

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

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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

<p>Unification of organisational structures in the metallurgical and mining segments</p>	<p>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</p>	<p>Reorganisation of auxiliary functions through the transformation and centralisation of business processes</p>
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For more details on the 2018 results, see the section **Personnel Management System** (pp. 96–97)

<p>Completion of the introduction of the SAP system</p>	<p>Completion of the introduction of the SAP Human Capital Management system</p>	<ul style="list-style-type: none"> › 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
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For more details on the 2018 results, see the section **Personnel Management System** (pp. 96–97)

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

Employee engagement

<p>Completion of the formation of a unified talent pool for all the Company's enterprises (top 500 and top 100)</p>	<p>Formation of a unified talent pool</p>  <p>For more details on the 2018 results, see the section Talent Pool Programme (p. 103)</p>	<p>Development of the talent pool through:</p> <ul style="list-style-type: none"> › 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.
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<p>Systematisation of work with young professionals</p>	<p>Implementation of individual annual development programmes for newly arrived employees</p> <p>Systematic interaction with secondary and higher education institutions</p>  <p>For more details on the 2018 results, see the section Work with Young Talent (p. 100)</p>	<ul style="list-style-type: none"> › Continued work as part of individual annual development programmes › Further cooperation with educational institutions and the recruitment of young talented employees
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<p>Replication of the 'Production Leaders Institute' pilot programme at all the Company's enterprises</p>	<p>The programme is being implemented at all Metalloinvest's plants and encompasses middle managers of the Company's enterprises</p>	<ul style="list-style-type: none"> › 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
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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:

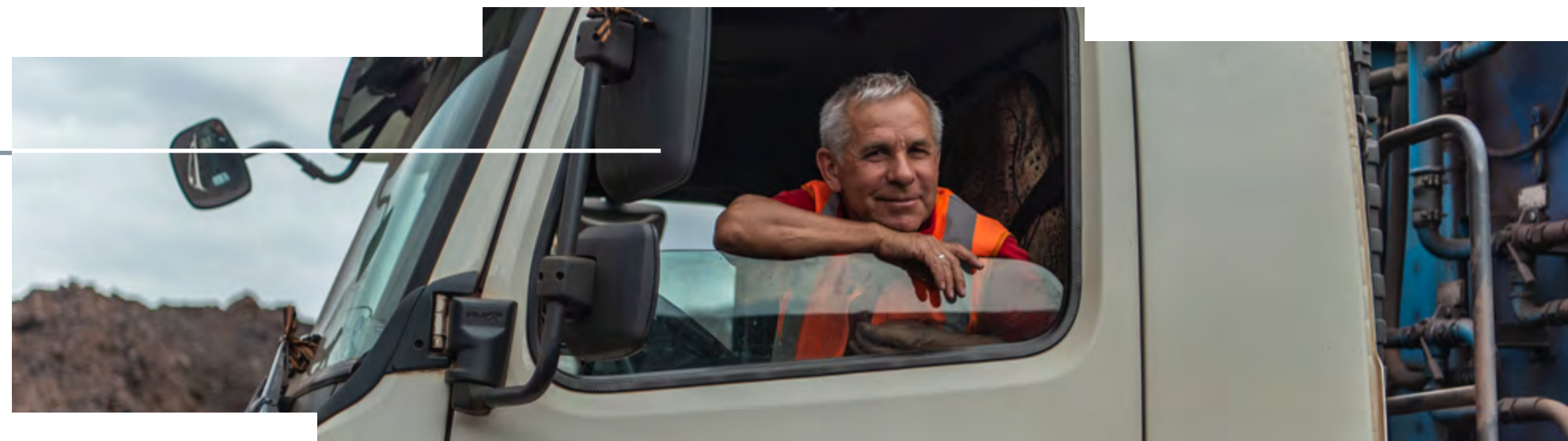
- > Regulation on Talent Pool Management
- > Regulation on Employee Salaries and Bonuses
- > Regulation on Social Support for Workers and Their Families
- > Concept of Non-Financial Incentive Tools
- > Regulation on Reward Activities
- > Regulation on the Performance Management System (KPI: goal setting, 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



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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.

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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.

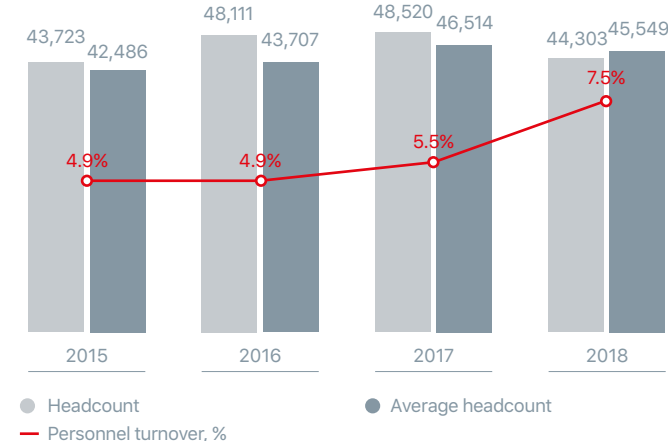
No significant changes occurred in the staff structure during the reporting period. Women still account for more than a quarter (27%) of all the Company's employees, which is a high figure for a manufacturing enterprise.

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.

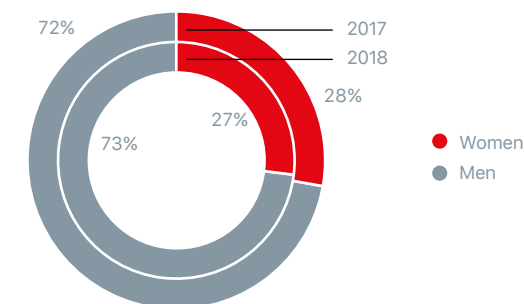
Staff distribution by job category remained unchanged compared with the previous reporting period. In 2018, workers made up 77.4% of the staff, while middle managers, specialists, and employees accounted for 22.5%. Senior executives made up 0.1% of the total staff.

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%.

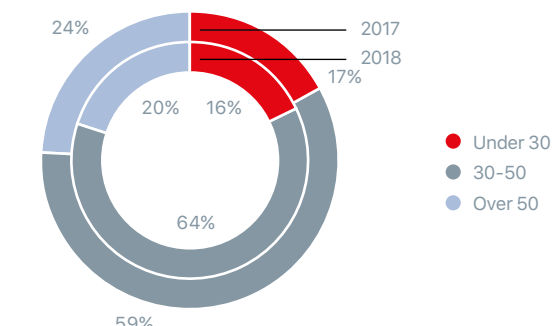
Headcount and personnel turnover



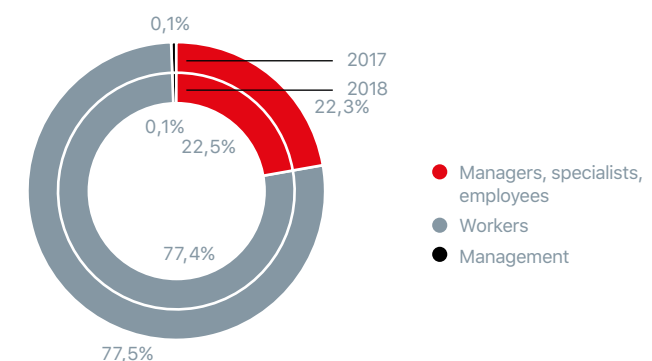
Headcount by gender



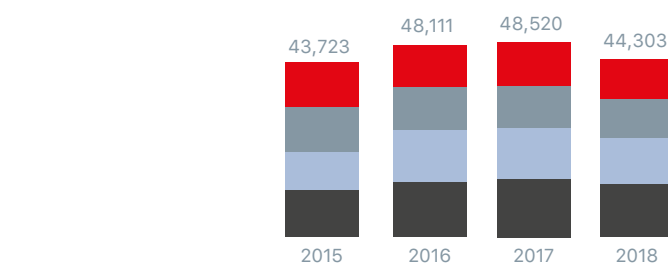
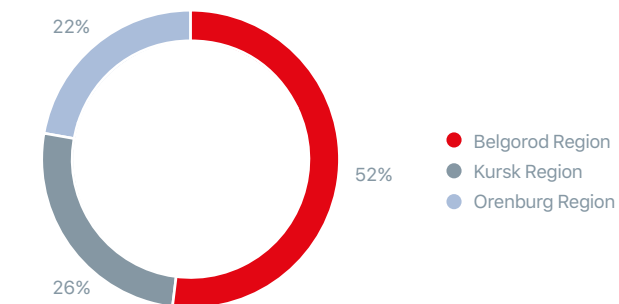
Headcount by age group



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

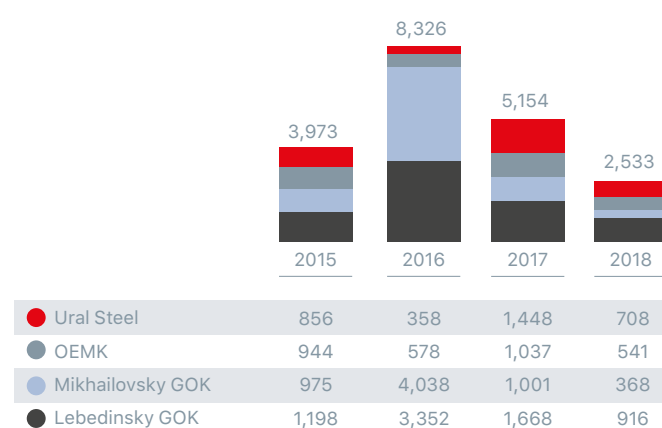
Despite a general decline in hiring rates, Metalloinvest continued to recruit young people in the reporting period. The share of young professionals (under 30) made up 53% of the total number of newly hired employees in the reporting period.

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.

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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%.

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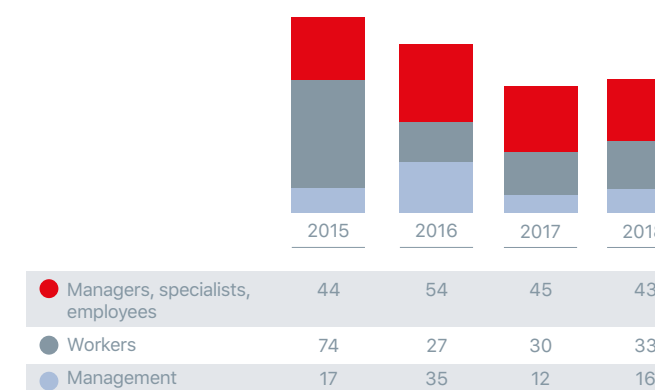
Metalloinvest's educational programmes encompass a wide range of disciplines: the development of technical and managerial skills, the study and understanding of business processes, the development of safety arrangements in the workplace, environmental protection and environmental safety, and waste management.



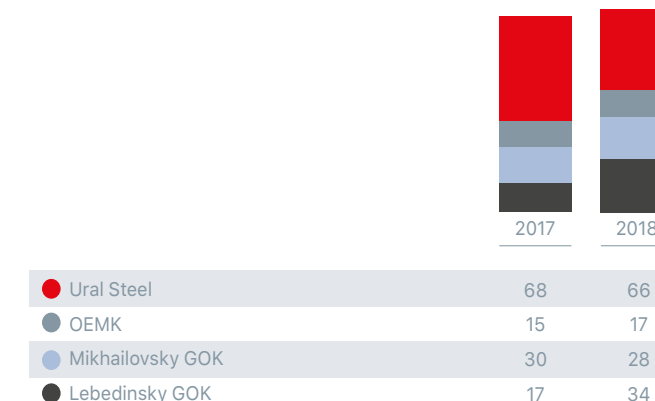
All education costs are fully paid by the Company. Educational programmes are implemented through four main forms of training:

- > **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).

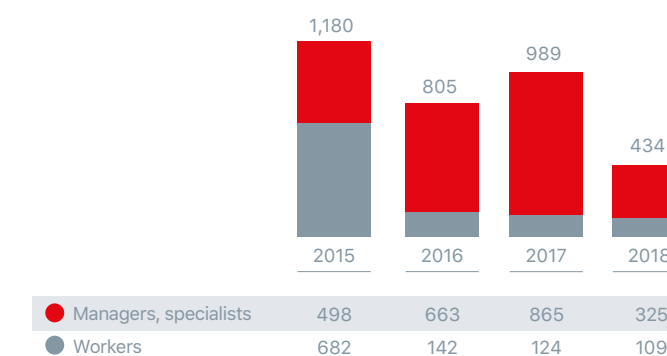
The talent pool was formed in several stages. During the first stage, selections were carried out at the plant level: the selection criterion was that the candidate must have skills that corresponded to the specifics of the enterprise's activities and internal needs. During the second stage, the selected 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.

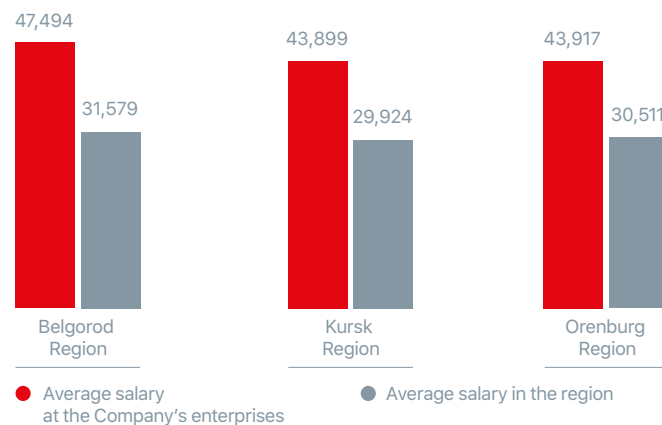
Salary

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.

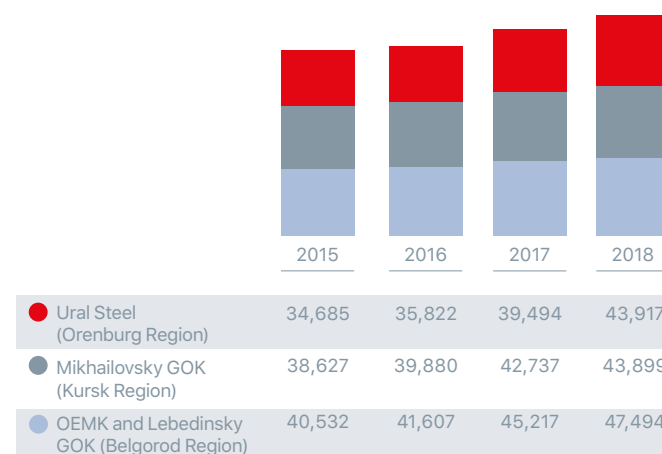
Salaries are designated within the range established for each position, are higher than the market median, and are indexed annually taking into account inflation. The Company is committed to the principle of non-discrimination and does not take into account gender, age, or ethnic factors when determining 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.

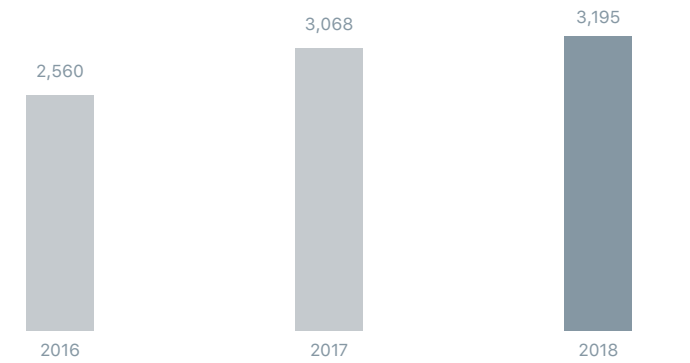
The Company continued to invest in traditional areas of social support for employees and retirees (former employees) during the reporting period.

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

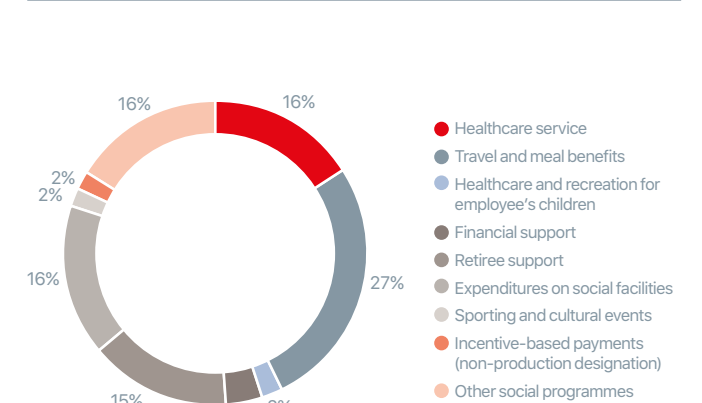
In 2019, in addition to the planned re-signing of collective bargaining agreements, Metalloinvest plans to conduct a number of measures that will further improve the quality and effectiveness of internal social programmes:

- 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



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