnel management.

The Company performs personnel management at **two organisational levels**. The **first level** includes two departments: the Organisational Development Department and the HR Department, which report to the Deputy CEO for Organisational Development and Personnel Management. The departments' tasks include **developing goals and strategies concerning staff management** as well as **training direct managers at the enterprise on best practices in staff management**.

The **Organisational Development** Department conducts an assessment of the staff structure, plans the need for new staff, and searches for ways to increase labour productivity and the efficiency of organisational structures. In addition, the Department's responsibility includes developing a performance management system, setting goals, tracking progress in achieving goals, and adopting decisions once goals are achieved.

The **HR Department's** functions involve recruiting staff and developing an incentive system and the methodology for solving HR issues.

Direct **staff management** is carried out at the **second level** and falls within the responsibility of line managers who are in charge of operations at Metalloinvest plants.

In this segment, a separate role is assigned to the **Social Policy Department**, which reports to the Director of Corporate Communications and Social Policy. The department deals with issues concerning social support for staff, establishing and providing discount packages for employees, engagement with trade unions, and drawing up a collective bargaining agreement.

The two-tier personnel management system makes it possible to more flexibly respond to the needs of employees and ensure regular engagement with staff and a high level of involvement by all parties in the process.

The Multifunctional Shared Services Centre (MF SSC) has been the auxiliary unit that manages human resources issues since 2017. All operational accounting issues, such as HR administration and salary transaction, are among the key functions of the MF SSC.

Metalloinvest invests in the development of the personnel management system with the aim of transforming the practice into an effective mechanism to ensure the effectiveness of economic activities. In an effort to comply with best practices, the Company regularly exchanges experience with other members of the metals and mining sector and conducts a comparative assessment of its activities with similar activities of market leaders. The results of this analysis are actively used to improve the Company's HR system.

One initiative to improve the efficiency of staff management was the introduction of the SAP Human Capital Management system (SAP HCM, alternatively SAP HR), which took place in record time for the perimeter in which it was introduced (four enterprises). The SAP system is scheduled to be fully introduced by July 2019.

Introduction of the SAP HCM

The introduction of the SAP system offers a number of technical and organisational advantages.

From a technical standpoint, the system, which unites all the holding's enterprises, makes it possible to ensure easy, transparent, and reliable access to the data of each plant.

From an organisational standpoint, the introduction of the unified system requires the Company to review, unify, and standardise all business processes. In particular, due to the implementation of SAP HCM, the following results were achieved during the reporting period:

- > 140 organisational units were reorganised;
- > the internal corporate transfer of 43,000 employees;
- > a reduction in the number of management levels from thirteen to seven;
- > the span of control (the number of people managed by a manager) was expanded from seven to twelve people.

The reorganisation has considerably simplified and accelerated the process of adopting organisational decisions.

Key corporate documents governing staff management:

- > Regulation on Talent Pool Management
- > Regulation on Employee Salaries and Bonuses
- > Regulation on Social Support for Workers and Their Families
- > Concept of Non-Financial Incentive Tools
- > Regulation on Reward Activities
- > Regulation on the Performance Management System (KPI: goal setting, tracking, and summarisation)
- > Regulations on organisational structures
- > Regulations, rules, and standards for work at plants required to undergo ISO certification as well as internal and external audits
- > Regulations on the training and development of the METALLOINVEST Group's employees

Plans for 2019 and the mid-term

In the medium term, the Company plans to reorganise its support functions, in particular the units that handle maintenance and administrative support for production activities, due to changes in and the centralisation of business processes.

The Company also plans to automate processes outside the perimeter of the current SAP HCM module. In addition to automating staff and transactional issues as well as time cards and self-service for directors and managers, there are plans to automate the process of setting goals and key performance indicators for employees, the knowledge management and training system, and procedures for working with the talent pool.

Personnel Structure



102-8

The Company had a total of 44,303 employees as of the end of 2018, which is 9% less compared with the previous reporting period.

The decrease in staff numbers is primarily due to meeting the goal of increasing economic and production efficiency. Despite the reduction in staff, Metalloinvest managed to increase revenue by 15.8% and EBIDTA by 38.4% in the reporting period.

401-1

It is important to note that the decrease in staff numbers was achieved solely due to the natural outflow of staff and a reduction in hiring (the number of employees hired decreased by 51% compared with the previous reporting period). The Company also initiated a retirement programme in the reporting period that offers financial incentives for employees who retire upon reaching retirement age, which increased the outflow of employees in the older age group (over 50). At present, 32,000 non-working retirees (former employees of the four Metalloinvest enterprises) receive financial payments from the Company.

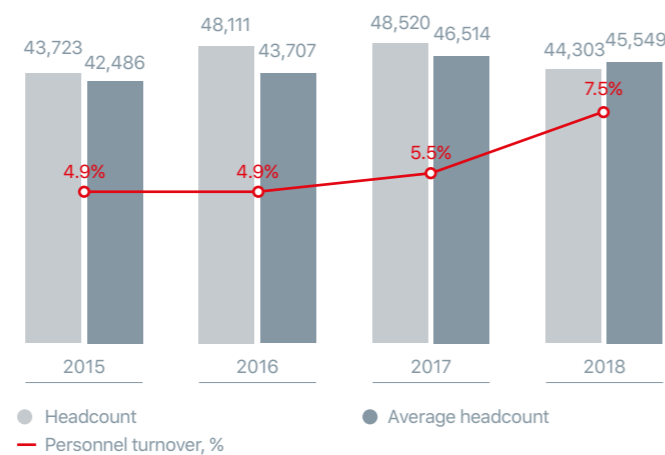
No significant changes occurred in the staff structure during the reporting period. Women still account for more than a quarter (27%) of all the Company's employees, which is a high figure for a manufacturing enterprise.

Changes in the age structure of staff, in particular a 4% reduction in the number of representatives of the older age group, reflect the effect of the retirement programme. Employees aged 30 to 50 make up the largest share of the staff structure due to the Company's production specifics.

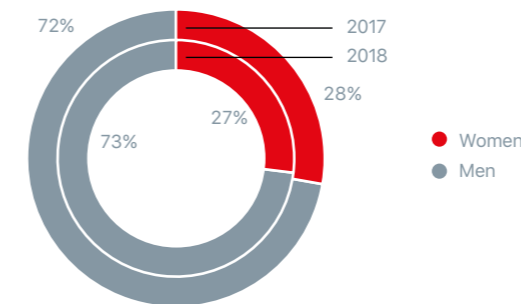
Staff distribution by job category remained unchanged compared with the previous reporting period. In 2018, workers made up 77.4% of the staff, while middle managers, specialists, and employees accounted for 22.5%. Senior executives made up 0.1% of the total staff.

In 2018, the Company once again demonstrated its commitment to long-term labour relations: the share of employees with an open-ended employment contract was 98%.

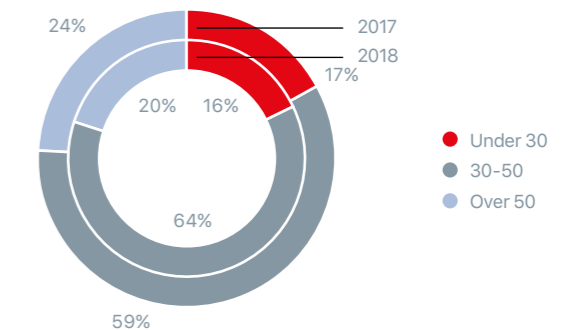
Headcount and personnel turnover



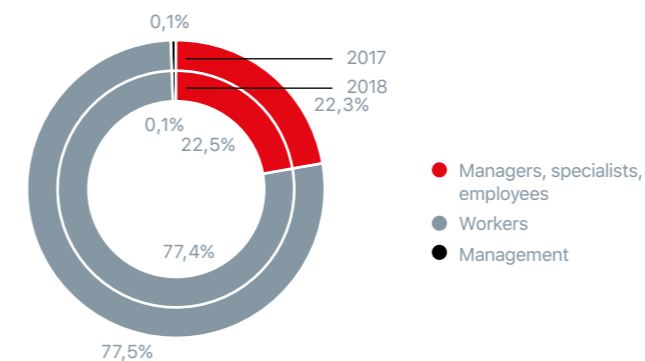
Headcount by gender



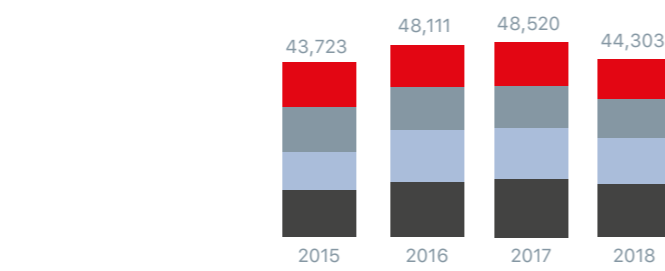
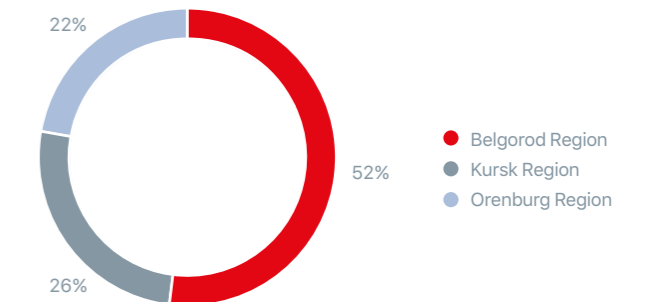
Headcount by age group



Headcount by employee category



Headcount by region



Enterprise	2015	2016	2017	2018
Ural Steel	11,359	10,639	10,792	9,937
OEMK	11,252	10,809	10,602	9,585
Mikhailovsky GOK	9,338	12,730	12,639	11,539
Lebedinsky GOK	11,774	13,933	14,487	13,242

* Data adjusted compared with the 2017 Corporate Social Responsibility Report.

* Belgorod Region has two enterprises – Lebedinsky GOK and OEMK.

Personnel Recruitment

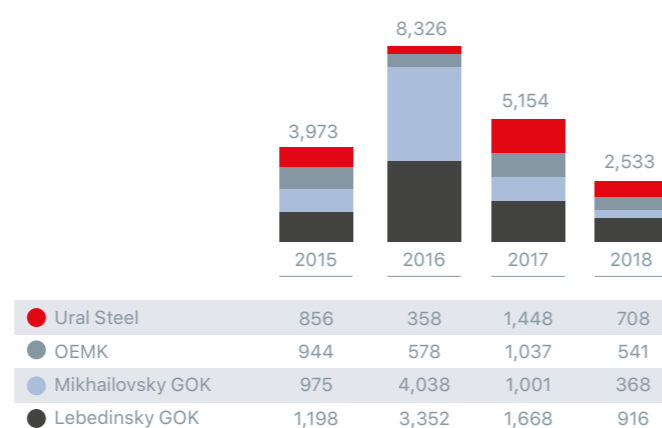
Despite a general decline in hiring rates, Metalloinvest continued to recruit young people in the reporting period. The share of young professionals (under 30) made up 53% of the total number of newly hired employees in the reporting period.

Work with Young Talent

Engagement with young professionals begins during their training stage as part of the Company's cooperation with higher and secondary specialised educational institutions. The key stage of this engagement involves arranging work experience internships for students, which helps them to become better acquainted with production processes. After completing the internships, students continue their studies at educational institutions. If they decide to return to the Company's plants as young employees after graduation, an individual annual development programme is developed for them and mentors are appointed. In addition to performing their direct professional duties, young professionals participate in various competitions and scientific conferences.

After young employees complete their first year of work, Metalloinvest takes a decision on the further development of the career of each young employee: some of them are included in the talent pool, while some are hired to vacant positions at enterprises depending on their potential, interests, and results for the year.

New hires in 2015–2018



Interaction with educational institutions

In 2018, the Company continued to actively cooperate with MISiS National University of Science and Technology on organising internships and in other areas, such as scientific and technical conferences, youth initiative forums, and joint research at the scientific and technical laboratory.

In the reporting period, the Company continued to provide scholarships to students from MISiS National University of Science and Technology and Gubkin Mining and Polytechnic College with impressive academic performances and an active social position. The amount of the scholarship varied from RUB 10,000 to 20,000.



Training and Development

Metalloinvest views the continuous training and development of employees as a priority and an investment in increasing productivity and operating efficiency.

404-1

The Company invested **1,583 hours (198 days)** in employee training in the reporting period, an increase of 4% from 2017. The average number of staff training hours increased by 14%.

404-2

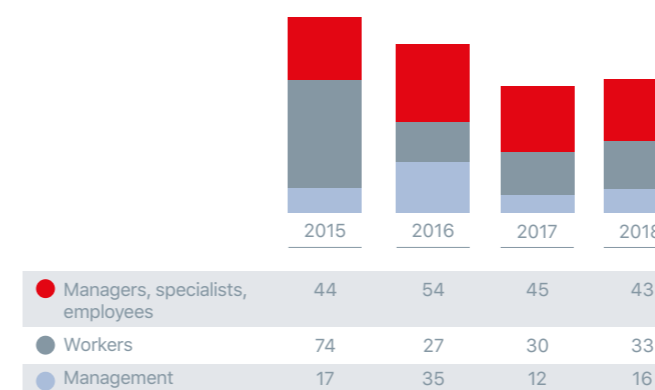
Metalloinvest's educational programmes encompass a wide range of disciplines: the development of technical and managerial skills, the study and understanding of business processes, the development of safety arrangements in the workplace, environmental protection and environmental safety, and waste management.



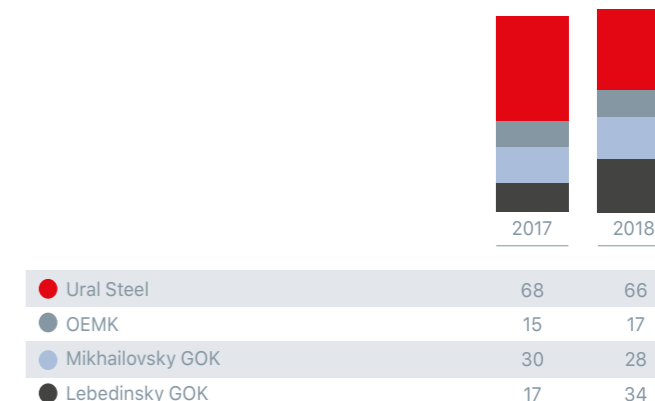
All education costs are fully paid by the Company. Educational programmes are implemented through four main forms of training:

- > **functional training** carried out at the training centres of the Company's plants includes professional retraining programs, advanced training courses, and training for secondary and related blue-collar trades (mechanic, fitter, operator, technician, controller, machinist, electric and gas welder, slinger, steelworker, roller man, etc.);
- > **distance learning** using the Web Tutor and OLIMP OKS systems. This type of training has become increasingly popular because of its flexibility;
- > **training at universities** in an employee's core areas of activity with compensation for training costs;
- > **corporate training** for the development of leadership skills among middle and senior managers.

Average annual training hours per employee by employee category in 2015–2018



Average annual training hours per employee by business unit in 2017–2018



Corporate training programmes

Corporate training in the reporting period was conducted as part of three five-module programmes:

- › Comprehensive development program – for representatives of senior management as well as level n-2 and n-3 managers
- › Production Leaders Institute – for department heads and workshop managers (middle management);
- › Foreman School – for foremen

These programmes are based on the MBA principle and focus more on the development of managerial and leadership skills. The programmes cover the following subjects:

- › economics and business laws;
- › principles of managing people, setting goals, and resource planning;
- › occupational health and safety;
- › integration of innovations and digitalisation into current business processes;
- › operating principles of the business system.

Three to four days of classes are devoted to each aspect during which students attend lectures by business representatives (lecturers from INSEAD and MIT), take part in face-to-face practical seminars, and perform project work.

The main difference between the corporate training programmes and educational programmes implemented in the previous reporting period is their complexity. Specifically, the programmes of previous years covered only one subject, while all five thematic blocks must be completed as part of training starting from 2018. This helps to create common business thinking at all levels of management.

Plans for 2019

In 2019, corporate training programme participants will defend their graduation projects in front of the Company's CEO and other senior managers. In addition to the economic value for the Company, defending the projects will be an excellent chance for employees to demonstrate their knowledge and skills.



Development of young professionals

In order to develop professional and leadership qualities among young professionals and get them involved in solving critical tasks in production, automation as well as the staff and social policy, the Company has been implementing the Corporate Forum of Youth Initiatives (CFYI) programme since 2016. A total of three corporate forums of youth initiatives were held as part of the programme and were attended by more than 470 employees who prepared and submitted more than 300 projects.



Talent Pool Programme

The Company's enterprises continued to implement a talent pool programme whose goal is to develop the most promising employees of Metalloinvest. A total of 434 employees took part in the programme during the reporting period.

The key difference in the 2018 programme was the creation of a uniform talent pool for all the Company's enterprises (top 500 and top 100).

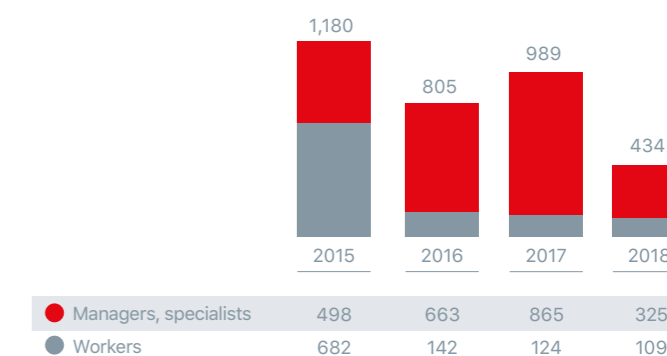
The talent pool was formed in several stages. During the first stage, selections were carried out at the plant level: the selection criterion was that the candidate must have skills that corresponded to the specifics of the enterprise's activities and internal needs. During the second stage, the selected candidates were evaluated in terms of their compliance with general corporate requirements. The evaluation resulted in the selection of 500 candidates (top 500), of which 100 were included in the list of finalists (top 100). The second stage of the selection was held with the participation of external specialists – the companies Ward Howell and Ecopsy.

Metalloinvest plans to continue working with talent pool members in the future reporting period in order to further develop their professional potential. The planned initiatives include the Generation of the Future project as part of which the Company's management will hold quarterly meetings

with representatives of the talent pool. This project aims to solve two tasks: helping immerse talent pool members in their profession through interaction with senior representatives who are responsible for a specific area as well as sharing knowledge and expertise, and helping them integrate into the corporate culture, which in the future will make it possible to prepare for the transition from their positions at the plants to positions at the Management Company.

In addition, a strategic session is scheduled to be held in 2019 for talent pool representatives as part of the process of their integration into advisory management processes to resolve business problems. In an effort to provide the talent pool members with a global understanding of business processes, they are supposed to engage in the practice of sharing their experience with companies that are leaders in the metals and mining industries by sending and receiving delegations.

Number of employees trained as part of talent pool development programmes



434
employees took part
in the Talent pool programme

Remuneration System

The remuneration system for Metalloinvest employees includes financial and non-financial motivation tools and is thus a sufficient and comprehensive incentive to ensure they are engaged and work productively.

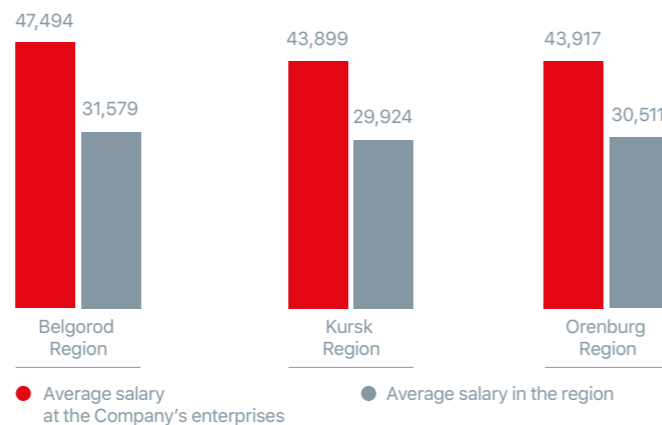
Salary

The salary received by employees of Metalloinvest enterprises ensures a decent level of prosperity and compliance with the quality of life standards that have been established in the respective regions.

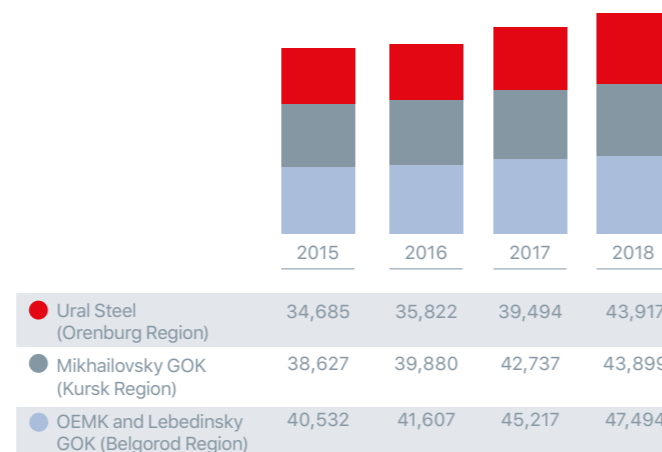
Salaries are designated within the range established for each position, are higher than the market median, and are indexed annually taking into account inflation. The Company is committed to the principle of non-discrimination and does not take into account gender, age, or ethnic factors when determining the size of salaries, but relies solely on skills, abilities, education, and experience when hiring new personnel and on career achievements when promoting employees. Salary hikes within the aforementioned range depends on the individual performance of the employee, which serves as an additional incentive to increase productivity and conscientiously perform their duties.

The average monthly wage increased by an average of 6% during the reporting period and amounted to RUB 45,700. The average salary of a Metalloinvest employee is 48% higher than the average salary in the regions where the Company operates.

Average salary at the Company's enterprises and average salary for each region of operation [RUB]



Average salary of the Company's employees by region of operation [RUB]



Performance Evaluation and Feedback System

The Company has introduced an employee performance evaluation system that makes it possible to monitor labour productivity. The Management Company's senior executives and key management representatives at the plants receive feedback on their work results at least once a year. The feedback system encompassed 100% of managers included within the performance management system (about 500 people) during the reporting period.

Social Support for Employees

Metalloinvest attaches great importance to social support for its staff and views this as the key to the long-term motivation and commitment of its employees.

Metalloinvest is committed to constantly improving the effectiveness of its own social support system.

401-2

The focuses of social support are enshrined in collective agreements. In the event of changes to existing social programme and the introduction of new ones, the employer along with representatives of the trade union conducts a comprehensive analysis and comes up with optimal solutions taking into account employees' interests and the Company's capabilities. The Company continuously monitors social programmes, which makes it possible to quickly adjust them to the needs of various groups of workers.

In particular, the meal payment process was optimised in 2018: an electronic accounting system was introduced to replace the voucher system. This increased the speed of service for workers at canteens and introduced a flexible system to pay for meals.

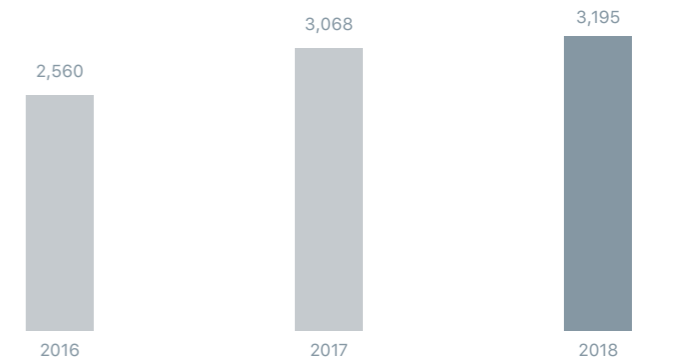
The Company continued to invest in traditional areas of social support for employees and retirees (former employees) during the reporting period.

Social support expenditures for employees amounted to RUB 3,195 million in 2018, a 4% increase from the 2017 expenditures.

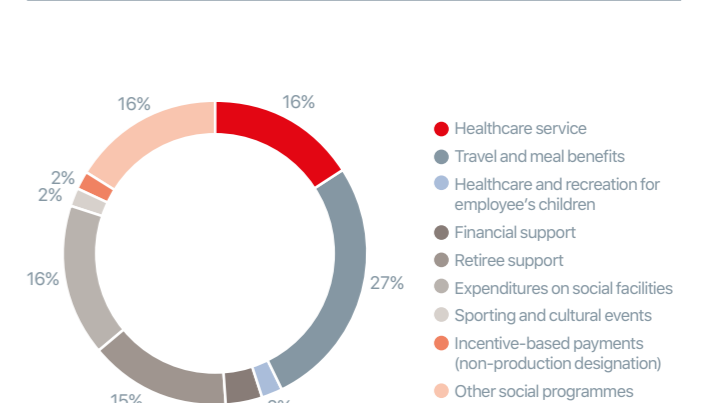
In 2019, in addition to the planned re-signing of collective bargaining agreements, Metalloinvest plans to conduct a number of measures that will further improve the quality and effectiveness of internal social programmes:

- Integrating the practice of providing resort treatment with the programme to reduce occupational illness (for more details, see the section Employee Health)
- Improving the quality of service and expanding the list of services offered at its own social facilities. This programme was drafted based on the results of a survey on the level of satisfaction with the quality of facilities conducted in 2018
- Vacations for children at third-party Black sea recreational facilities

Social support expenditures [RUB million]



Investments in external social programmes in 2018



202-1

404-3

CONTRIBUTION TO SOCIAL DEVELOPMENT

The Company is committed to making a comprehensive and integrated impact on local communities and views social investments as the key to creating a favourable and comfortable social environment in the regions of operation. Metalloinvest's charity programmes aim to create a prolonged and sustainable effect. The Company believes such an approach is the most mature for social activities.

RUB 5.3 billion

total investment in external social programmes in 2018

208,000 people

number of direct beneficiaries of the Let's Do It Together! programme

CONTENTS

- 108 Plans and Results
- 110 Relations with Regions of Operation
- 112 External Social Programmes and Philanthropic Activities

008

Plans and Results

During the reporting period, Metalloinvest managed to make significant progress in implementing its plans for interaction with the regions of operation for 2018 and the mid-term.



Plans for 2018 and the medium term	Results of the reporting period	Plans for 2019 and the mid-term
<h3>Programmes and measures to develop regions of operation</h3>		
<p>Further promote the transformation of the social environment of the regions of operation while developing infrastructure in cities and supporting the implementation of social programmes.</p> <p>Scale up successful practices and projects in the regions where the Company operates.</p> <p>Hold regular dialogues with stakeholders.</p> <p>Automate social programme management processes (collect applications for grant projects online and provide information about the projects in social networks).</p>	<p>Partnership programmes were signed with each of the regions where the Company operates. Corporate programmes continued to be implemented in the following areas: development of the socio-cultural environment, support for education, improvement of the quality of health services, support for vulnerable segments of the population, and the development of entrepreneurship and sports.</p> <p>Events were organised and held in the regions where the Company operates, which were attended by representatives of the municipal authorities and local communities. Metalloinvest representatives continued to regularly take part in dialogue meetings organised by the authorities in the regions of operation.</p>	<ul style="list-style-type: none"> › Expand the audience and increase the number of beneficiaries as part of successful projects in the regions of operation › Develop and implement social programmes to support regional entrepreneurship › Engage stakeholders in urban infrastructure development programmes
<p> For more details, see the box Stakeholder dialogues on sustainable development in the section the Relations with Regions of Operation in 2018 (p. 110)</p>		

Plans for 2018 and the medium term	Results of the reporting period	Plans for 2019 and the mid-term
	<p>Social media pages (VKontakte, Facebook, Instagram) were launched to promptly provide information and continuously interact with stakeholders.</p> <p>A grant competition was organised in which applications were only accepted in electronic form through a specially created portal.</p>	
<p> For more details, see the section External Social Programmes and Philanthropic Activities (pp. 112–113)</p>		
<h3>Corporate volunteering</h3>		
<p>Launch the corporate volunteering programme</p>	<p>The corporate volunteering programme was launched in the Belgorod Region at two enterprises, Lebedinsky GOK and OEMK.</p>	<ul style="list-style-type: none"> › Launch the Otkliknis! corporate volunteering programme in the regions where Mikhailovsky GOK and Ural Steel operate › Integrate and develop senior volunteering programmes › Implement the educational segment for volunteers
<p> For more details, see the section Corporate Volunteering Programme (p. 111)</p>		
<h3>Assessment of the effectiveness of programmes</h3>		
<p>Enhance the effectiveness of social programmes through the introduction of social impact assessment tools</p>	<p>An assessment of two social programmes – Let’s Do It Together! and Healthy Child – was conducted. A monitoring system for the grant competition was developed.</p>	<ul style="list-style-type: none"> › Automate reporting and launch the monitoring system of the Let’s Do It Together! programme.
<p> For more details, see the section Corporate Volunteering Programme (p. 111)</p>		

Relations with Regions of Operation

Developing the regions of operation is one of the key components of the Company's sustainable development agenda.

102-21
102-43
The Company manages issues in this regard at several levels: at the level of the Management Company, which determines the strategic vector for developing the social agenda within the Social Policy and Corporate Communications Directorate and the Social Policy Department under its control, and at the level of the Company's enterprises.

The multi-tiered management approach ensures the effectiveness of the social agenda through a detailed study of issues at the local level, quality monitoring of the needs of specific regions, and the use of advanced tools that are developed at the corporate level taking into account the experience of the regions.

The Company continued to support the regions of operation during the reporting period by implementing corporate development programmes and programmes to support social infrastructure development. Corporate development programmes aim to integrate innovative approaches to the development of the regions of operation and support non-profit organisations, while programmes to support and develop social infrastructure entail investments in municipal and regional projects that are initiated jointly with local authorities.

Metalloinvest acts within the framework of tripartite socioeconomic partnership agreements that have been concluded with the administrations of the cities and regions in all the regions where it operates. Such an approach to interaction makes it possible to effectively identify areas for engagement and direct resources to solve the most pressing problems.

Dialogues with stakeholders on the sustainable development in Regions of Operation in 2018

The Company's social investments significantly contribute to the creation of a favourable and comfortable social environment in the regions of operation and are made based on the principles of transparency, open dialogue, and the involvement of all stakeholders. Dialogues with stakeholders are held at the end of the year and include a review of the results of collaboration and a discussion of priorities for the future.

A roundtable attended by the heads of Metalloinvest enterprises, representatives of the business community, municipal authorities, local communities, and associations was held on 26 February 2019 to review the results of 2018. The roundtable participants discussed the creation of factors for the sustainable development of Stary Oskol and Gubkin and heard a presentation on Metalloinvest's results in terms of the Company's contribution to the development of the cities. Matters discussed at the event included responsible business management, Metalloinvest's strategy, the Company's social policy, and their correlation with the socioeconomic development strategy of the Belgorod Region. In addition, the dialogue featured a survey of stakeholders that aimed to formulate a list of significant topics for this Report and determine their degree of materiality.

In addition to the annual dialogues, the Company regularly takes part in meetings initiated by the municipal authorities. During a meeting with the mayor of Stary Oskol in 2018 that was attended by city residents and business representatives, Metalloinvest Social Policy and Corporate Communications Director Yulia Mazanova spoke about the Company's mission, activities to support the regions where the Company operates, and plans for the future.

Regular dialogues with stakeholders in the regions where Metalloinvest operates enabled the Company to promptly respond to the issues that were raised. In particular, the development of infrastructure and support for entrepreneurship became key areas of common interest during the reporting period. Metalloinvest quickly responded to the suggestions it received and implemented a number of projects on the matters that were addressed. In addition, representatives of the local community expressed their gratitude and appreciation to the Company for its positive socioeconomic impact on the development of the regions.



Otkliknis! corporate volunteering programme for employees

Metalloinvest launched a corporate volunteering programme in 2018. The Company's employees are the core and key resource of the programme. They have been given the opportunity to develop their own potential, in particular effective time management skills, communication skills, and other professional and personal skills, contribute to the development of society and reap the benefits of their activities, and also strengthen the corporate culture.

- Principles of the corporate volunteering programme:
- > voluntary participation;
 - > gratuitousness;
 - > facilitate the implementation of the Company's key values;
 - > openness and partnership;
 - > development.

Objectives that the programme aims to meet:

- > expand employees' involvement in the social life of the regions;
- > solve significant social problems faced by cities;
- > develop local communities and involve citizens in social and city events;
- > develop employees and establish the Company's personnel brand;
- > boost employee loyalty and recognise colleagues' achievements.

The programme was launched in Stary Oskol and Gubkin with motivational and educational sessions for volunteers.

Events in which corporate volunteers took part in 2018 include the following:

Stary Oskol	Gubkin
Assistance to a crisis centre for women Volunteer events with the centre's wards at the Zhelezno! Community Prevention Centre	Accessible game – a campaign for children with disabilities on a specialised playground
Clean Shore clean-up campaign as part of the Let's Do It! International Environmental Campaign	Maple Day – an environmental campaign at the Belogorye reserve
Rock for Stray Animals – a fundraising campaign to raise funds to support animal shelters	Efficiency Champion – mentoring programme for students on the matter of lean production 22 lessons organised by volunteers at four Gubkin schools among 7th grade students
Superheroes Save New Year – New Year's events for children with disabilities	Cycle race at the Orlyonok Sports Complex dedicated to the 75th anniversary of the victory in the Battle of Kursk
Regular assistance to the Four Paws animal shelter	
Good First of September – collection of stationery for low-income families for 1 September	

Plans for 2019–2020:

In 2019, Metalloinvest plans to scale up the programme and launch it in the cities of Novotroitsk and Zheleznogorsk. There are also plans to have nominations for volunteer initiatives under the Let's Do It Together! programme.

The initiative will continue with the launch of a corporate educational volunteer programme in 2019.

External Social Programmes and Philanthropic Activities

413-1

In 2018, Metalloinvest was once again recognised in the rating of the annual Corporate Philanthropy Leaders project and joined the top five companies with the most mature approach to the implementation of charitable projects that made a significant contribution to the implementation of social programmes. Forty-seven companies took part in the study that resulted in the compilation of the rating.

Experts evaluated the management system of charitable programmes, the maturity of the approaches used to assess the results of charitable activities, the correlation of the goals of charity and the goals of business strategy, and the complexity of communication on these issues. In addition, Metalloinvest's Let's Do It Together! project won a prize in the category Best Grant Competition, while the School of Entrepreneurship corporate programme won the category Best Programme Contributing to the Development of Social Entrepreneurship in Russia.

The Company managed to achieve such impressive results thanks to the comprehensive and systematic development of its social programmes. No significant changes were made to external social assistance in the reporting period. Metalloinvest continued to invest in the development of the socio-cultural environment, education, healthcare, sports, projects to support vulnerable groups of the population as well as initiatives to develop entrepreneurship.



Key trends of 2018 by segment:

Direction	Projects
Development of the socio-cultural environment	<p>Key projects implemented in the reporting period:</p> <ul style="list-style-type: none"> › improvements to the embankment in Stary Oskol; › road construction and reconstruction (Stary Oskol, Gubkin); › purchase of equipment for the Stary Oskol Youth Initiatives Centre; › improvement to residential areas; › improvements to municipal parks in the cities of Novotroitsk and Zheleznogorsk; › improvements to the Root Hermitage complex.
Support for education	<p>Support for educational institutions to develop the potential of talented young people and educate skilled personnel. Targeted support for gifted children and students.</p> <p>Key projects implemented in the reporting period:</p> <ul style="list-style-type: none"> › participation in the project to build the Kvantorium technopark in Zheleznogorsk; › reconstruction and repair of schools and daycares (Stary Oskol, Gubkin, Zheleznogorsk, and Novotroitsk); › support for MISIS National University of Science and Technology and core secondary educational institutions.
Improvements to the quality of healthcare services	<p>Reconstruction, repair, and equipping of medical institutions and assistance in attracting qualified medical personnel.</p> <p>Targeted assistance to seriously ill children and facilitating the development of healthcare facilities.</p> <p>Key projects implemented in the reporting period:</p> <ul style="list-style-type: none"> › development of a concept of healthcare development in Zheleznogorsk; › reconstruction and equipping of medical institutions in the cities where the Company operates.
Support for grassroots and children's sports	<p>Key projects implemented in the reporting period:</p> <ul style="list-style-type: none"> › support for Belogorye Volleyball Club in Belgorod; › support for the Belgorod SAMBO Federation; › support of Dynamo Basketball Club in Kursk; › construction of sports venues in Gubkin; › reconstruction, repair, and equipping of sports facilities in the cities where the Company operates.
Support for vulnerable segments of the population	<p>Implementation of programmes to support socially vulnerable segments of the population in the regions where the Company operates as well as initiatives and projects to protect mothers and children.</p> <p>Key projects implemented in the reporting period:</p> <ul style="list-style-type: none"> › support for the Special (Correctional) Boarding School in Novotroitsk; › support for Childhood World regional charity marathon (Kursk Region); › targeted assistance for the treatment of people in difficult life situations.

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

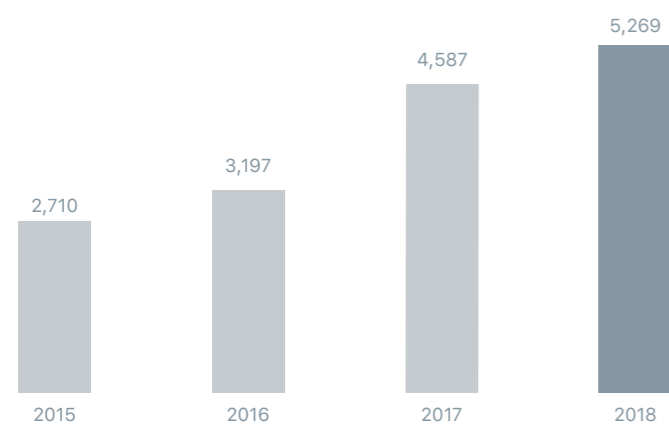
Responsibility to Employees

Contribution to Social Development

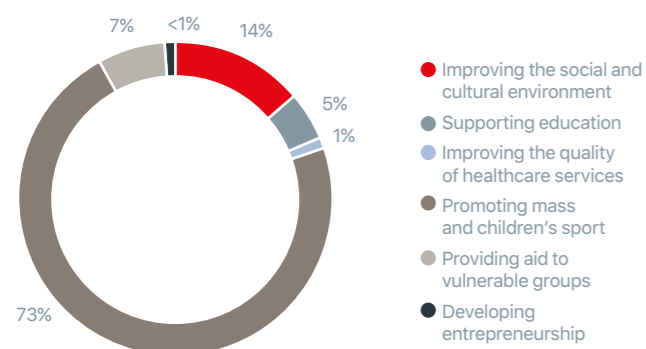
203-1

Total invested in external social programmes in 2015–2018 [RUB million]

RUB 5,269 million
Total investment in external social programmes in 2018



Investments in external social programmes in 2018



Part of Metalloinvest's responsible approach to charity is to monitor the targeted use of charitable donations. The Company has developed a risk-control matrix, which serves as an effective monitoring tool to confirm that funds were transferred in accordance with the intended purpose.

Corporate development programmes

During the reporting period, Metalloinvest continued to implement the following multi-year programmes:

- > Let's Do It Together! – Belgorod Region (Sary Oskol and Gubkin), Kursk Region (Zheleznogorsk), and Orenburg Region (Novotroitsk);
- > Our City Initiatives – Orenburg Region (Novotroitsk);
- > School of Entrepreneurship – Orenburg Region (Novotroitsk);
- > Healthy Child – Belgorod Region (Sary Oskol and Gubkin) and Kursk Region (Zheleznogorsk);
- > Women's Health – Belgorod Region (Sary Oskol and Gubkin) and Kursk Region (Zheleznogorsk);
- > Supporting Critically Ill Children – Belgorod Region (Sary Oskol and Gubkin), Kursk Region (Zheleznogorsk), and Orenburg Region (Novotroitsk);
- > Our Future – Belgorod Region (Sary Oskol and Gubkin), Kursk Region (Zheleznogorsk), and Orenburg Region (Novotroitsk);
- > Our Champions – Belgorod Region (Sary Oskol and Gubkin), Kursk Region (Zheleznogorsk), and Orenburg Region (Novotroitsk);
- > Zhelezno! – Belgorod Region (Sary Oskol);
- > Otkliknis! – Belgorod Region (Sary Oskol and Gubkin).



For more details about the programmes, see our 2017 Corporate Social Responsibility Report (pp. 94–97).

The current Report presents the results of performance evaluations of the programs Let's Do It Together! and Healthy Child that were conducted in 2018. Programme evaluation is an important stage in the development of the social agenda, which makes it possible to track the effectiveness and adjust the development vector of social programmes in such a way as to scale up the social effect each year.



Let's Do It Together!

The current Report presents the results of performance evaluations of the programs Let's Do It Together! and Healthy Child that were conducted in 2018. Programme evaluation is an important stage in the development of the social agenda, which makes it possible to track the effectiveness and adjust the development vector of social programmes in such a way as to scale up the social effect each year.

In 2018, a system was developed to monitor the programme using 13 criteria, which included the following: the number of direct beneficiaries, the number of successfully completed projects, the amount of resources attracted, the number of participants who underwent training in social engineering, and the effectiveness of the use of information channels of potential bidders. In 2019, the Company plans to automate the monitoring system in order to conduct regular assessments in future reporting periods.

The goal of the assessment in 2018 was to determine the degree to which the targets set by the program were achieved during the year. Based on the results of 2018, the share of direct beneficiaries was 117% of the target, the share of attracted resources was 136% of the planned amount, and the share of people trained in social engineering was 122% of the figure approved at the start of the period. The share of completed projects among the total number of grant recipients was slightly below the target, as 96% of the projects had been completed as of the end of the reporting period. The assessment helped to identify areas for improvement. In particular, the share of information channels about the programme amounted to 75% of the total number of mandatory/planned information channels. Metalloinvest plans to further develop the practice of external communications to achieve the target in the new reporting period.

59 grant recipients
in 2018, including 40 receiving grants for the first time

207,764 people
Number of direct beneficiaries

RUB 5.49 million
Amount of resources attracted

56 projects
Number of successfully completed projects

476 people
Number of project executors that received a grant

1,115 people
Number of volunteers

26,863 people
Number of participants in mass events held as part of the programme

203-2



Healthy Child

The Healthy Child programme, which has been implemented since 2011, aims to support the physical, mental, and social well-being of preschool children.

An independent comprehensive evaluation of the programme was carried out in 2018 to analyse the effectiveness of the mechanisms used for its implementation as well as whether the programme's objectives are consistent with the initial mission. The evaluation included a desk study of the documents regulating the process of the programme's implementation in addition to interviews with Metalloinvest employees involved in implementing the programme and with representatives of the programme's target audience.

The study demonstrated the effectiveness of the approach taken to the project's implementation, in particular with regard to its priority – the impact on children's health through the impact on professionals working with preschool children (specialists at pre-school educational institutions, other educational institutions, and doctors). The transformation of the programme's mission from a purely medical understanding of health (a decrease in the incidence rate) to its value-based understanding (health as a factor in increasing people's general well-being) was recognised and given a positive assessment.

The following tangible results of the programme were identified during the period of its existence:

- › **For specialists of pre-school educational institutions:**
 - creation of an atmosphere to conduct a creative search;
 - development of a project-based approach;

- development of effective teamwork skills;
- development of skills for effective interaction with external specialists;
- emergence of informal associations of specialists at the municipal level;
- acquisition of new professional and personal skills.

- › **For pre-school educational institutions:**
 - an increase in the number of categories of children with which the Company engages (young children, preschool children living in rural areas, and children with speech disorders);
 - development and introduction of new methods of physical education for children;
 - use of new approaches to interaction with parents of pre-school children (individual counselling for parents, parental education programmes, involving parents in projects);
 - change in parents' perception of pre-school educational: the image of resource centres.
- › **For parents:**
 - greater involvement in the lives of children;
 - improved interaction with children.
- › **For children:**
 - correction of speech defects;
 - improved interaction with parents;
 - improved communication skills and teamwork;
 - increased level of overall preparation for school.

In accordance with recommendations and current strategic priorities, Metalloinvest plans to continue implementing the programme in the medium term with further improvements to the monitoring system.

ABOUT THE REPORT

CONTENTS

- 118 Development of the Reporting System
- 119 Defining Report Content
- 120 GRI Content Index

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

Responsibility to Employees

Contribution to Social Development

Development of the Reporting System

The non-financial report demonstrates the Company's progress in sustainable business and reflects its impact on the environmental and socioeconomic well-being of the regions where it operates. The Report provides a comprehensive assessment of the Company's contribution, commitment to its mission and values as well as the global context of sustainable development. The document provides information on the Company's economic performance, environmental impact, social contribution to the regions where it operates, corporate governance, and relationships with stakeholders.





This Report is the Company's seventh non-financial report and the fourth issued on an annual basis.

To review past reports, please visit: <http://www.metalloinvest.com/sustainability/csr-reports/>.

Last year's report was released in September 2018. This Report was prepared in accordance with the GRI Standards: Core option. The Report covers the Company's activities for the 2018 calendar year and includes information on four key enterprises of the Holding Company Metalloinvest (Lebedinsky GOK, Mikhailovsky GOK, OEMK, and Ural Steel) that is similar to the IFRS consolidated financial statements for 2018. When disclosing the information with the limitations different from those mentioned above, the information on the assets covered by the limitations was added to the Report.

Defining Report Content

In an effort to ensure the accuracy and completeness of the information provided, the Company integrated the principles for the report's generation and the quality assurance of disclosures recommended by the GRI Standards when preparing the Report.

<p>Stakeholder Inclusiveness</p>	<p>The Company maintains an active dialogue with all stakeholders by systematically collecting feedback through online and offline channels. Both the results of regular stakeholder engagement activities and data from a specialised survey of various stakeholder groups to identify key topics were used when forming the content of the Report</p> <p></p> <p>(For more details on the procedure used to identify and rank key topics in order to generate the content of the Report, see the section Materiality Matrix (pp. 6–7). For more details on stakeholder engagement mechanisms, see the section Stakeholder Engagement (pp. 26–29)</p>
<p>Sustainability Context</p>	<p>The report demonstrates the attention that Metalloinvest pays to the organisation of scientific, technical, and innovative activities as well as the main goals and objectives of the Industry 4.0 business transformation programme and also highlights the start of the Company's transition from implementing corporate social responsibility policies to sustainable business policies, including by updating the strategic plan and demonstrating the Company's contribution to the achievement of the UN SDGs.</p> <p></p> <p>For more details on the Company's contribution to the achievement of the UN SDGs, see the section Achieving the UN Sustainable Development Goals (pp. 135–137).</p>
<p>Materiality</p>	<p>The contents of the Report were determined in accordance with the key topics that were identified, which make it possible to disclose the Company's comprehensive impact and meet the interests of all stakeholders.</p> <p></p> <p>For more details on the key topics that were identified, see the section Materiality Matrix (pp. 6–7).</p>
<p>Completeness</p>	<p>The Report provides a scope of information that is sufficient to form an objective judgment of the impact the Company has had on the economy, environment, and society during the reporting period and does not intentionally exclude any information.</p>
<p>Balance</p>	<p>The Report equally discloses the positive and negative results of the Company's activities without intentionally distorting the reader's opinions.</p>
<p>Comparability</p>	<p>In addition to information for the reporting period (2018), the Report contains information about previous periods and demonstrates trends and dependencies.</p>
<p>Accuracy</p>	<p>The quantitative indicators cited in the Report are calculated using the GRI Standards methodology and are presented with no rounding or with minimal rounding. When using assumptions or deviations from the methodology, the Report provides the appropriate explanations.</p>
<p>Clarity</p>	<p>The report uses terminology that is understandable to a wide range of stakeholders and sufficient to form an objective judgment. The cross navigation used in the Report makes it easier to find all the relevant information in the general data set.</p>
<p>Reliability</p>	<p>In addition to internal checks and quality assurance, the Company externally verifies its non-financial indicators with the assistance of an independent auditor.</p> <p></p> <p>To view the external auditor's opinion, see the section Independent Auditor's Report (p. 128–130).</p>
<p>Timeliness</p>	<p>The Report includes information about the Company's activities for 2018.</p>

102-45
102-50
102-51
102-52
102-54

102-46

GRI Content Index

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

Responsibility to Employees

Contribution to Social Development

102-55

Indicator number	Explanation of the indicator	Location of the disclosure	Comments
102-1	Name of the organisation	Company at a Glance	
102-2	Activities, brands, products, and services	Company at a Glance Financial and Operational Results	
102-3	Location of headquarters	Company at a Glance	
102-4	Location of operations	Company at a Glance	
102-5	Ownership and legal form	Company at a Glance	
102-6	Markets served	Financial and Operational Results	
102-7	Scale of the organisation	Personnel Structure Company at a Glance Financial and Operational Results	
102-8	Information on employees and other workers	Personnel Structure	
102-9	Supply chain	Supply Chain	
102-10	Significant changes to the organisation and its supply chain	GRI Content Index	There were no significant changes in the structure and activities of the organisation or its supply chain in the reporting period.
102-11	Precautionary Principle or approach	Sustainability Risk Management	
102-12	External initiatives	Achieving the UN Sustainable Development Goals	
102-13	Membership of associations	Participation in Industry Associations and Government Organisations	
102-14	Statement from senior decision-maker	Statement from the Chairman of the Board of Directors, Statement from the CEO	
102-15	Key impacts, risks, and opportunities	Sustainability Risk Management	
102-16	Values, principles, standards, and norms of behavior	Sustainable Development Strategy Business Ethics and Anti-Corruption	
102-17	Mechanisms for advice and concerns about ethics	Business Ethics and Anti-Corruption	Partially disclosed
102-18	Governance structure	Corporate Governance	
102-19	Delegating authority	Corporate Governance	
102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance	
102-21	Consulting stakeholders on economic, environmental, and social topics	Corporate Culture Relations with Regions of Operation	Partially disclosed
102-22	Composition of the highest governance body and its committees	Corporate Governance	Partially disclosed
102-23	Chair of the highest governance body	Corporate Governance	
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance	

Indicator number	Explanation of the indicator	Location of the disclosure	Comments
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Risk Management	Partially disclosed
102-30	Effectiveness of risk management processes	Sustainability Risk Management	
102-31	Review of economic, environmental, and social topics	Sustainability Risk Management	
102-40	List of stakeholder groups	Principles and Mechanisms for Stakeholder Engagement	
102-41	Collective bargaining agreements	GRI Content Index	Collective bargaining agreement signed with all employees
102-42	Identifying and selecting stakeholders	Principles and Mechanisms for Stakeholder Engagement	
102-43	Approach to stakeholder engagement	Principles and Mechanisms for Stakeholder Engagement Supply Chain Work with Young Talent Corporate Communications Relations with Regions of Operation	
102-44	Key topics and concerns raised	Principles and Mechanisms for Stakeholder Engagement	
102-45	Entities included in the consolidated financial statements	Development of the Reporting System	
102-46	Defining report content and topic Boundaries	Materiality Matrix Defining Report Content	
102-47	List of material topics	Materiality Matrix	
102-48	Restatements of information	GRI Content Index	This Report was prepared using the updated GRI 303: Water and Effluents 2018 and GRI 403: Occupational Health and Safety 2018 standards issued in 2018.
102-49	Changes in reporting	Materiality Matrix	
102-50	Reporting period	Development of the Reporting System	
102-51	Date of most recent report	Development of the Reporting System	
102-52	Reporting cycle	Development of the Reporting System	
102-53	Contact point for questions regarding the report	Contacts	
102-54	Claims of reporting in accordance with the GRI Standards	Development of the Reporting System	
102-55	GRI content index	GRI Content Index	

Indicator number	Explanation of the indicator	Location of the disclosure	Comments
102-56	External assurance	Independent Auditor's Report	
103-1	Explanation of the material topic and its Boundary	Integrated into various sections	
103-2	The management approach and its components	Integrated into various sections	
103-3	Evaluation of the management approach	Integrated into various sections	
201-1	Direct economic value generated and distributed	Financial and Operational Results	
201-4	Financial assistance received from government	GRI Content Index	The Company did not receive financial aid from the government in the reporting year
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Salary	Partially disclosed
203-1	Infrastructure investments and services supported	External Social Programmes and Philanthropic Activities	
203-2	Significant indirect economic impacts	External Social Programmes and Philanthropic Activities	Partially disclosed
204-1	Proportion of spending on local suppliers	Supply Chain	
205-1	Operations assessed for risks related to corruption	Business Ethics and Anti-Corruption	
205-2	Communication and training about anti-corruption policies and procedures	Business Ethics and Anti-Corruption	
205-3	Confirmed incidents of corruption and actions taken	Business Ethics and Anti-Corruption	
301-1	Materials used by weight or volume	Material Resources Use	
302-1	Energy consumption within the organisation	Energy Consumption and Efficiency	Partially disclosed
303-1	Interactions with water as a shared resource	Water Consumption and Protection	
303-2	Management of water discharge-related impacts	Water Consumption and Protection	
303-3	Water withdrawal	Water Consumption and Protection	
303-4	Water discharge	Water Consumption and Protection	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Maintaining Biodiversity	
304-2	Significant impacts of activities, products, and services on biodiversity	Maintaining Biodiversity	
305-1	Direct (Scope 1) GHG emissions	Emissions, Air Protection and Climate Strategy	Partially disclosed
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Emissions, Air Protection and Climate Strategy	
306-2	Waste by type and disposal method	Material Resources Use	Partially disclosed
306-3	Significant spills	GRI Content Index	No significant spills were recorded during the reporting period

Indicator number	Explanation of the indicator	Location of the disclosure	Comments
306-4	Transport of hazardous waste	GRI Content Index	The Company does not transport, import, export, or recycle waste that is regarded as hazardous according to Annexes I, II, III, and VIII to the Basel Convention. Waste is not transported internationally
306-5	Water bodies affected by water discharges and/or runoff	GRI Content Index	The Company does not have a significant impact on water bodies, including those located in specially protected areas
307-1	Non-compliance with environmental laws and regulations	Management of Environmental Responsibility	
401-1	New employee hires and employee turnover	Personnel Structure Personnel Recruitment	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social Support for Employees	Partially disclosed
403-1	Occupational health and safety management system	Occupational Health and Safety Management System Employee Health	
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety Management System Occupational Injury Prevention	
403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety Management System Employee Health	
403-5	Worker training on occupational health and safety	Occupational Safety Training for Employees Employee Health	
403-6	Promotion of worker health	Employee Health	
403-9	Work-related injuries	Occupational Injury Prevention	
403-10	Work-related ill health	Employee Health	
404-1	Average hours of training per year per employee	Training and Development	
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Development	Partially disclosed
404-3	Percentage of employees receiving regular performance and career development reviews	Performance Evaluation and Feedback System	Partially disclosed
408-1	Operations and suppliers at significant risk for incidents of child labor	GRI Content Index	The Company's activities, including the activities of all business units and contracting organisations, are covered by Russian law that prohibits the forced use of child labour
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	GRI Content Index	The Company's activities, including the activities of all business units and contracting organisations, are covered by Russian law that prohibits the forced use of forced labour
413-1	Operations with local community engagement, impact assessments, and development programs	External Social Programmes and Philanthropic Activities	Partially disclosed

Company Profile

Sustainable Development Strategy

Economic Performance

Environmental Responsibility

Occupational Health and Safety

Human Rights

Responsibility to Employees

Contribution to Social Development

APPENDICES

CONTENTS

- 126 Independent Auditor's Report
- 128 Participation in Industry Associations and Government Organisations
- 130 Awards and Achievements
- 132 Achieving the UN Sustainable Development Goals: contribution to other UN SDGs

Independent Auditor's Report



Independent Limited Assurance Report to the Shareholders of AO Holding Company METALLOINVEST

Introduction

We have been engaged by management of AO Holding Company METALLOINVEST (hereinafter – the "Company") to provide limited assurance on the Selected Information described below and included in the Sustainability Report for the year ended 31 December 2018 (hereinafter – the "Sustainability Report").

Selected Information

We assessed the qualitative and quantitative information that is disclosed in the Sustainability Report and included in the «GRI Standards Compliance Table» for standard disclosures in environmental, workforce, safety and socio-economic areas in the reporting scope of the Sustainability Report (hereinafter – the "Selected Information"). The scope of our assurance procedures was limited to Selected Information for year ended 31 December 2018.

Reporting Criteria

We assessed the Selected Information using the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI, 2016) (hereinafter – the "GRI Standards"). We believe that these reporting criteria are appropriate given the purpose of our limited assurance engagement.

AO Holding Company METALLOINVEST responsibilities

Management of the Company is responsible for:

- › designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- › establishing objective Reporting Criteria for preparing the Selected Information;
- › measuring and reporting the Selected Information based on the Reporting Criteria; and
- › accuracy, completeness and fair presentation of the Selected Information.

Our responsibilities

We are responsible for:

- › planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- › forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- › reporting our conclusion to the management of the Company.

This report, including our conclusions, has been prepared solely for the management of the Company in accordance with the agreement between us, to assist management in reporting on the Company's sustainability performance and activities. We permit this report to be disclosed in the Company's Sustainability Report for the year ended 31 December 2018, to assist management in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than management of the Company for our work or this report except where terms are expressly agreed between us in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our assurance procedures over Selected Information in the Russian Federation.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- › made enquiries of the Company's management, including the Sustainability Reporting team and those with responsibility for sustainability reporting management and sustainability reporting;
- › conducted interviews of personnel responsible for sustainability reporting data collection;
- › performed analysis of the relevant policies and basic reporting principles, gaining an understanding and evaluating the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- › performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- › reviewed the Selected Information for compliance of the disclosures with the requirements of the GRI Standards.

Reporting and measurement methodologies

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The reporting criteria used as a basis of the Company's sustainability reporting should therefore be read in conjunction with the Selected Information and associated statements reported on the Company's website¹.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained:

- › nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2018 has not been prepared, in all material respects, in accordance with the requirements of the GRI Standards; and
- › nothing has come to our attention that causes us to believe that the Selected Information does not meet the Core requirements in accordance with the Guidelines of the GRI Standards.



Audited entity: AO Holding Company METALLOINVEST
State registration certificate № 103.931, issued by the Moscow Registration Chamber on 8 November 2000
Certificate of inclusion in the Unified State Register of Legal Entities issued on 5 July 2002 under registration № 1027700006289
Rublyovskoye shosse, 28, Moscow, Russia

Independent auditor: AO PricewaterhouseCoopers Audit
Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431
Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)
Principal Registration Number of the Record in the Register of Auditors and Audit Organizations –11603050547

¹ The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

Participation in Industry Associations and Government Organisations

102-13

Metalloinvest is actively involved in industry associations and state organisations that address issues relevant to companies working in the mining and metallurgical sector, in particular occupational health and safety, environmental responsibility, and fair competition on the market.

Metalloinvest specialists are valued for their high level of professionalism and expert opinions. As members of working groups and specialised committees within state structures, the Company's representatives are involved in law-making, preparing recommendations, and developing technical reference books for companies in the industry.

National associations and organisations:

Russian Union of Industrialists and Entrepreneurs (RSPP) and its committees

- › RSPP Industrial Safety Committee
- › RSPP Committee on Ecology and Nature Management
- › RSPP Committee on Permitting and Supervisory Activities
- › RSPP Committee for the Development of Competition

Russian Steel Association and its committees and commissions

- › Management Committee of the Russian Steel Association
- › Occupational, Industrial and Environmental Safety Commission of the Russian Steel Association
- › Trade Policy Commission of the Russian Steel Association
- › Antimonopoly Legislation Working Group of the Russian Steel Association

Councils and working groups at the Federal Environmental, Industrial and Nuclear Supervision Service (Rostekhnadzor)

- › Scientific and Technical Council at Rostekhnadzor
- › Rostekhnadzor working group on improvements to industrial safety legislation

Councils and working groups of the Federal Antimonopoly Service of Russia (FAS of Russia)

- › Expert council of the FAS of Russia on the development of competition in the metallurgical industry
- › Members of the Working Groups established as part of the Expert Council's activities to conduct an expert assessment of the situation on the market for goods for which there are signs of a violation of antimonopoly legislation

Committees of the Eurasian Economic Commission

- › Trade Advisory Committee of the Eurasian Economic Commission

Committees of the Chamber of Commerce and Industry of the Russian Federation (CCI of Russia)

- › Industrial Safety Committee of the CCI of Russia

Working groups at the Ministry of Economic Development of the Russian Federation

- › Working group in charge of monitoring the introduction of the target model 'Control and Supervisory Activities in the Constituent Entities of the Russian Federation' at the Russian Ministry of Economic Development
- › Interdepartmental Working Group at the Russian Ministry of Economic Development on the economic aspects of environmental protection and greenhouse gas emission control

Councils of the Ministry of Industry and Trade of the Russian Federation (Minpromtorg)

- › Interdepartmental Council at the Russian Ministry of Industry and Trade on the transition to the principles of the best available technologies and the introduction of modern technologies
- › Scientific and Technical Council of the Russian Ministry of Industry and Trade for the development of production and technical waste treatment complexes

Working groups of the Governmental Commission on Environmental Management and Protection

- › Interdepartmental Working Group on the elimination of administrative barriers in subsoil usage at the Governmental Commission on Environmental Management and Protection

Public councils at the Russian Ministry of Natural Resources, Federal Agency for Mineral Resources, and Federal Service for Supervision of Natural Resources.

In addition to national associations, Metalloinvest is a member of the World Steel Association, which largely determines the Company's development strategy.

Awards and Achievements

The Company received numerous awards during the reporting period for achievements in social responsibility and sustainable development as well as for its approach to responsibly doing business.

Corporate Social Responsibility (CSR) rating of the international agency EcoVadis

Metalloinvest made its debut in the Corporate Social Responsibility (CSR) rating of the international agency EcoVadis. According to the assessment, the Company was assigned a silver level of recognition for its CSR practices.



For more details on the Company's awards received in the reporting period, see the section Sustainable Development Strategy (pp. 18–35).

Transparency rating of the World Wildlife Fund (WWF) and the National Rating Agency

Metalloinvest finished sixth in the transparency ranking of mining and metallurgical companies in Russia in terms of environmental responsibility, which was the best indicator in the steel industry. The rating is compiled by the World Wildlife Fund (WWF) and the National Rating Agency in order to enhance the corporate responsibility of mining and steel companies and create effective industry feedback mechanisms with stakeholders.



For more details on environmental responsibility, see the section Management of Environmental Responsibility (pp. 22–25).

Mining and Metallurgical Industry Enterprise with High Social Efficiency competition

OEMK and Ural Steel were among the winners of the Mining and Metallurgical Industry Enterprise with High Social Efficiency industry competition. OEMK ranked first in the Environmental Protection and Resource Conservation category, while Ural Steel was recognised as the best in the Health Protection and Safe Working Conditions category.



For more details on effective resource management, see the section Material Resources Use (pp. 57–59).

For more details on safe working conditions, see the section Occupational Health and Safety (pp. 72–85).

Indices of the Russian Union of Industrialists and Entrepreneurs (RSPP) in matters concerning sustainable development

The Company was one of the leaders in the 'Responsibility and openness' and 'Sustainable development vector' indices in matters concerning sustainable development of the Russian Union of Industrialists and Entrepreneurs (RSPP) at the end of 2018.

Good Deeds Champion competition

The Otkliknis! corporate volunteering programme was recognised in the Local Communities category of the Good Deeds Champion – 2018 national competition. The award ceremony took place as part of the 7th Moscow International Forum Corporate Volunteering: Business and Society.



For more on the Otkliknis! corporate volunteering programme, see the section Relations with Regions of Operation (pp. 110–111).

Annual SAP Value Award

Metalloinvest won the annual SAP Value Award in the Digital Transformation Leader category.





For more details on the introduction of the SAP system, see the sections Sustainability Risk Management (pp. 30–33), Supply Chain (pp. 44–49), and Personnel Management System (pp. 94–96).




For more details on the awards received by the Company in the reporting period, see the section Main Achievements of the Reporting Year of the 2018 Annual Report (pp. 16–17).

Achieving the UN Sustainable Development Goals: contribution to other UN SDGs

Targets within the SDG	Metalloinvest's contribution
Goal 1. End poverty in all its forms everywhere	
1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services <...>	<p>Implementation of social and infrastructure development programmes in the regions where the Company operates: the cities of Gubkin, Zheleznogorsk, Novotroitsk and Stary Oskol.</p> <p>Launch of a corporate volunteering programme with more than 140 employees.</p>  <p>For more details, see the section External Social Programmes and Philanthropic Activities (pp. 112–117).</p>
Goal 4. Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all	
4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	<p>Implementation of functional, distance, and corporate training programmes that encompass employees in various positions and aim to develop technical and management skills (depending on the position).</p>  <p>For more details, see the section Training and Development (pp. 101–103).</p>
4.b By 2020, substantially expand globally the number of scholarships <...> for enrolment in higher education, including vocational training and <...> technical, engineering and scientific programmes <...>	<p>Provision of scholarships to students at MISiS National University of Science and Technology and Gubkin Mining and Polytechnic College with impressive academic performances and an active social position.</p>
Goal 5. Achieve gender equality and empower all women and girls	
5.1 End all forms of discrimination against all women and girls everywhere	<p>Exclusion of the gender factor when determining the level of remuneration and deciding to promote employees.</p>

Targets within the SDG	Metalloinvest's contribution
Goal 6. Ensure access to water and sanitation for all	
6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	<p>Implementation of a project to introduce recycled process water supply systems, which reduced water discharges into water bodies.</p> <p>Use of sediment tanks to prevent used water from entering the soil.</p>  <p>For more details, see the section Water Consumption and Protection (pp. 62–65).</p>
6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	<p>Implementation of a project to retrofit cooling water circulation circuits, which resulted in a reduction in the volume of water used by the enterprise that introduced the technology.</p>  <p>For more details, see the section Water Consumption and Protection (pp. 62–65).</p>
Goal 7. Ensure access to affordable, reliable, sustainable, and modern energy for all	
7.3 By 2030, double the global rate of improvement in energy efficiency	<p>Implementation of the Energy Efficiency Strategy: development of in-house generation technologies, including technologies using production by-products as an energy resource.</p> <p>Measures to improve energy efficiency following the consideration of innovative proposals to improve energy efficiency prepared by Metalloinvest employees.</p>  <p>For more details, see the section Energy Consumption and Efficiency (pp. 70–73).</p>
Goal 10. Reduce inequality within and among countries	
10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	<p>Development and implementation of a wide range of external social programmes that aim to develop the socio-cultural environment, education, healthcare, and sports as well as projects to support vulnerable segments of the population and develop entrepreneurship.</p>  <p>For more details, see the section External Social Programmes and Philanthropic Activities (pp. 112–117).</p>
Goal 11. Make cities inclusive, safe, resilient, and sustainable	
11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality <...>	<p>Air protection measures to reduce dust generation: installation and reconstruction of suction systems, modernisation of dust collection systems, etc.</p>  <p>For more details, see the section Emissions, Air Protection and Climate Strategy (pp. 66–68).</p>

Targets within the SDG	Metalloinvest's contribution
<p>Goal 16. Promote peaceful and inclusive societies for sustainable development, ensure access to justice for all, and build effective and accountable institutions at all levels</p>	<p>16.5 Substantially reduce corruption and bribery in all their forms</p> <p>Strict observance of anti-corruption policy principles and the effective use of anti-corruption mechanisms.</p> <p>Assessment of the activities of all the Company's enterprises regarding corruption-related risks.</p> <p> For more details, see the section Business Ethics and Anti-Corruption (pp. 36–37).</p>
<p>Goal 17. Revitalize the global partnership for sustainable development</p>	<p>17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</p> <p>Membership in working groups and specialised committees within state structures and participation in law-making.</p> <p>Membership in the World Steel Association in order to share experience and integrate best practices.</p> <p> For more details, see the section Participation in Industry Associations and Government Organisations (pp. 131–132).</p> <p>Annual dialogues with the municipal authorities of the regions where the Company operates, local communities, and business representatives on sustainable development and the common agenda.</p> <p> For more details, see the section Relations with Regions of Operation (pp. 110–111).</p>

Contacts

102-53

The Company hopes that this Report will help all stakeholders form an objective opinion about Metalloinvest's activities during the reporting period and will be grateful for any feedback.

You can express your opinion or ask a question using the contact information below.

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