



**MAGNITOGORSK
IRON & STEEL
WORKS**

PJSC MMK 2019 Sustainability Report



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LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS VICTOR RASHNIKOV

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VICTOR RASHNIKOV
Chairman of the PJSC MMK Board of Directors

Dear investors and partners of PJSC MMK! Dear colleagues!

I am proud to present MMK's first Sustainability Report. This Report will provide a transparent account of how we addressed our most material sustainability considerations, covering economic stability, environmental protection and our commitment to ensuring decent working conditions for our employees and improving the well-being of our communities.

In 2015, the MMK Board of Directors approved a 10-year strategic development plan. Our priorities are to improve our customer focus and boost the operational and functional efficiency of the business. The 2025 Strategy places a commitment to sustainability at the heart of our approach through enhancing safety, training employees and strengthening partnerships. To achieve these priorities, management and the Board of Directors worked together to draw up a portfolio of strategic initiatives, underpinned by specific goals. We are planning to refine our Strategy in 2020 by integrating initiatives that will contribute to the achievement of the UN Sustainable Development Goals.

We had a successful year in 2019. MMK produced 12.5 million tonnes of steel and 11 million tonnes of metal products, posting revenues of RUB 435 billion for 2019. MMK maintains a strong position as a leading supplier of steel products for the pipe, automotive, mechanical engineering and construction industries.

MMK has achieved high profitability, stable working capital, and adheres to the principles of Smart Capex. Today, we have the lowest debt burden in the Russian steel industry and maintain a high level of free cash flow. The combination of all these factors has enabled us to pay out dividends of up to 100% of free cash flow to investors for several periods in a row.

We are investing heavily in the maintenance of fixed assets, with a focus on upgrades to the first processing stage. We completed the first phase of major upgrades to the sintering, coke-oven and blast-furnace stages and commissioned sintering plant No. 5 in 2019. We also broke ground on a state-of-the-art coke-oven battery and are carrying out pre-design work for the construction of a new blast furnace. Deploying the best available technologies at these new facilities will not only reduce the cost of production and increase the quality of our products, but will also significantly reduce our environmental impact.

We will not be able to develop sustainably unless we can ensure the environmental safety of our operations. MMK’s environmental projects form part of Russia’s overall environmental strategy to reduce air pollution in major industrial centres, as set out in the Presidential Decree “On the national goals and strategic tasks of the development of the Russian Federation for the period up to 2024”. In response to these government-directed goals, MMK has developed its Clean City initiative, which aims to significantly improve the environment in Magnitogorsk and the surrounding region.

MMK has drawn up and is actively implementing a long-term Environmental Program that will

drastically reduce our ecological footprint and ensure that our processes have a minimal impact on the environment. In 2018-2025, MMK will invest more than RUB 38 billion in the construction of environmental protection facilities, the majority of this investment (57%) will be spent on measures to cut air pollution. Assessing our impact on global climate change and reducing our carbon footprint by improving at energy efficiency of our facilities will be a major focus for us going forward.

We adhere to the Energy Policy in order to reduce our energy consumption. We are boosting energy efficiency by comprehensively developing and improving control systems, as well as the fullest and most efficient use of secondary energy resources.

Employees are also making a significant contribution to the improvement of MMK’s efficiency through our workplace innovation program.

As the largest employer in the region, we understand our responsibility for the livelihoods, health and well-being of our employees. We support the employment of about 50,000 people through MMK, its subsidiaries and contractors. The average salary at MMK is six times higher than the regional minimum wage.

The safety of our employees is our top priority. We were able to increase our comprehensive labour safety index by 16% year-on-year in 2019 by implementing priority occupational health and safety initiatives. We deploy innovative solutions alongside more traditional measures to ensure safe working conditions. In 2019, we launched a project to create industrial exoskeletons and rolled out a new incident investigation module based on artificial intelligence.

Over many decades, Magnitogorsk Iron and Steel Works has voluntarily taken on social commitments to its employees and the communities in its region of operation, conducting a wide range of welfare programs and helping realise local infrastructure projects. We invested RUB 1.8 billion in social projects and charitable causes in 2019.

The novel coronavirus pandemic presented the world with an unprecedented challenge in early 2020. With the well-being of its employees and the residents of Magnitogorsk at the forefront, MMK has developed a number of measures to minimise the impact of the pandemic on people’s lives. We spent more than RUB 100 million supplying our plants with all the necessary features and equipment to ensure their safe operation during the pandemic. We have earmarked RUB 500 million for measures to prevent

the spread of coronavirus in Magnitogorsk, including providing medical facilities with essential equipment and supporting people most vulnerable to the pandemic.

Improving the quality of people’s lives, developing their potential, and combining investment in production with support for communities and care for the environment are all key components of the broad concept of sustainable development. The largest entrepreneurial association in Russia, the Russian Union of Industrialists and Entrepreneurs, named MMK among the leaders for “Responsibility

and Transparency” and “Sustainable Development Vector” in its 2019 corporate governance, sustainable development and social entrepreneurship index. The “Responsibility and Transparency” rating recognises high standards of information disclosure. Experts have consistently praised our corporate disclosure policy. The “Sustainable Development Vector” rating acknowledges companies that invest considerable resources in achieving important social goals, recognising companies for their labour safety, wages, staff training and environmental policies. MMK’s management have been keeping a close eye on these areas for many years.

We firmly believe in continuous progress. Ambitious projects and progressive technologies, a green approach and social responsibility, employee development and intelligent investment are all reliable guarantees of MMK’s continued sustainable development for many years to come.

**Chairman of the PJSC MMK Board
of Directors**

Victor Rashnikov

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ABOUT THE REPORT



ABOUT THE REPORT

The MMK Sustainability Report is produced to disclose how PJSC MMK addressed sustainable development during 2019.

The MMK Sustainability Report (the Report) is produced to disclose how PJSC MMK (the Company, MMK) addressed sustainable development during 2019. The Report will present the most up-to-date and reliable information about our activities to ensure business continuity, occupational and industrial safety, environmental protection, strong corporate governance, the deployment of innovative technologies and engagement with staff and local communities. The Report covers MMK (the parent company of PJSC MMK Group) and any information that goes beyond this reporting scope will be specifically indicated.

The Report discloses information about events that occurred from 1 January to 31 December 2019 and, in some cases, provides information about significant events that occurred in previous periods.

Our decision to prepare our first ever Sustainability Report in 2019 demonstrates our aspiration to disclose complete and meaningful information about a broad range of material economic, environmental and social issues, and establish an open dialogue with all stakeholders about sustainability. The publication of this Report reflects MMK’s commitment to the mission and principles of sustainable development. We seek to explore best global business, governance,

social and environmental practices and integrate them into our everyday operations. As this is our first Sustainability Report, it contains information about all already existing sustainable development practices and activities.

This Report has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards (Core option), the most detailed and widely used non-financial reporting recommendations in the world.

This Report has been approved by the MMK Board of Directors.



REPORTING PRINCIPLES FOR DEFINING REPORT CONTENT

We determined the content of the MMK 2019 Sustainability Report based on the following principles.

STAKEHOLDER INCLUSIVENESS



The Company engaged its stakeholders throughout the preparation of the Report and identified their expectations and interests when obtaining information on relevant topics. The interests of stakeholders and material topics were used as the basis for the structure and content of the Report.

MATERIALITY



MMK compiled a list of material topics that reflects the priorities of senior management and the interests of key stakeholders. The selected material topics do not only reflect the interests of internal and external stakeholders, but also disclose economic, environmental and social impacts and integrated key industry trends and characteristics. The topics selected as material help to reveal the Company’s contribution to the global sustainable development agenda and reflect the Company’s values.

SUSTAINABILITY CONTEXT



Information on performance was placed in the context of sustainable development. The Report therefore presents performance in relation to broader concepts of sustainability by discussing how the Company’s economic, environmental and social performance related to its Strategy and presenting its activities at the sector and regional level, guided by best industry practices in Russia and globally. The Company’s Report demonstrates its commitment to achieving the UN SDGs and shows how this have been integrated into its activities.

COMPLETENESS



This Report includes coverage of material topics sufficient to reflect the Company’s significant economic, environmental and social impacts in the reporting period. Information about the Company’s performance in the above-mentioned areas is provided in full and meet the needs and expectations of stakeholders. The Report does not distort information in order to obtain desired conclusions about the Company’s activities.

REPORTING PRINCIPLES FOR DEFINING REPORT QUALITY

We were guided by the following principles to guarantee the quality of the information presented.

ACCURACY



The Report provides comprehensive and reliable data obtained through detailed quantitative measurements or calculation methods. All calculation methods used in the Report are indicated and the methodology provided. If rounded/approximate values were used, the Report provides appropriate comments on the assumptions used. Quantitative data and other related information do not contradict each other in the Report.

COMPARABILITY



The reported information is presented in a manner that enables stakeholders to analyse changes in the Company’s performance over time. The chosen quantitative measurements and calculation methods support analysis of the Company’s performance relative to other companies in the industry that publish reports in accordance with GRI Standards.

CLARITY



Information in the Report is presented in a manner sufficient for gaining an objective opinion of the Company’s activities. If there is insufficient detail in the Report, stakeholders should be able to access it in additional sections of the Report or from external public sources, as indicated by additional notes in the Report.

RELIABILITY



Information in the Report was gathered, recorded, compiled, analysed and disclosed in such a way that establishes the quality of the information for stakeholders. The Report underwent an internal data quality check conducted by the data owner and the project coordinator responsible for preparing the Report to ensure the reliability of its contents.

TIMELINESS



The Report for 2019 was published in the second quarter of 2020 and provides up-to-date information at the time of release. The Report stipulates what time period specific information refers to.

BALANCE



The Report reflects positive and negative aspects of the Company’s performance to enable a reasoned assessment of overall performance. The overall presentation of the Report’s content provides an unbiased picture of performance over the reporting period and track progress in comparison with previous years. Disclosure corresponds to the materiality of the topic.

DETERMINING MATERIAL TOPICS

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This Report is based on information that is of common material interest to our stakeholders and our management to give them an understanding of the impact we have in given areas.

Our process for determining and prioritising material topics involved two steps. First, a list of significant topics was identified based on an analysis of topics and issues raised by stakeholders, and a benchmark analysis of reports released by other companies in the metallurgical industry. Significant topics cover areas where our operations potentially have a major economic, environmental, and/or social impact. Material topics were selected from the list of significant topics in accordance with the GRI Standards approach (based on what was most important for stakeholders and where we have the greatest impact). The final list included 19 material topics.

The second step involved ranking the material topics based on consultations with stakeholders and our management. We conducted an electronic survey to determine materiality for internal and external stakeholders. Senior management were also surveyed to assess the impact of our operations. We considered the opinions of 820 stakeholders during the preparation of this Report.

19 material topics:

1. Business ethics, anti-corruption and regulatory compliance

2. Economic performance

3. Effective corporate governance

4. Innovation and R&D

5. Product quality and customer focus

6. Supply chain management

7. Health and safety

8. Employee engagement

9. Promotion of employee well-being

10. Engagement with local communities

11. Human rights and gender equality

12. Investment in regional development and indirect economic impacts

13. Environmental management

14. Water consumption and water discharge

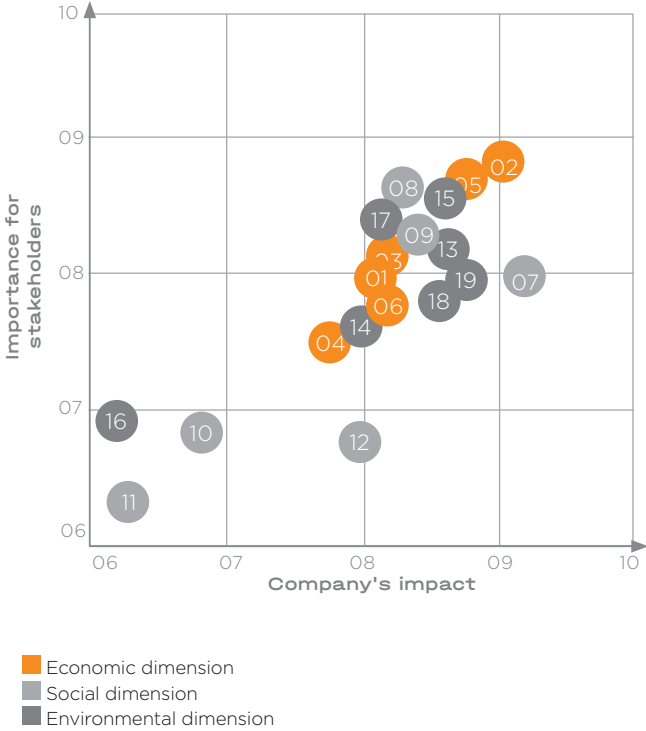
15. Emissions and climate change

16. Biodiversity

17. Waste management

18. Energy efficiency

19. Resource efficiency



We developed a materiality matrix that ranks topics according to their materiality on the basis of the stakeholders survey and a strategic session with senior management.

A detailed analysis of the materiality matrix is presented in [Appendices \(p. 158\)](#)

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ABOUT US





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KEY RESULTS FOR 2019

OPERATIONAL AND FINANCIAL HIGHLIGHTS

RUB **435** billion total revenue

10.96 million tonnes total output of metal products

88% of output sold on the Russian and CIS markets

MAGSTRONG our new line of high-strength and wear-resistant steel, was awarded the **gold medal** at the Russian Coal & Mining 2019 conference

Top 5 steel-maker in Boston Consulting Group's global 2019 Value Creators Rankings

ENVIRONMENTAL RESPONSIBILITY

RUB **5.3** billion total investment in environmental projects

55% reduction in the comprehensive air pollution index (CAPI) compared to 2017

7.7% decrease in greenhouse gas emissions

92% reduction in discharges into water bodies

26% drop in waste generation

Top 10 in the World Wildlife Fund (Russia) and the National Ratings Agency environmental transparency rating for metals and mining companies

KEY RESULTS FOR 2019

HEALTH AND SAFETY

0.89

lost-time-injury frequency rate (LTIFR), down 13% compared to 2018

16%

increase in the comprehensive labour safety index compared to 2018

1,972

employees underwent VR-based training at the MMK Safety School

Three-fold

reduction in the number of violations identified during inspections owing to measures taken to foster a safety culture

2,776

employees received medical treatment as part of targeted health promotion programs

7

cases of disease caused by harmful industrial factors

A new introduction video

was developed in 2019 for new hires

EMPLOYEE ENGAGEMENT

17,878

employees

100%

of employees are covered by the collective agreement

99.8%

of employees work on a full-time basis

28.6%

of our overall workforce are women

8%

employee turnover

1,746

students gained work experience at our plants

More than 70

educational institutions have trained Company employees, including foreign institutions

628

employees were awarded prizes for various achievements

RUB 694.4

million was invested in social benefits for employees



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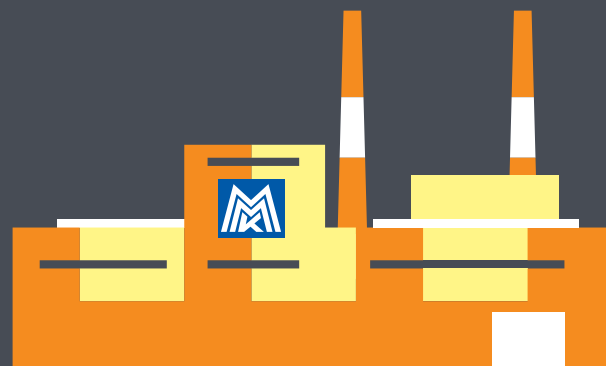
09

KEY RESULTS FOR 2019

INNOVATION AND R&D

RUB 600 million total investment in R&D, innovation and the Innovative Product Lines program

A business digitalisation project portfolio was developed in 2019 to automate and optimise processes using IT systems and Industry 4.0 concepts



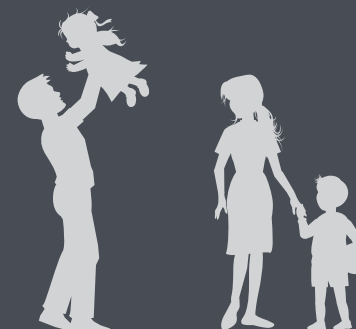
LOCAL COMMUNITIES

RUB 1.09 billion total investment in local development projects and charitable causes

10,500 saplings will be planted by 2023 as part of an urban greening program

The Metallurg-Magnitogorsk Ski Centre hosted a stage of the **Snowboard World Cup**

Two-fold increase in visitor numbers to MMK production sites as part of our industrial tourism program



OUR BUSINESS AT A GLANCE

MMK is a leading Russian metals company and one of the world’s largest steel producers. MMK manufactures a broad range of steel products with a major focus on high-value-added products. PJSC MMK is the parent company of PJSC MMK Group.

MMK is a large steel producing complex encompassing the entire production chain, from iron ore extraction to downstream processing of rolled steel.

We produce a wide spectrum of steel products: high-strength and wear-resistant flat rolled products, long products, zinc- and polymer-coated rolled products, and steel pipes.

In addition to meeting the growing needs of the Russian market, we export to 41 countries around the world and rank among the most sought-after manufacturers for the automotive, pipe, machine-building and construction industries.

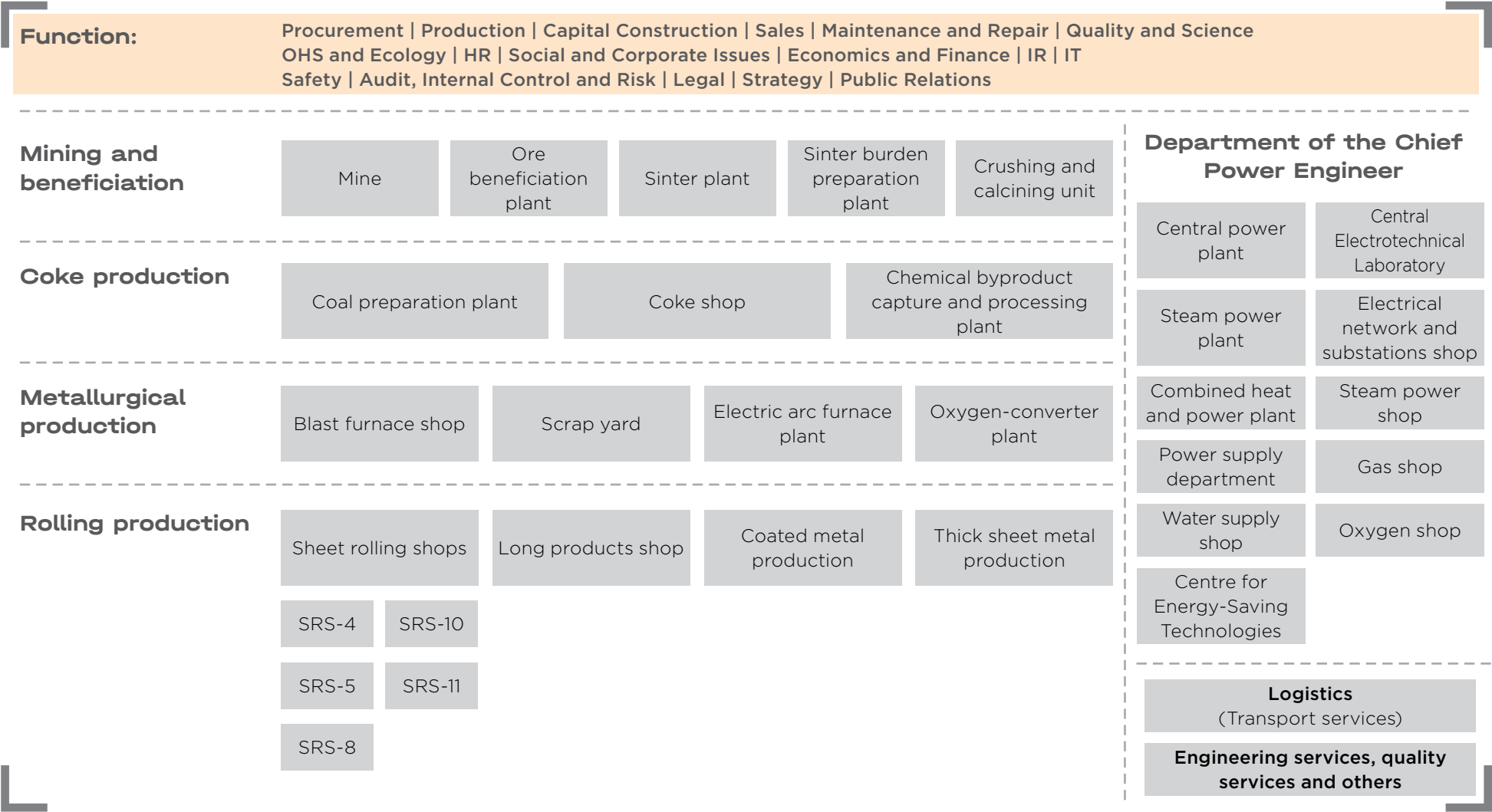
MMK’s head office and production facilities are located in Magnitogorsk, Chelyabinsk Region. Our workforce totalled 17,878 people in 2019.

MMK is the key employer in Magnitogorsk and has a major impact on the socio-economic and environmental health of the region and its residents. Our strategic initiatives aim to promote a holistic approach to sustainability throughout MMK by improving the industrial safety system, reducing our environmental footprint, creating opportunities for entrepreneurship to flourish and being mindful of the needs of all stakeholders.



CORPORATE STRUCTURE

ORGANISATIONAL STRUCTURE OF PJSC MMK



MISSION AND STRATEGY

MMK strives to continuously improve its operational efficiency and strengthen its position on the Russian market, while maintaining the highest standards of occupational health and safety, corporate governance, and social and environmental responsibility.

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Our mission is to be a reliable supplier of high-quality steel products that meet the needs of our customers, develop MMK into a world leader in efficiency, create shareholder value added and improve the quality of life of our employees and local communities.

Our mission is fostered and sustained by a consistent corporate culture that unites the efforts of all our employees. We believe that our people are our greatest asset. We expect the highest standards of business conduct and professional achievement from everyone who works for us. The values, principles and expectations that underpin how we do business are set out in the [MMK Code of Business Ethics](#). Our Code of Business Ethics not only provides guidance on employee conduct and teamwork, but also lays the foundation for productive relationships with clients, business partners, investors, government officials, competitors and society at large.

MMK Group's Strategy 2025 (the [Strategy](#)) is the driving force behind our business. We have drawn up a list of priority areas to support the delivery of the Strategy, each with a corresponding set of strategic initiatives. Key strategic initiatives that relate to sustainable development include:

- **Employee-led improvement of operational efficiency:** build a strong corporate culture and boost employee motivation
- **Zero-tolerance of safety violations:** achieve our goal of zero injuries
- **Promotion of Employees' Health:** reduce instances of occupational disease and promote healthy lifestyles
- **Clean city:** improve the environmental indicators of our production facilities

- **Development of Magnitogorsk:** support the development of our region of operation and create an pleasant urban environment
- **Industry 4.0:** make use of cost-effective big data, VR/AR, 3D printing and robotic process automation technologies.

The Board of Directors reviews the delivery of the Strategy on an annual basis. The Strategy delivery plan is adjusted regularly to help us best face our external and internal challenges. In 2019, we launched the process of updating the Strategy to take us up to 2030. This will enable us to expand the scope of our strategic initiatives and include initiatives aligned with the UN SDGs.

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KEY CHALLENGES AND THE UN SUSTAINABLE DEVELOPMENT GOALS

As a large manufacturing company, MMK faces a number of external and internal complexities and challenges. The UN SDGs are the main tools we use to manage challenges, including the promotion of a healthy environment, the well-being and development of our employees, and sustainable development for future generations.

Climate change

Climate change is a critical issue facing all of us and requires a global response with the adoption of measures to cut carbon emissions.

Climate risks will have wide-ranging impacts, potentially leading to resource shortages, supply chain failures, natural disasters, stricter legal and investor demands, reputational risks and so on. These risks could directly affect MMK’s financial results and long-term viability, and therefore represent a serious challenge for us.

However, climate change presents opportunities as well as risks. We hope to take advantage of these opportunities by developing a climate strategy and effectively managing climate risks in line with the recommendations of leading international organisations.

The metal production process inevitably results in greenhouse gas emissions, the main driver of climate change. MMK recognises the importance of reducing its carbon footprint and working to minimize climate risks. To achieve this, we are developing strategic initiatives that will enable us to effectively assess and manage climate risks, which will be integrated into the updated 2030 Strategy.

We selected SDG 13 (Climate Action) as our focus in 2019, and started assessing and disclosing our contribution to achieving this goal.

We are currently auditing our direct GHG emissions. We have set ourselves the goal of achieving a 20% reduction in specific GHG emissions (tonnes of CO₂ equivalent/tonne of steel) by 2025 compared to 2018. We are systematically reducing our coal consumption by replacing it with more environmentally-friendly natural gas and are increasing the use of secondary gas in production.

The central goal of our GHG reduction strategy is to conserve resources and increase energy efficiency. Energy efficiency initiatives saved 3.25 million GJ in 2019, a 36.6% increase on last year’s savings.

Business continuity during the COVID-19 pandemic*

As a leading Russian metals producer that provides jobs for almost 50,000 people**, we see maintaining the continuity of our operations as our primary objective. The novel coronavirus (COVID-19) pandemic has been a major challenge for manufacturers across the world and has required a rapid response.

Management has assessed the potential impact of COVID-19 on our performance, and has developed and implemented measures to minimise the fallout for our business and employees.

As a company with a continuous production cycle, we have drawn up transmission prevention measures to ensure the safety of employees who must continue support processes that cannot be shut down. Employees have been provided with enhanced personal protective equipment (PPE), air and hand disinfectant have been supplied to all production facilities, and mandatory social distancing rules and temperature checks have been put in place for employees and visitors. The number of business trips has been scaled back to an absolute minimum. We have put down markers to ensure that everyone observes a social distance of 1.5 meters at our production sites, places where people are likely to gather and offices. Our premises are continuously disinfected.

All employees who are not engaged in continuous production processes have been transferred to remote work.

We have spent more than RUB 100 million on rolling out these measures. We have also launched an operational information system based on the My MMK application, which includes advice on transmission prevention, internal regulatory documents and Rospotrebnadzor recommendations.

We are also committed to supporting the residents of Magnitogorsk, allocating an additional RUB 500 million in April 2020 to help the city. The funds will be used to purchase essential medical equipment, provide additional financial support for medical workers, acquire disinfectants and contactless thermometers for orphanages and care homes, and buy tablets and laptops for schoolchildren from low-income families to help with their education during the lockdown. We are also funding a program to deliver food packages and PPE to the most vulnerable and hardest hit people in society.

We will conduct repairs of the blast furnace, converter and rolling stages during the pandemic and potential slowdown in business activity. This is in line with the investment program delivery schedule, with a planned reduction in production volumes.

The current situation has given us the opportunity to reaffirm our commitment to the principles of sustainable development and contribute to the achievement of SDGs focused on providing employees with decent, stable and safe work, promoting the economic development (SDG 8: Decent Work and Economic Growth) and supporting the healthcare system (SDG 3: Good Health and Well-Being).

We are determined to make it through this challenging period while minimising the impact on our profitability, financial and operational results, and doing everything we can to cushion our people from potential hardships.

More detailed information about our anti-pandemic measures and results will be disclosed in our 2020 Report.

*The COVID-19 pandemic is a significant event after the reporting period, as it is of particular significance to all stakeholders and is a key challenge for the future reporting period.

**Employees of PJSC MMK, subsidiaries and contractors

THE UN Sustainable Development Goals

The United Nations launched its Sustainable Development Goals (SDGs) in 2015 to set the global development agenda until 2030. The SDGs are a call to action to create a better world by fighting poverty and inequality, driving development, improving the well-being of all people and addressing the urgency of climate change. The 17 Goals and 169 targets underpinning them, accepted by every UN member state, are designed to help companies around the world align their strategies and business processes with the principles of sustainable development.

Having joined the global initiative in 2019, MMK will make every effort to contribute to the achievement of the SDGs. In line with best global practices, we have decided to focus our attention on the achievement of four focus goals and three secondary goals. Our business activities have a direct impact on the achievement of our focus goals, while secondary goals cover more intermediate impacts. In 2020, we plan to incorporate the SDGs into our updated 2030 Strategy to address both our direct and indirect impacts.



CONTRIBUTION TO THE ACHIEVEMENT OF FOCUS SDGS



SDG 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all

SDG targets *	MMK’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	High value added (HVA) products account for a large proportion of the Company’s revenue (46%). <i>For more information, please refer to the “Operating results” section (page 59).</i> The implementation of a large-scale digital transformation strategy aimed at creating a highly automated production, supply, and planning system to optimise business processes, improve industrial safety, and increase economic efficiency. Specifically: • Rolling out a tracking system for cargo fasteners in wagons (radio frequency identification tags); • Introducing an automated monitoring system for rail transportation; • Opening a highly automated “smart” warehouses for rolled metal products; • Deploying exoskeleton technologies. <i>For more information, please refer to the “Innovation and R&D” section (page 38).</i>
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services	Providing financial and infrastructure support to MMK-Industrial Park, an environment where small- and medium-sized businesses can flourish. <i>For more information, please refer to the “Supporting small and medium business in Magnitogorsk” section (page 128).</i> Developing the Evolution platform for assessing innovative ideas and creating a wide-range of opportunities to help employees foster a culture of innovation and ingenuity at MMK. <i>For more information, please refer to the “Innovation and R&D” section (page 38).</i>

* This is a list of the SDG targets that are relevant for 2019.



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SDG targets	MMK's contribution
8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead	Implementing the best available technologies (BAT) to improve resource efficiency and reduce the Company's environmental impact. Commissioning sintering plant No. 5 to increase productivity and reduce emissions. <i>For more information, please refer to the “Environmental management” section (page 99).</i> Launching the Material Flows program to optimise material flows and ensure the traceability of material resources throughout the value chain. <i>For more information, please refer to the “Environmental management” section (page 99).</i> Rolling out an automatic regulation system for steam boilers and other projects aimed at reducing energy consumption. <i>For more information, please refer to the “Energy efficiency and consumption” section (page 112).</i>
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	Providing jobs for the residents of Magnitogorsk, respecting human rights and eliminating discrimination on the basis of gender, nationality, age and all other grounds, with permanent employment contracts and an average salary six times higher than the regional minimum wage. <i>For more information, please refer to the “Employee engagement” section (page 81).</i> Delivering the Social Strategy priority area to promote the development of single-industry towns. <i>For more information, please refer to the “Mission and strategy” section (page 18), and “Local communities and regional development” section (page 119).</i>
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	Offering internship placements to students of higher and secondary educational institutions, as well as recent graduates. Building close relationships with higher educational institutions. Supporting of the Union of Young Metallurgists, which aims to promote professional growth and create career paths for young people. <i>For more information, please refer to the “Employee engagement” section (page 81).</i>

SDG targets	MMK’s contribution
8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	Ensuring occupational health and industrial safety by creating a multi-stage OHS management system, integrating innovative technologies throughout the OHS process, setting the most stringent OHS risk assessment requirements and rigorously investigating all accidents. <i>For more information, please refer to the “Health and safety” section (page 66).</i> Defending the labour rights of employees with professional legal assistance from the Commission on Labour Affairs of MMK Group's primary trade union, the Mining and Metallurgical Union of Russia (the Union). <i>For more information, please refer to the “Employee engagement” section (page 81).</i>
8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products	Launching an industrial tourism initiative that gives guests four different experiences of the plant. The tours are open to individual guests or organised groups. All groups are accompanied by a guide and transportation, given PPE, audio guides and are fully insured. <i>For more information, please refer to the “Industrial tourism” section (page 122).</i>



SDG 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

SDG targets	MMK's contribution
9.2 Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries	Developing innovations to create metal products with high value added and unique high-strength and wear-resistant properties such as the MAGSTRONG H500 and OH9 product lines, produced since 2018 and 2019 respectively. <i>For more information, please refer to the "Environmental management" section (page 99), and the "Economic stability" section (page 55).</i>
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, with all countries taking action in accordance with their respective capabilities	Cutting specific CO ₂ emissions per unit of added value. GHG emissions totaled 27,206 tonnes of CO ₂ equivalent in 2019. MMK has set itself the goal of achieving a 20% reduction in specific GHG emissions (tonnes of CO ₂ equivalent/tonne of steel) by 2025 compared to 2018. The Company is planning to revise its environmental policy in 2020 to include provisions on Combating Climate change and update the Company's Strategy to include similar provisions. <i>For more information, please refer to the "Combating Climate change" section (page 117).</i>
9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	Conducting R&D to develop innovations in metal production and support the Industry 4.0 concept, which encompasses machine learning, machine vision, industrial exoskeletons, big data, industrial Internet of things (IIoT), additive technologies, mathematical modeling, automation, robotics and digitalisation of production. The 2019 budget for R&D, innovation and the Innovative Products program was just under RUB 600 million. <i>For more information, please refer to the "Innovation and R&D" section (page 38).</i>



SDG 12. Ensure sustainable consumption and production patterns

SDG targets	MMK’s contribution
12.2 By 2030, achieve the sustainable management and efficient use of natural resources	Ensuring that resource consumption indicators for the production of products and packaging remain stable and publicly disclosing information about resource consumption. <i>For more information, please refer to the “Resource efficiency and waste management” section (page 105).</i>
12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment	Minimising hazard class 1 and 2 waste. Mercury lamps, used in equipment and batteries, are our only class 1 and 2 waste. They are sent to specialist organisations for detoxification and disposal and account for a tiny proportion of total waste (0.002%). <i>For more information, please refer to the “Resource efficiency and waste management” section (page 105).</i>
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Ensuring that we recycled 100% of metallurgical slags through initiatives such as: • the extraction and use of metal fraction in the technological process; • the sale of fractionated and granulated slag to consumers; • the use of slag to reclaim abandoned iron ore pits. Commissioning a sludge enrichment plant to extract up to 40% of iron from long-accumulated sludge stored at the sludge depository. The extracted iron is fed back into production while the remaining mineralised part, reduced in volume, is returned to the sludge depository. Clearing roads and spillages of dust, feedstock and materials, including the use of vacuum cleaners attached to specially designed cars. This makes it possible to increase the amount of dust that can be reused in production and significantly decrease the average monthly concentrations of suspended solids and reduce dust deposits at production sites. Building Company landfill sites for waste in hazard classes 3-5, which is scheduled to start in 2020. <i>For more information, please refer to the “Resource efficiency and waste management” section (page 105).</i>
12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	Publishing our 2019 Sustainable Development Report and disclosing detailed information about the Company’s approach to resource use and waste management.



SDG 13. Take urgent action to combat climate change and its impacts

SDG targets	MMK’s contribution
13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Maintaining an effective, integrated risk management system that includes sustainability risks. The Company’s strategy is due to be updated in 2020 and will incorporate climate risks in the existing risk map and develop a system for assessing these risks. <i>For more information, please refer to the “Risk management” (page 49) and “Combating Climate change” (page 117).</i>
13.2 Integrate Climate change measures into national policies, strategies and planning	Implementing measures to reduce specific greenhouse gas emissions, mainly by boosting energy efficiency. MMK has been operating an energy management system (EMS) in accordance with ISO 50001:2011 since 2016. The EMS energy management platform makes it possible to monitor and analyse energy processes and deliver projects aimed at improving energy efficiency, resulting in reduced GHG emissions. Recycling metallurgical waste gases is one of the Company’s key energy efficiency initiatives. Commissioning of a new oxygen unit in the oxygen shop to cover the needs of the blast furnace shop and intensify the production of pig iron. Boosting the use of oxygen consumption in the blast furnace shop enabled a reduction in coke consumption and an increase in the consumption of more environmentally friendly natural gas. We also opened sinter plant No. 5 in 2019, which runs on natural gas and replaces the obsolete and worn-out sinter plant No. 4. <i>For more information, please refer to the “Energy efficiency and consumption” section (page 112).</i> Conducting GHG accounting since 2016. Setting climate action targets. MMK’s main goal is to achieve a 20% reduction in specific GHG emissions (tonnes of CO₂ equivalent/tonne of steel) by 2025 compared to 2018. Updating our environmental policy in 2020 to include provisions aimed at tackling Climate change. The Company’s strategy will also be updated in 2020 to incorporate strategic initiatives aimed at managing climate risks and the further reduction of GHG emissions. Implementing a converter gas recycling project, due for completion in 2025. Installing an aspiration system at blast furnace No. 2 in 2020. Modernising gas treatment plants for electric arc furnaces in 2020-2021. <i>For more information, please refer to the “Combating Climate change” (page 117).</i>



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SDG targets	MMK's contribution
13.3 Improve education, awareness-raising and human and institutional capacity on Climate change mitigation, adaptation, impact reduction and early warning	Publishing the MMK 2019 Sustainability Report as an up-to-date account for all stakeholders of how the Company is combating climate risks. The survey conducted to prepare this Report showed that MMK's Climate change activities are a material topic and fall within the scope of interest of the majority of stakeholders. After the planned update of the Company's Strategy and environmental policy in 2020, we will make sure to inform external and internal stakeholders about MMK's new strategic initiatives aimed at Combating Climate change. <i>For more information, please refer to the "Climate change" (page 19) and "Combating climate change" (page 117).</i>

CONTRIBUTION TO THE ACHIEVEMENT OF SECONDARY SDGS



SDG 3. Ensure healthy lives and promote well-being for all at all ages

SDG targets	MMK’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	Creating a system for preventing occupational diseases in MMK. In addition to regular medical check-ups and measures to improve employee health, the Company has also launched targeted programs that take due consideration of the specific nature of our production processes and the toll it takes on the musculoskeletal and respiratory systems, as well as the effects of vibration, heat and noise. The Company is currently running six programs, the most popular of which are No Back Pain and Lung Health. A total of 2,776 people took part in our programs in 2019, a 120% year-on-year increase. <i>For more information, please refer to the “Employee well-being” section (page 94).</i>
3.7 By 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programs	Launching programs to support mothers. The Company has been running a program to support mothers and parents since 2004. Women are granted paid leave with average salary from the 13th week of pregnancy until they are entitled statutory maternity leave on the condition that they attend the Maternity centre (which provides medical and emotional support). The program supported 167 expectant mothers in 2019. Eight fathers also took paternity leave. <i>For more information, please refer to the “Support for mothers and large families” section (page 95).</i>
3.8 Achieve universal health coverage (UHC), including financial risk protection, access to quality essential health care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all	Guaranteeing that 100% of employees are covered by the voluntary medical insurance system, which includes complex surgical operations, dental services, medical and diagnostic services, as well as partial coverage for treatment at MMK’s health resorts. Conducting regular medical check-ups to prevent occupational diseases. Providing employees and their families with ample opportunities for general health recreation, as well as setting up various events to promote sports and healthy lifestyles. <i>For more information, please refer to the “Employee well-being” section (page 94).</i>
3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	Getting Magnitogorsk removed from the 2019 list of Russian cities with high air pollution thanks to a 24% reduction in the comprehensive air pollution index (from nine to seven units). The Company is planning to reduce its comprehensive air pollution index to less than five units by 2025. <i>For more information, please refer to the “Environmental management” section (page 99).</i>



SDG 6. Ensure availability and sustainable management of water and sanitation for all

SDG targets	MMK’s contribution
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	Rebuilding the metal segment’s recirculated water supply system, creating a closed-circuit system and reducing wastewater discharge by 92%. <i>For more information, please refer to the “Responsible water consumption” section (page 110).</i>
6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes	Deploying measures to reduce discharges of wastewater, improve the quality of wastewater treatment and boost Responsible water consumption across all MMK enterprises. These measures contributed to the official recognition of the Magnitogorsk reservoir on the Ural River as a fishing reservoir of the highest category, suitable for the breeding and production of important fish species. <i>For more information, please refer to the “Responsible water consumption” section (page 110).</i>
6.b Support and strengthen the participation of local communities in improving water and sanitation management	Engaging with stakeholders through public consultations on ongoing water intake projects. The Company has a complaints system. MMK also conducts research on the quality of water discharged by all its suppliers that have a significant impact on water resources. <i>For more information, please refer to the “Responsible water consumption” section (page 110).</i>



SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all

SDG targets	MMK’s contribution
7.3 By 2030, double the global rate of improvement in energy efficiency	Devising and developing an internal energy management system that enables the Company to systematise the planning, monitoring, analysis and management processes for energy processes. MMK’s energy intensity was 26.08 GJ/tonne in 2019, which is 0.66 GJ/tonne higher than in 2018 (25.4 GJ/tonne), due to increased production of more cost-effective converter steel. <i>For more information, please refer to the “Energy efficiency and consumption” section (page 112).</i>
7.b By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and landlocked developing countries, in accordance with their respective programs of support	Implementing innovative projects through the Centre for Energy-Saving Technologies as part of the Industry 4.0 program to digitalise the energy sector. <i>For more information, please refer to the “Energy efficiency and consumption” section (page 112).</i>

You can find more information about MMK’s initiatives and quantitative results and how they have contributed to the achievement of the SDGs in the relevant sections of this Report.

STAKEHOLDER ENGAGEMENT

Building a constructive dialogue with all our stakeholders is of critical importance to us. This enables us to better communicate our social, economic and governance performance to stakeholders and effectively determine what matters most to them, where we can improve, and what we need to disclose.

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Engagement with stakeholders was integral to the preparation of this Sustainability Report in accordance with GRI Standards. The materiality matrix, which determined the structure and content of the Report, was based on the results of a stakeholder survey in which they indicated what issues were most important to them.

MMK’s key stakeholders include the following groups that are either directly involved in our activities or affected by them:

- Employees
- Shareholders and investors, including senior management
- Clients
- Suppliers
- Government bodies
- Small and medium business
- Local communities, including the families of employees, trade unions and the media.

Stakeholder group	Material matters and key interests	Engagement mechanisms
Employees	• Decent wages and social benefits • Health and safety • Promotion of employee well-being • Training, development and upskilling opportunities • Environmental initiatives • Financial performance and market presence • Climate change • Waste management	• The My MMK corporate app • Employee surveys • Social media • Feedback boxes and a hotline to the Safety Director • Information bulletins • Upskilling courses at the Personnel Corporate Employee Training Centre • Awards for top employees • Scientific and engineering conferences



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Stakeholder group	Material matters and key interests	Engagement mechanisms
Shareholders and investors, including senior management;	• Share price growth • Stable dividend income • Effective corporate governance and management of the sustainability strategy • Business ethics and anti-corruption • Financial performance and market presence • Promotion of employee well-being • Health and safety • Climate change • Waste management	• Publicly available information • The official MMK website • Surveying for ESG ratings • Non-deal roadshows (opportunities for investors to meet the CEO and senior management) • General Shareholders' Meetings • The Status Online. Shareholders Page portal • Investor Day
Clients	• Financial performance and market presence • Product quality and customer focus • Supply chain management • Energy efficiency • Effective corporate governance and management of the sustainability strategy	• Annual client satisfaction feedback surveys • The iClient MMK mobile app
Suppliers	• Financial performance and market presence • Fair and transparent procurement process • Supply chain management • Effective corporate governance and management of the sustainability strategy	• Transparent tender process • Electronic trading platform (ETP) • Open days and supplier conferences • The Supplier MMK mobile app
Government bodies	• Financial performance and market presence • Regional socio-economic development • Improvement of legislation • In full and on time payment of tax • Environmental initiatives • Innovation and R&D • Environmental management	• Discussion of legislative issues as part of expert groups • Involvement of Company deputies in the Magnitogorsk City Assembly of Deputies (MCAD) and the Legislative Assembly of Chelyabinsk Region (LACR) • Cooperation agreements • Surveys to identify significant matters



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Stakeholder group	Material matters and key interests	Engagement mechanisms
Small and medium-sized enterprises	• Financial performance and market presence • Support for projects (legal, methodological, financial, advisory) • Protection of rights and interests, opening channels of communication for stakeholders • Supply chain management • Climate change	• Delivery of Industrial Park projects • Surveys to identify significant matters
Local communities, including the families of employees, trade unions and the media	• Social stability • Investments in regional development • Environmental management • Climate change • Waste management • Promotion of employee well-being	• The Magnitogorsk Metal newspaper, local TV programs and radio stations • Phone calls and letters to the corporate media office • MMK's official website • Cooperation agreements with charities • Regional development projects

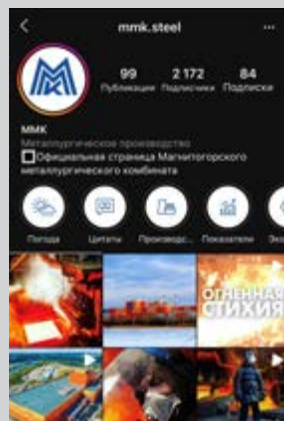
* Engagement is initiated depending on the needs of the Company or stakeholders

We strive to share the most up-to-date and useful information with our stakeholders and believe that this process can now be significantly enhanced and simplified by using online platforms.

MMK on social media

MMK is proactively building its presence on popular online platforms. Our official accounts on [Instagram](#), [Facebook](#) and [VKontakte](#) keep all our stakeholders updated about the latest news and events.

Our official YouTube channel regularly posts videos about important events. You can also find educational clips about our environmental initiatives and a film about the full production cycle of a metals plant: from the processing of iron ore to the manufacture of HVA goods.



MMK is making every effort to nurture the creative potential of its employees with the aim of enhancing its existing business processes. One such solution, developed by MMK engineers, is the My MMK mobile app.

My MMK mobile app for employees

The My MMK mobile app, developed by Company programmers, gives employees up-to-date personal, professional, social and support information in a convenient and easily accessible format. The app is available on Android and iOS devices.

The app helps MMK employees:

- Manage their personal data
- Quickly access HR information (training, bonuses, job descriptions), as well as information about vacations, work schedules and total hours worked, deductions from wages, etc.

- Check their account balance in the Mutual Assistance Fund, see the list of equipment assigned to employees and the available information resources
- Apply for documents to be submitted to government agencies and other organisations, and apply for special clothing and personal protective equipment.

Employees can ask any question they want on the feedback page of the My MMK app and take a survey on the quality of medical care in the Central Clinical Healthcare Unit.

The app had 39,000* users in December 2019.

* Data provided for MMK Group

Building a successful approach to sustainable development depends on our ability to successfully engage with stakeholders who have a direct impact on our results, as well as with those who are affected by our decisions. At MMK, we see stakeholder engagement as a recognition of their

right to be heard and receive all the information they require. Open and honest engagement with our stakeholders is critical to unlocking our potential as a responsible company that is aligned with the principles of sustainable development.

HUMAN RIGHTS

Respect for human rights is a core principle at MMK and is a guiding force behind how we do business and interact with all our stakeholders.

We are committed to upholding the labour rights of our employees and respecting human rights as set out in the Russian Constitution and Labour Code.

MMK has a Commission on Ethics and Commission on Employment Dispute, which were set up to investigate violations of our [Code of Business Ethics](#) and labour legislation when alerted to them by employees. We launched a business ethics and human rights hotline in December 2019.

Our approach to human rights

MMK supports and fully complies with the following principles of human rights:

- Equality before the law, protection of human dignity and reputation, the inviolability of personal and family life
- Eradication of child and forced labour
- Freedom of thought, conscience and religion, freedom of opinion and expression
- Freedom of peaceful assembly and association
- Provision of safe working conditions, favorable remuneration and social guarantees
- Right to education and training
- Right to rest and leisure
- Right to a favorable standard of living.

Our respect for human rights is set out in the following internal documents:

- [MMK Group Strategy 2025](#)
- [MMK Code of Business Ethics](#);
- [MMK Social Policy](#).

MMK has a zero-tolerance approach to any form of discrimination on the basis of race, ethnicity, language, gender, religion, political, social and property status, membership of public associations, and any other grounds.

We are aware of the risks our operations pose to the health of employees, and take responsibility for ensuring safe working conditions, decent pay and social protections. MMK is focused on measures to reduce its environmental impacts and initiatives to improve the standard of living in its region of operation, recognising the right of local communities to favorable living conditions.

MMK engages with stakeholders to ensure that human rights are being respected across the board and takes any form of stakeholder feedback extremely seriously.

How we reinforce human rights

We are proactively undertaking new initiatives to counter violations human rights. No instances of non-compliance with the socioeconomic law or regulations were recorded in 2019.

MMK is integrating the principles of human rights into the way it does business:

- Ensuring equal pay for equal work regardless of gender, nationality, religion, age or any other characteristics
- Guaranteeing that 100% of employees are covered by a collective agreement and have the right to be represented by trade unions in defense of their interests and labour rights
- Supporting a decent standard of living for vulnerable groups by carrying out charitable programs;
- Organising programs to improve workplace conditions and increase the level of safety at work. Initiatives are also being launched to improve housing conditions, ensure that employee health is adequately monitored, including at health centres and resorts, and providing employees with good food when at work

- Developing and rolling out measures to deliver our Clean City strategic initiative, which has (and continues) to cut air pollution and improve the standard of living in the region
- Ensuring that employees have ample opportunities to obtain additional training (including online courses) and developing educational programs for employees
- Putting a feedback mechanism in place to give employees a direct line to management to discuss any issue
- Providing access to a diverse range of high-quality leisure activities through our ownership of social facilities (ski resorts, health resorts, children's camps, sports clubs, cultural centres)
- Identifying cases of discrimination through internal and external tools, and interacting closely with trade unions, business partners and public authorities

For more details about MMK's initiatives to reinforce the human rights of employees and local communities, please refer to the ["Employee engagement" section \(page 81\)](#), ["Health and safety" section \(page 66\)](#), ["Local communities and regional development" section \(page 119\)](#) and other sections.

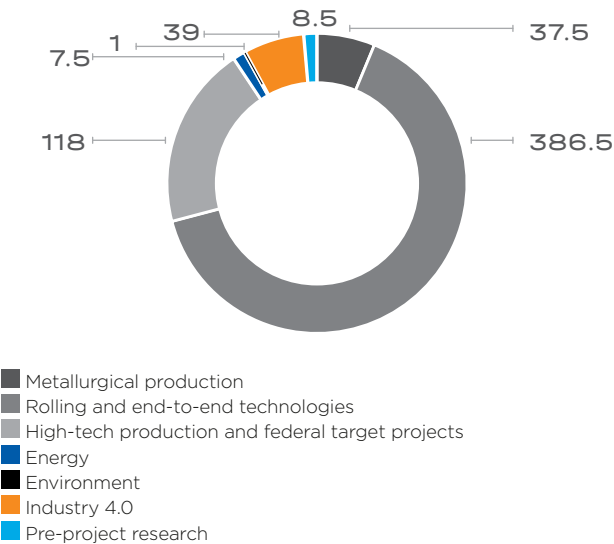


INNOVATION AND R&D

MMK is proud to be a leader in the innovation and rationalisation of operational processes.

Our intellectual and technological capital give us the ability to develop R&D solutions and implement innovative projects that dramatically improve how we serve our customers. We invested RUB 600 million in R&D, innovation and the Innovative Product Lines program in 2019.

INVESTMENT IN R&D, RUB MILLION



MMK is inspired by the Industry 4.0 concept and is taking the lead in innovations such as energy efficiency, machine learning and vision, industrial exoskeletons, big data processing and analysis, industrial Internet of Things (IIoT), additive technologies, mathematical modeling, automation and robotic process automation.

The Centre for Energy-Saving Technologies (CEST) works on innovations aimed at boosting energy efficiency and reducing energy consumption.

For more details about implemented and planned energy efficiency innovations, please refer to the “Energy efficiency and consumption” section (page 112).

Digitalisation is one of the key vectors of MMK’s innovative development. Digital transformation includes the development of projects related to product lifecycle management, process intellectualisation, IIoT and industrial security.

MMK digital transformation project up to 2025

MMK partnered with Deloitte CIS to create a portfolio of business digitalisation projects to automate and optimise processes using information systems. The deployment of cutting-edge digital solutions will help us strike the optimal balance between developing process stages in our value chain and ensuring a consistent increase in inter-function technological maturity.

Digitalisation will have an impact on all our strategic vectors, but our core projects are programs to strengthen MMK’s position on priority markets and improve productivity. This will involve building an engagement ecosystem with consumers, reducing our consumption of materials and energy and increasing the first pass yield of usable metal, while boosting the efficiency of our operations and assessing how changes to the repair schedule impact overall efficiency.

A comprehensive selection process resulted in a total of 110 projects in 18 functional areas.

We partner with leading universities and research centres to develop advanced technology solutions.

- G. I. Nosov Magnitogorsk State Technical University (MMK and the university launched an R&D centre on campus to deliver innovative projects)
- National University of Science and Technology MISiS
- I. P. Bardin Central Research Institute for Ferrous Metallurgy
- Peter the Great St. Petersburg Polytechnic University
- Moscow Power Engineering Institute
- Skolkovo Institute of Science and Technology.

We successfully completed a project to create a unified electronic database for information on completed tests and new innovations.

We are also implementing the Material Flows strategic initiative to optimise material flows and ensure the traceability of material resources throughout the value chain. The oxygen converter shop and sheet rolling shops have been equipped with digital management systems that monitor, manage and record resource flows digitally and keep track of all resources and waste, as well as semi-finished products and metal products.

It is critical for companies to encourage new ways of thinking and find new ways of working in today's fast-moving global industry. This is why rationalising our operations is a priority development area for MMK.

Rationalisation aims to unlock the creative potential of our employees to improve existing technical solutions, modernise equipment and adapt them to suit our specific operational requirements.

MMK has developed a process that allows employees to submit and implement their own proposals, which has already delivered strong results. The number and quality of submitted proposals is increasing and the time needed to implement them is falling.

We hold various annual competitions to encourage employee-led innovation.

- The Best Young Innovator and Inventor is awarded to 15 employees under 30
- The Best Innovation Proposal for Materials and Equipment Savings
- First, second and third place are awarded to the best innovation proposals in Occupational, Industrial and Environmental Safety and Energy Efficiency. We added the new Reducing Consumption in Production category in 2019.

For more details about employee-led innovation, please refer to the [“Core production processes” section in our Annual Report \(page 48\)](#).

We take a leading role in external competitions and exhibitions. MMK took part in the 22nd Archimedes Moscow International Salon of Inventions and Innovative Technologies in March 2019, winning several medals and certificates. MMK and the Prometey Central Research Institute of Structural Materials won a certificate and gold medal for their high-strength, cold-resistant steel MAGSTRONG. We are continuously working to develop new innovative steel lines.

Below are some notable examples of MMK’s achievements in innovation and rationalisation.

- MMK commissioned a new turbine unit at its Central Power Plant. It is equipped with a steam heating turbine and generator. The new turbine unit is more powerful than the one it replaces, and will reduce heat consumption per kilowatt of electricity generated by 15%
- MMK was named the best exporter of high-tech products in the Urals Federal Region. The winners of the Exporter of the Year awards were announced as part of the Global Manufacturing & Industrialisation Summit 2019, held in Yekaterinburg

- As part of the wide-ranging MMK-Industry 4.0 innovation project, MMK’s Commercial department, together with Informservice’s Centre for RPA (robotic process automation) and Innovation, launched a software robot to collect and organise quotes for raw materials, opening up a new level of analytics for raw materials procurement
- MMK-Informservice’s RPA and Innovation Competence Centre received an award from UiPath in December 2019 for delivering the largest RPA project in Russia.

Our approach to innovation helps us unlock solutions that boost production efficiency and advance the technical potential of our employees.

OH9 Innovative Steel Line

OH9 cryogenic steel is an innovative grade of rolled sheet metal with a high impact strength at temperatures up to -196°C. The OH9 grade can be used in cryogenic engineering projects and in the construction of facilities for the transportation, use and storage of liquefied gases, for the manufacture of tankers and tanks, static equipment, cryogenic equipment elements, heat exchanger elements and gas separation plants.



AWARDS, ACHIEVEMENTS AND SIGNIFICANT EVENTS IN 2019

We have received a number of awards and achievements in recognition of our strategic initiatives. Every significant event drives MMK further along the path of sustainable development, improving employees' standard of living and opening up new opportunities in our region of presence.

Our key events in 2019 included:

Main Event in Russian Metallurgy 2019 Competition

The construction of the new sinter plant No. 5, commissioned in July 2019, was recognised as the Main Event in Russian Metallurgy 2019. The new sinter plant provides MMK's blast furnace shop with high-quality raw materials while making significant improvements to efficiency. Environmental protection units have improved working conditions for MMK's sinter workers.



Exclusion of Magnitogorsk from the list of cities with high air pollution

A report published by the Russian Federal Service for Hydrometeorology and Environmental Monitoring (Roshydromet) removed Magnitogorsk from its 2019 list of cities with high air pollution. MMK's ambitious environmental program aims to reduce the city's comprehensive air pollution index (CAPI) to "low" by 2025.



Winning a UNIDO award

MMK was awarded a certificate by the United Nations Industrial Development Organisation (UNIDO) for its contribution to sustainable development and environmental initiatives in Chelyabinsk Region and the successful implementation of its Energy Management of Industrial Enterprises program.

Inclusion in the WWF and National Rating Agency environmental responsibility rating

We were named one of the top 10 most environmentally responsible Russian mining and metals companies in a rating compiled by the World Wildlife Fund (Russia) and the National Ratings Agency.

Victory in the Metal and Mining Enterprises with Highly Effective CSR competition

Magnitogorsk Iron and Steel Works (MMK) won the youth outreach category in the XV Metal and Mining Enterprises with Highly Effective CSR industry competition.

Inclusion in the RAEX Rating Review

MMK took fourth place in the 2018 RAEX Rating Review of leading Russian employers, which recognises investment in human capital.

Tour of the Year prize winner at the 2019 Russian Tourism Awards

MMK’s tour was awarded first place for Best Children’s Tour and second place for Best Tour of a Working Production Site.

Affordable housing for MMK metallurgists program

An official opening ceremony was held for two four-apartment houses built for MMK employees as part of the Group’s long-term affordable housing program.

More detailed information about our other sustainability achievements is given in the relevant sections of this Report. Please refer to our [Annual Report \(page 20\)](#) or the [official MMK website](#) for a full list of significant events in 2019.



MEMBERSHIP OF ASSOCIATIONS

Being part of national and international industry associations is an integral element of our strategic positioning on the domestic and foreign markets.

Joining efforts with other industry players through a wide range of non-profit organisations empowers us to better coordinate collaborative projects, allocate resources and communicate with all stakeholders, including governments.

MMK is a member of the following national associations:

- Russian Steel
- Association of Industrialists of the Mining-Metallurgical Complex of Russia (AMROS)
- National Union of Internal Auditors and Controllers (NUIAC)
- Chelyabinsk Regional Public Organisation Union of Industrialists and Entrepreneurs
- The Institute of Internal Auditors
- Union of Construction Companies of the Urals and Siberia (UCCUS).

MMK has been a member of the World Steel Association (WSA) since November 2005. MMK Chairman Victor Rashnikov sits on the WSA Board of Directors.

As a member of WSA, MMK gains access to the association's information resources and is represented in working groups on issues related to the environment, health and safety, technology development, raw materials, the economy and the Constructsteel program, etc.



The background image shows a large industrial facility, likely a steel mill. In the foreground, there are large, grey, curved metal molds. A bright, glowing stream of molten metal is being poured from a central point into these molds. Above the molds, there is a large, horizontal, cylindrical metal structure, possibly a ladle or a part of a conveyor system, which is also glowing with heat. The background is filled with complex industrial structures, including pipes, walkways with yellow railings, and various mechanical components. The overall lighting is dim, with the primary light source being the intense heat of the molten metal, which casts a strong orange and yellow glow across the scene.

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CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

A robust governance system is critical for building trust-based relationships with shareholders, investors, employees and helps to embed sustainability throughout our operations.

MMK is guided by international and Russian standards of corporate governance. We have drawn up a [Code of Corporate Governance](#), which sets out the following core values:

- Protection of the interests and rights of shareholders (including minority and foreign shareholders) and investors
- Compliance with all current legislation and internal documents
- Equal treatment of all shareholders
- Mutual trust and respect for all stakeholders based on an open dialogue
- Integrity of management
- Unflinching commitment to the continuous reduction of harmful environmental impacts, the development of green production potential and the deployment of the best available technologies.

We strive to uphold these values in everything we do. We constantly monitor the latest requirements and developments in corporate governance and continuously update our own approach to reflect best practices. We proactively engage with stakeholders on corporate governance issues, including minority and foreign shareholders. MMK adheres to a corporate-wide policy that applies to all its subsidiaries and affiliates and other legal entities associated with the Group.

For more details about our corporate governance principles, please refer to the [“Corporate Governance” section in our Annual Report \(page 89\)](#).

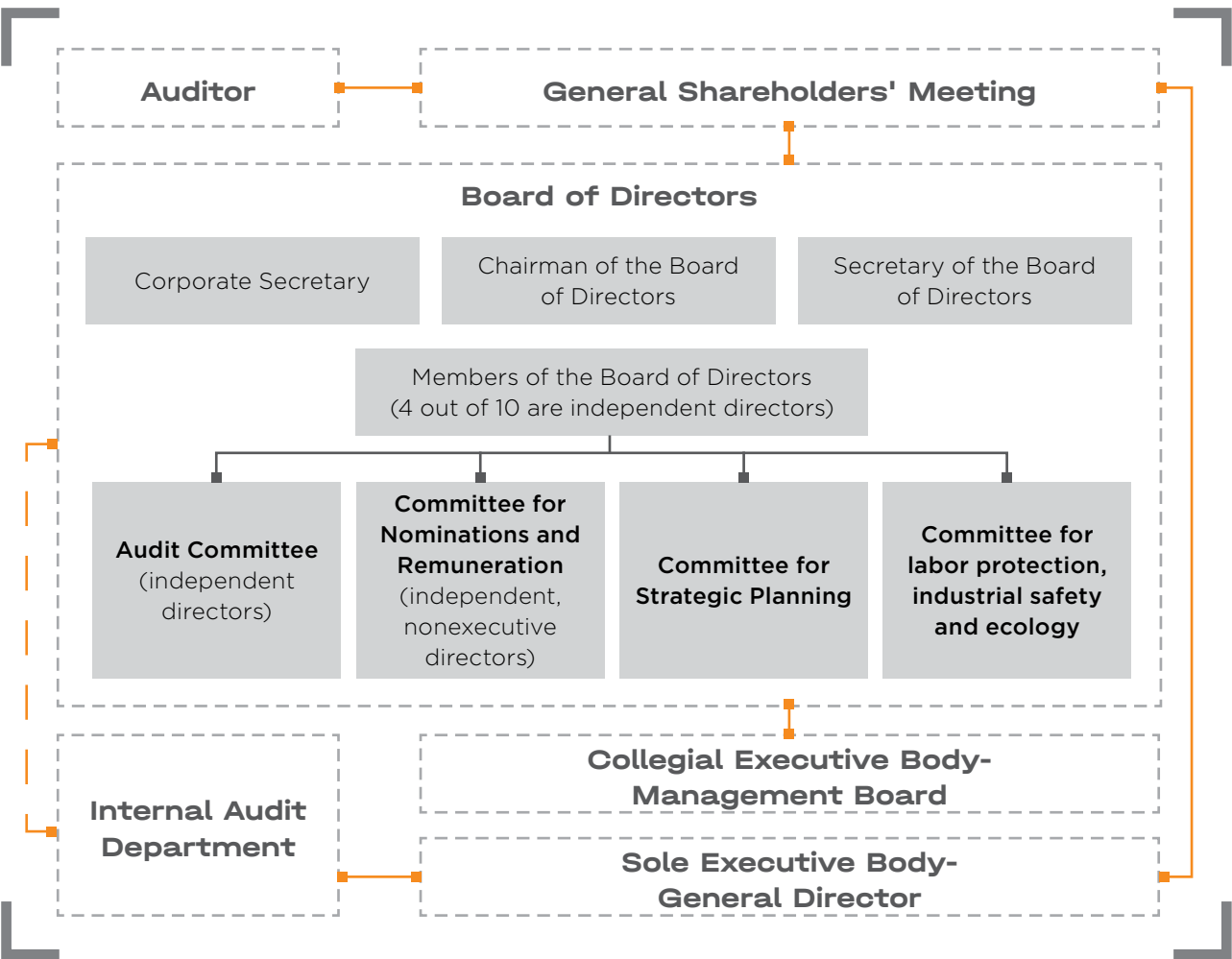
MMK’s governance structure corresponds to global best practices and is firmly underpinned by sustainability considerations. Our governance structure includes the following bodies:

- General Shareholders’ Meeting
- Board of Directors
- Management Board (collegial executive body)
- General Director (sole executive body of MMK).

The scheme of governance structure is presented on the page 46.



GOVERNANCE STRUCTURE



According to [MMK’s Charter](#), the General Shareholders’ Meeting is our supreme governing body. The procedure for convening and holding General Shareholders’ Meetings is governed by the [Regulations on the General Shareholder’s meeting](#). Four General Shareholders’ Meetings were held in 2019 (once every three months on average). Agendas are regulated by Federal Law No. 208-FZ “On Joint-Stock Companies”.

The Board of Directors, which is accountable to the General Shareholders’ Meeting, is in charge of the overall management of MMK, including sustainability considerations.

The Board of Directors is the corporate governance body responsible for approving and updating corporate goals, mission statements, strategies, policies, and economic, environmental and social objectives.

The Board of Directors consists of 10 people. In the reporting period, the Board had four independent members and three non-executive members, which complies with the requirements of the [Regulations on the PJSC MMK Board of Directors](#).

For more detailed information about our Board members, please refer to the “[Appendices](#)” (page 158) and “[Corporate Governance](#)” section in our Annual Report (page 89).

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Members of the Board of Directors are elected by cumulative voting. Two new Board members were elected in 2019. Board members are selected based on the whether they meet our requirements and have the skills and experience to address our needs, drive forward our strategic priorities, and advance our focus on sustainable development.

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The Board of Directors must meet at least once every six weeks. From 1 January 2019 to 31 December 2019, 17 Board meetings were held of which six took place in person and 11 adopted decisions through absentee voting. Board agendas cover the delivery of strategic initiatives, including occupational and industrial safety, financial and economic efficiency, the risk management system, environmental responsibility and social policy.

The Management Board is our collective executive body. The Management Board consists of the General Director, and the Directors and Heads of departments (14 people in total). The Management Board is in charge of running MMK’s day-to-day operations. The activities of the Management Board are governed by the Regulations on the Management Board.

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The General Director is the sole executive body who acts on behalf of MMK and represents its interests in accordance with the Regulations on the individual executive body. The General Director manages MMK’s operations and regularly reports to the Board of Directors in accordance with the approved schedule of meetings.

To ensure independent assessment of its performance, the Board of Directors engages an external organisation (consultants) on a regular basis (at least once every three years). An external assessment of 2017 performance was conducted in 2018. The Board of Directors conducted an annual self-assessment of its performance and that of its committees in 2019.

For more detailed information about the results of the Board performance assessment, please refer to the “Corporate Governance” section in our Annual Report (page 89)

The Board of Directors includes four committees: Audit Committee, Committee for Nominations and Remuneration, Committee for Strategic Planning and Committee for Labour Protection, Industrial Safety and Ecology. We formed the last one in 2019 to address the increasing importance of sustainable development issues.

Board committees were set up to improve performance, review and propose recommendations to the board and support board decision-making on critical issues. The responsibilities, the procedure for electing members and holding meetings are set out in the Regulations on the PJSC MMK Board of Directors’ Committees.

- **Audit Committee** was set up to review the Board of Directors’ ability to maintain control over our financial and economic activities, including assessing the independence of the auditor and the absence of conflicts of interest, as well as evaluating the quality of financial reporting and monitoring the reliability and effectiveness of the risk management and internal control systems.
- **Committee for Nominations and Remuneration** was formed to review the Board of Directors’ competencies with regards to HR policies, succession planning and the formation of a professional Board of Directors and key executives, as well as matters related to remuneration. The Committee evaluates the success of the main vectors of our HR policy every year and the results of the Professional Personnel Development priority area.
- **Committee for Strategic Planning** is responsible for assessing the Board of Directors’ strategic planning, corporate governance, economic, financial, credit and dividend policies. The Committee reviews our forecast financial and economic performance on a quarterly basis and

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evaluates the results of strategic initiatives in the following priority areas every year: Social Strategy (including Development of Magnitogorsk and Promotion of Employees’ Health initiatives) and Improving Operational and Functional Efficiency (including MMK Industry 4.0) initiative.

• **Committee for Labour Protection, Industrial Safety and Ecology** is charged with reviewing our environmental policy, the delivery of the environmental program, the Clean City and Zero-Tolerance of Safety Violations strategic initiatives, ways of improving the environmental management system (annually), reports on compliance with environmental safety (quarterly), industrial accidents and discussion of corrective measures to prevent them.

For more detailed information about the composition of the Board Committees, please refer to the “[Corporate Governance](#)” section in our [Annual Report](#) (page 89)

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To prevent and manage corporate conflicts, the Board of Directors approved the [Regulations on the Procedure of Settlement of MMK’s Corporate Conflicts](#) and the [Code of Business Ethics](#), which underpin how we resolve corporate conflicts. We disclose information about cross-membership in multiple corporate governance bodies and the existence of a controlling shareholder on MMK’s [official website](#), [the Issuer’s report](#) and our [Annual Report](#) for stakeholders. Information about affiliates is provided every quarter as required by law.

Our sustainability management is unconsolidated. The General Director is the executive directly responsible for the environmental management system, while all other environmental considerations are managed by the Director for Occupational Health and Safety and Environmental Protection. Social issues fall under the remit of the Director of Corporate Affairs and Social Programs. The General Director created a permanent council to discuss economic issues within MMK, which is chaired by the Director of Economics. All directors are accountable to the General Director.

Engagement with stakeholders on economic, social and environmental issues is led by MMK’s executive body. Feedback on performance in these areas is conducted in accordance with the board meeting agenda. Our annual Investor Day event gives the investment community the chance to meet with the Chairman of the Board of Directors and Independent Directors.

Special strategic sessions are held in addition to face-to-face board meetings to increase the Board of Directors’ ability to successfully address sustainability considerations. These are forums to discuss our efforts to achieve our strategic initiatives and the performance of engaged third-party experts.

The Audit Committee monitors the reliability and effectiveness of the integrated risk management system, including those related to the economic, environmental and social aspects of MMK’s operations. The Audit Committee is responsible for, among other things, evaluating our compliance with the standards set out in the Code of Business Ethics.

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RISK MANAGEMENT

MMK's risk management practices are underpinned by best practices and help us achieve our sustainable development goals by ensuring control and advance warning of key threats.

MMK uses science-based risk identification methods, assessing and ranking risks by their materiality for the Company. We set clear criteria for selecting effective management approaches and control measures.

The core elements of our risk management system are set out in the MMK Group Risk Management Policy. We are guided by the Precautionary Principle in our operations and integrate it into our risk management policy.

The Audit Committee is responsible for overseeing the effectiveness of risk management processes. The Internal Audit department assesses the effectiveness of the risk management system once per year, presents a report at a meeting of the Audit Committee, which is then reviewed and approved by the Board of Directors.

We operate a comprehensive risk management system, which is an integral part of the corporate governance system. This system covers all of MMK's business processes and encompasses the regular identification, analysis and management of risks at all levels of MMK.

The risk management system starts within business unit. Each business unit identifies its own risks, analyses them, develops risk mitigation measures and monitors the results.

For more details about our comprehensive risk management system, please refer to the [“Risk Management”](#) section in our Annual Report (page 58).

We have a Risk Management Group, which is responsible for:

- Developing a risk management strategy
- Organising training sessions for MMK employees on the fundamentals of risk management, especially for employees promoted to management positions
- Providing advisory support to business units on risk management issues
- Coordinating the risk management activities of business units
- Preparing risk reports.

Specialists of the Risk Management group all have the Risk Management Professional qualification, regularly undergo further training and take part in risk management conferences.

We have developed and implemented a risk map for 2019-2020. The map is reviewed every year and will be updated for 2020-2021 in 2020.

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The risk map is a matrix reflects the key risks faced by MMK and gives an assessment of the likelihood of risk occurrence and potential fallout from such risks. The methodology used to determine the level of risk is built on a quantitative assessment of the material damage, and a qualitative assessment of the nature of the consequences and the level of social disruption if the risk were to materialise. Six risks related to sustainable development have been included in the risk map: emergencies and incidents, accidents (OHS), environmental risk, social disruption, cyber risk and corporate fraud.

Key sustainability risks and related impacts

The table below details the sources of sustainability risks and related risk controls.

No.	MMK’s key risks
1	Emergencies and incidents
2	Inconsistent quality of products
3	Rise in prices for raw materials above the budgeted level
4	Fall in prices and demand for metal products compared to the budgeted level
5	Failure to fulfill obligations to customers
6	Accidents
7	Environmental risk
8	Social disruption
9	Cyber risk
10	Corporate fraud

No.	Risk	Risk source and its impacts	Risk control
1	Emergencies and incidents	Wear and tear of equipment, facilities and buildings	• Maintenance, repair, upgrade and reconstruction of fixed assets • Implementation of the Building and Facility Inspection Improvement project
		Failure to comply with procedures for repairs, maintenance and industrial safety examinations	
		Failure to comply with operating guidelines and equipment operation procedures	• Improvement of the corporate-wide employee training and knowledge assessment system • Assessment of employee knowledge of operating procedures • Training programs and performance reviews for new hires • Employee development
		Use of substandard materials, supplies and equipment	• Specification and quality compliance monitoring for materials, supplies and equipment delivered to warehouses • Supplier quality audits

No.	Risk	Risk source and its impacts	Risk control
6	Accidents	Form-over-substance approach to OHS training	- Improvement of the corporate-wide employee training and knowledge assessment system - Self-paced mobile training for OHS knowledge assessments - Remote and VR-based training at the Safety School
		Insufficient risk awareness and unsafe occupational behaviour	- Implementation of the Incident Management module and addition of the Investigation of Minor Injuries feature - Psychological tests to identify risk-prone employees - Training videos on hazardous operations - Development and distribution of the Behavioural Safety Audit (BSA) application
		Inadequate maintenance of facilities and equipment	- Technical measures to minimise the risk of accidents - Implementation of the Building and Facility Inspection Improvement project
7	Environmental risk	Obsolete technology and worn-out environmental facilities	The delivery of an annual RUB 8 billion environmental program to: - Build new environmental facilities - Reconstruct, upgrade, repair and maintain existing facilities
		Lack of, or the failure to comply with, environmental regulations for production facilities, maintenance and repairs	- Development and implementation of procedures for changing the operational modes of production facilities - Employee training and monitoring of compliance with operating regulations at production facilities
		Regulatory compliance	- Implementation of automated controls over industrial emissions - Updates to the integrated plan for reducing emissions in Magnitogorsk - Acquisition of the necessary permits for emissions, discharges and waste disposal by Group entities - Comprehensive environmental permits



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No.	Risk	Risk source and its impacts	Risk control
8	Social disruption	Overwork and fatigue due to understaffing Stress from the constant threat of redundancy Decline in real income, including reduced social benefits	MMK's social programs for employees and their families: • Maternity, Childhood and Parental Support Program • Support Program for Large Families • Affordable Housing for MMK Metallurgists program • Improving the Health of Employees' Children • Social Support for Non-working Retired Persons • Treatment and disease prevention programs for employees • Targeted donations for sports, clubs, cultural initiatives, etc.
9	Cyber risk	Software and hardware vulnerabilities of information systems and automatic process control systems Failure to comply with information protection and software licensing regulations Poor awareness of information security policies Abuse of office/human error Failure of the key components in information systems and automatic process control systems	• Security assessments of key information systems and resources • Network-based information protection systems (firewalls, intrusion prevention and detection systems, etc.). • Anti-virus protection • Software update management • Development and implementation of an integrated initiative aimed at protecting information and providing the required licensed software • Development of an information security training program • Establishment of information security roles at each function • Segregation of user roles and permissions for information systems • Development of a system for managing and monitoring information security events • Roll-out of an integrated initiative for stronger IT infrastructure
10	Corporate fraud	Decisions that may result in losses due to a lack of clear and appropriate controls and procedures for business processes in internal rules and regulations Failure by MMK's employees to comply with their job responsibilities High-level information security requirements do not adequately address emerging threats	• Development and continuous improvement of internal controls, including fraud controls • Development and use of controls aimed at minimising fraud risks to an acceptable level • Development of an corporate culture that promotes employee awareness of internal controls • Control over compliance with internal rules and regulations • Implementation of appropriate compliance policies, rules, procedures and reporting formats to safeguard assets, particularly in high-risk areas • Operation of communication channels and hotlines to provide management with up-to-date, complete and reliable information

BUSINESS ETHICS, ANTI-CORRUPTION AND REGULATORY COMPLIANCE

MMK’s progress towards its strategic goals is based on the principles of integrity, transparency and compliance with Russian legislation.

We are deeply committed to bolstering business integrity and rooting out unethical behaviour, and seek to embed these principles into our corporate culture and business processes.

We have adopted a [Code of Business Ethics](#) and [Anti-corruption Policy](#). These documents set out the rules and principles for ethical business conduct, anti-corruption and regulatory compliance. All employees are trained on the Code of Business Ethics, which has also been made available for any stakeholder to read on MMK’s official website. The Internal Audit department is responsible for drawing up and overseeing the Code of Business Ethics. Any business ethics issues are considered by the Ethics Committee, which is chaired by the Head of the Internal Audit department.

Each operating unit is responsible for ensuring local and international regulatory compliance, reporting to MMK’s Chief Legal Officer.

We also have two functions that report to the Security Director: the Security Service, which oversees the physical security perimeter and conducts third-party due diligence, and the Economic Security Function, which safeguards the stability of financial and business operations and counters threats. Senior executives meet on a daily basis to consider incidents. Business units were not assessed for corruption risks in 2019.

MMK regularly communicates its anti-corruption policies and measures by e-mail to senior management, employees and business partners.

We have launched a hotline to ensure timely identification and prevention of:

- Bribery
- Fraud
- Abuse of power within MMK or MMK Group entities

- Unfair competition (e.g. preventing organisations from participating in the supplier selection process or providing them with unfair advantages; engaging in collusion; distributing misleading, incorrect or misstated information; refusing a partnership without justification, etc.)
- Non-compliance with access and on-site access procedures
- Other actions that may result in damages.

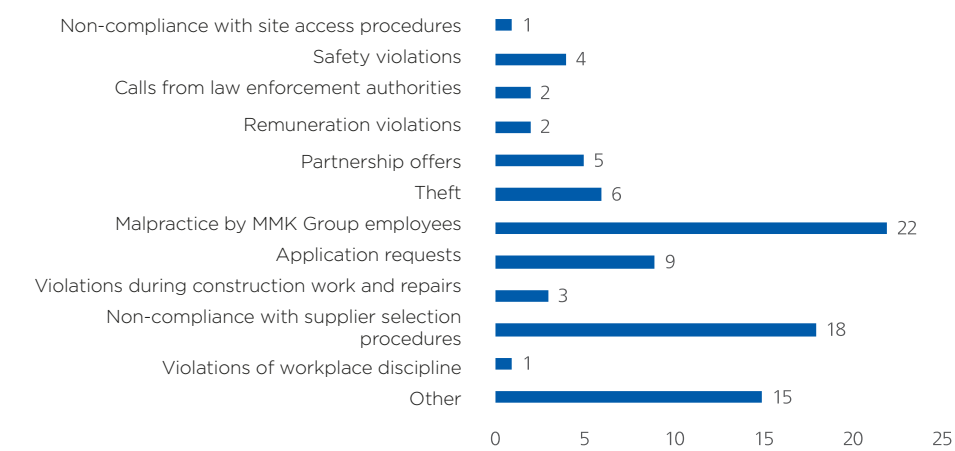
This hotline is a channel for stakeholders to report unethical behaviour to the MMK Security Director. There were 88 hotline calls in 2019, including 57 calls related to business misconduct. These calls included reports on alleged violations of workplace discipline, unfair employee remuneration, abuse of office, theft, and other issues. Each call was investigated thoroughly, which confirmed violations in only 31% of cases. Disciplinary actions were taken based on the findings of these investigations.

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HOTLINE CALLS RELATED TO BUSINESS MISCONDUCT



December 2019 saw the launch of an ethics hotline. Each call is processed and investigated, with a particular focus on reports containing details of illegal actions. The hotline maintains whistle-blower confidentiality while ensuring that investigations remain objective and independent.

No corrupt, illegal, monopolistic or anti-competitive practices were identified at MMK in 2019.

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**ECONOMIC
STABILITY**

ECONOMIC STABILITY

Economic stability enables companies to guarantee a secure environment for employees, improve environmental conditions and drive their sustainable agendas forward. This is why economic stability is a top priority at MMK.

We have set ourselves the ambitious strategic goal of becoming the leading creator of shareholder value among global metal companies with comparable production volumes. With this in mind, MMK has embarked on a value creation journey founded on sustainable development, operational excellence, the strengthening of positions on priority markets and strong investor appeal. We are also implementing strategic initiatives to reduce production costs and boost competitiveness.

RUB

435

billion

total revenue

10.96

million tonnes

total output of metal products

88%

of output sold on the Russian and CIS markets

MAGSTRONG

our new line of high-strength and wear-resistant steel, was awarded the gold medal at the Russian Coal & Mining 2019 conference

Top 5

steel-maker in Boston Consulting Group's global 2019 Value Creators Rankings

FINANCIAL AND OPERATIONAL PERFORMANCE

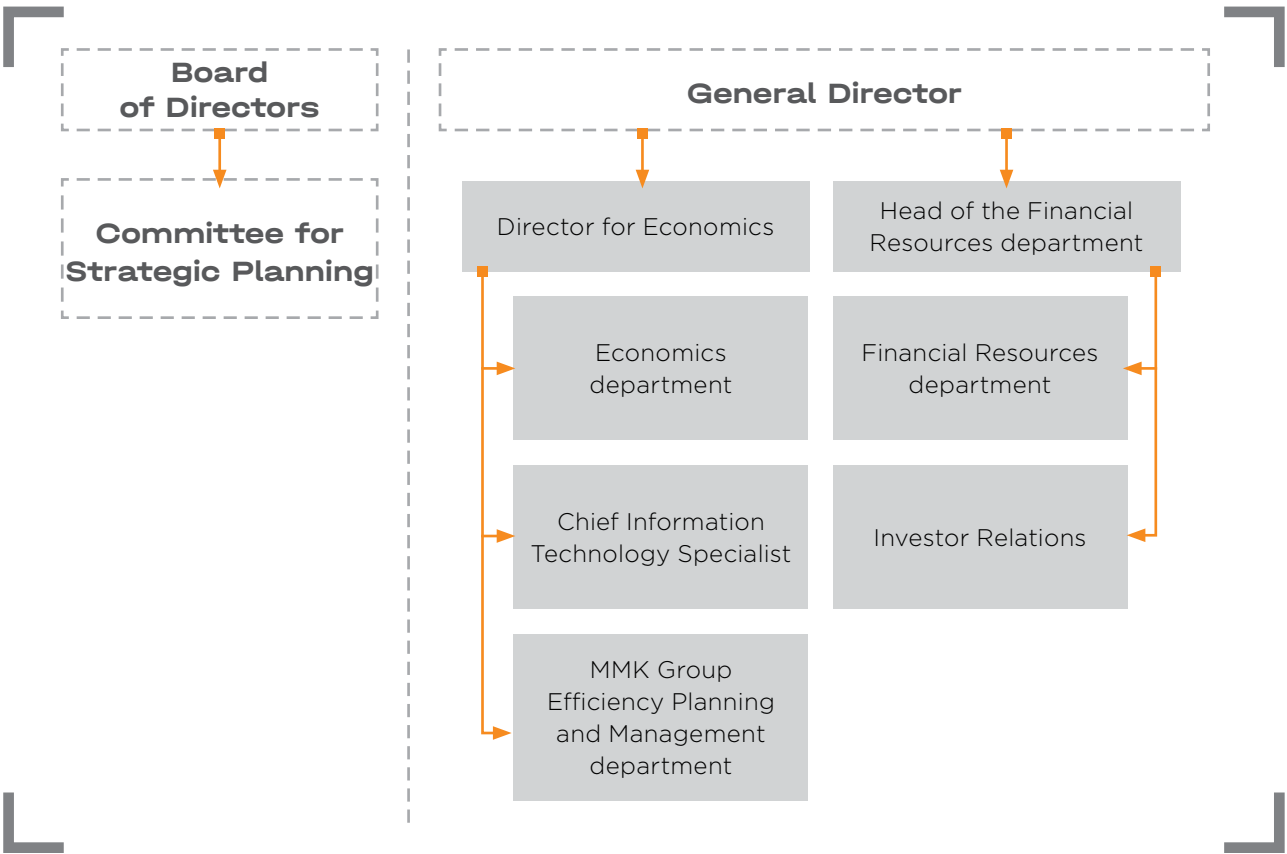
The Director for Economics is in charge of financial and economic matters and sits on the Board of Directors, the Committee for Strategic Planning (CSP) and is part of the Financial Resources department (FRD). The CSP and the FRD report directly to the General Director. The Economics department, the Chief Information Technology Specialist and MMK Group’s Efficiency Planning and Management department are subordinate to the Director for Economics.

We set qualitative and quantitative KPIs for senior executives, based on our strategic objectives and corporate KPIs. KPIs for senior executives include total shareholder return (TSR), free cash flow (FCF), EBITDA, etc.

Economic and financial governance involves long-term planning aligned with MMK’s strategy and annual budgeting. Our economic planning and forecasting for operating activities is guided by best practices, based on the experience of other companies in the industry, the requirements of international rating agencies, Russian Ministry of Economic Development reports, the forecasts of local and foreign banks and the standards set by industry associations such as the World Steel Association (WSA). We perform budget reviews for each subsequent month.

A budget for each reporting period is approved in November, with budget updates following in March-April, June and November.

ECONOMIC AND FINANCIAL GOVERNANCE STRUCTURE



Financial results

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We generated RUB 434,869 million in revenue in 2019 and direct economic value generated was RUB 438,288 million (including income of RUB 2,192 million on financial investments and RUB 1,227 million on sales of tangible assets). Revenue and direct economic value were down by approximately 5% on 2018 due to investment in the reconstruction of equipment, lower prices for metal products and higher prices for iron ore amid an unfavourable market environment, mainly due to industrial disasters in Brazil.

In 2019, MMK was ranked as a top five steel-maker in the Boston Consulting Group’s global Value Creators Rankings. The ranking is based on the total shareholder return generated by companies over the most recent five-year period (i.e. from 2014 to 2018). For more than two years, we have been successfully adhering to our dividend policy under which we aim to pay at least 50% of free cash flow (FCF) when the net debt/EBITDA ratio is below 1.0x. We adopted a new [Regulations on the dividend policy](#) in 2019 according to which quarterly dividends will be at least 100% of free cash flow provided that net debt does not exceed EBITDA.

As a result, the year 2019 saw dividends of 107% of net cash flow, which included dividends for Q1 2019, 1H 2019, 9M 2019 and the reporting year.*

MMK takes a responsible approach to distributing declared dividends in line with its new [Regulations on the dividend policy](#), which includes all the shareholder rights stipulated in the applicable Russian legislation and internal Company regulations. This enables MMK to strike a balance between corporate and shareholder interests while building stronger investment appeal and more stable economic performance.

We received government financial support of RUB 347.4 million in 2019, up RUB 130.1 million on 2018, including subsidies of RUB 82.6 million and tax credits/benefits of RUB 264.8 million. This increase was mainly due to property tax benefits related to the new sintering plant. Tax benefits were provided under special investment contracts (SPICs).

* Dividends are based on the free cash flow of MMK Group and paid by PJSC MMK.

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DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED, RUB MILLION

	2018	2019
Direct economic value generated	461,410	438,288
Revenue	458,218	434,869
Income on financial investments	2,102	2,192
Income on sales of tangible assets	1,090	1,227
Economic value distributed	-444,459	-447,132
Operating expenses	-363,980	-370,468
Including payroll	-17,373	-16,684
Other employee payments and benefits	-43	-95
Charitable donations	-1,102	-1,383
Payments to finance suppliers	-53,731	-60,545
Including dividends	-52,726	-59,000
Finance costs	-1,006	-1,545
Statutory payments	-25,603	-14,641
Including income tax	-22,916	-13,345
Economic value retained	16,951	-8,844

For more details on the financial performance for 2019, please see the “Results for the Russian steel segment” section of the Annual Report for 2019 (page 33).

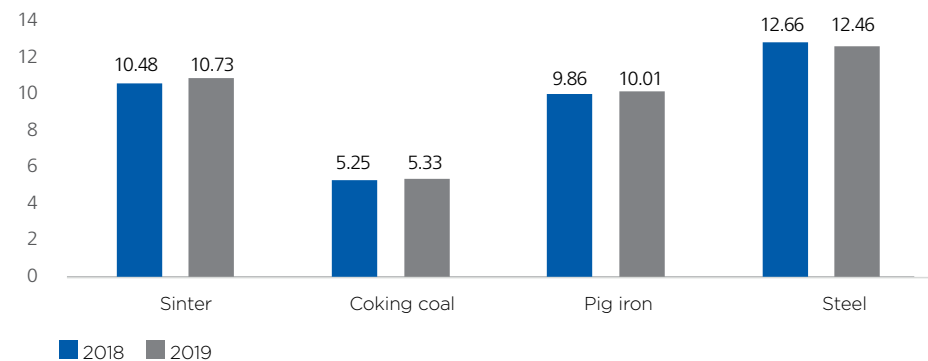
Operating results

PJSC MMK is an integrated steel-maker in MMK Group’s Russian steel segment.

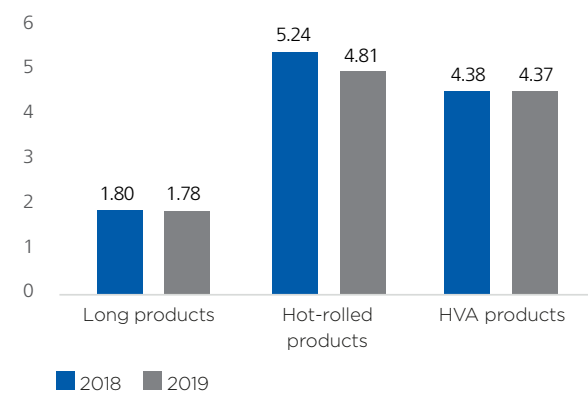
Pig iron output increased by 2% in the reporting period following the completion of a number of repairs to the blast furnace shop. However, steel output decreased by 2% as the ongoing reconstruction of Hot-Rolling Mill 2500 reduced internal demand for steel. This was also the reason for decreased output of hot-rolled products.

The capacity utilisation rate was close to 100% for the sintering and blast-furnace facilities, 99% for the coke and chemical facilities and 100% for the oxygen-converter plant. Mill 5000 had an utilisation rate of 100% in 2019.

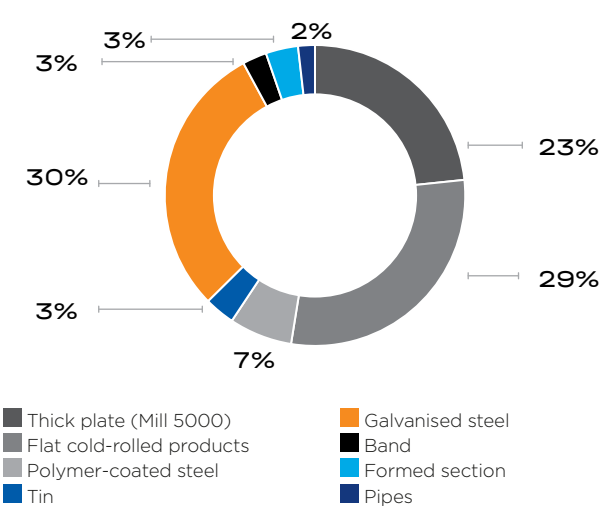
OUTPUT OF SINTER, COKING COAL, PIG IRON AND STEEL, MILLION TONNES



OUTPUT BY PRODUCT TYPE,
MILLION TONNES



OUTPUT OF HVA PRODUCTS BY PRODUCT
TYPE, %



Long products, hot-rolled steel products and high value-added (HVA) products, including thick plates (Mill 5000), cold-rolled products, galvanised steel, polymer-coated steel, tin plates, pipes, steel section, and cold-rolled band, have traditionally been our key products. MMK produced 10.96 million tonnes of finished products in 2019, including 4.37 tonnes of HVA products.

For more details about MMK’s product mix, please see the [MMK Group Trading Update for Q4 and FY 2019](#)

The Russian and CIS markets, which generally have higher margins, account for over 80% of sales. MMK exports its products to 41 countries. The Middle East, Asia and North Africa have been key international markets for MMK in recent years.

For more details about the operating results for 2019, please see the [MMK Group Trading Update for Q4 and FY 2019](#)

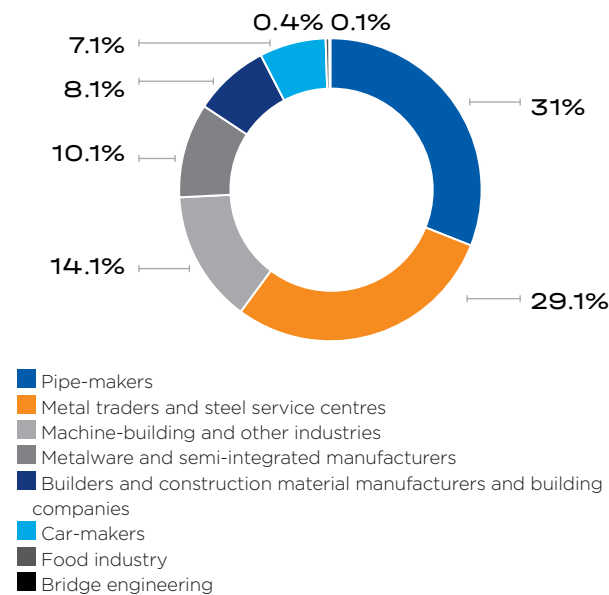
102-6

MMK is a supplier to the domestic pipe, heavy engineering, construction and automotive industries, as well as to metal traders and steel service centres. We also sell our products to the food and bridge-building industries, among others.

For more details about production output of the Company in 2019, please see the "Trends in market for raw materials and rolled steel" section in [MMK Annual Report for 2019 \(page 13\)](#).

We are continuously improving our business processes by employing in-house resources and engaging external consultants. We are currently focusing on business process automation and standardisation, with key efforts directed towards building a more efficient procurement process, redesigning the employee motivation framework and migrating information systems to the next version of Oracle OeBS.

SALES BY INDUSTRY, %



QUALITY CONTROL

We are committed to becoming one of the world’s leading steel-makers and work tirelessly to improve the quality of our products to make sure they always meet the expectations of business partners and customers.

Quality standards are regulated by MMK’s Quality Policy, which aims to ensure the development and production of high-quality, competitive products that meet the needs of Russian and international customers while ensuring our financial stability. MMK has had a quality management system since 1999 and has undergone certification audits to confirm compliance with:

- ISO 9001:2000 (since 2002); currently, ISO 9001:2015
- ISO/TS 16949:2002 (since 2005); currently, IATF 16949:2016
- STO Gazprom 9001-2012 (since 2010); currently, STO Gazprom 9001-2018.

MMK currently holds certificates of compliance with the above standards, which are valid up to 2020-2021 and cover the design, development and production of metallic charge, coking products, slabs, hot-rolled plates, pig iron, metallic charge, carbon/low-carbon steel and other metal products.

MMK’s quality management system (QMS) is regulated by the following documents:

- The Quality Policy
 - The QMS Guidelines
 - The Scope of the QMS
 - The Group Standard. Organisational roles, responsibilities and functions for the management systems (the QMS, the Environmental Management System, the Occupational Health and Management System, the Integrated Management System). The Regulations for the Quality, Environment, Industrial Safety and OHS Committee
 - QMS Policy Guidelines
 - The Group Standard. The goals for quality, environment, industrial safety and OHS, and for the Integrated Management System
- The Group Standard. QMS assessments by senior management
 - The Group Standard. Corrective and preventive measures
 - The Group Standard. Internal audits of the QMS, the Environmental Management System, the Industrial Safety and OHS Management System, the Integrated Management System
 - The Group Standard. The Procedure for managing documented information of the Management Systems. General provisions
 - The Quality Management System. Product quality.

102-43

As a company committed to high-quality products and operational excellence across all production processes, we communicate our quality standards and principles to our employees, emphasising their importance with the extensive use of information boards.

MMK offers a wide range of metal products while continuously expanding its offering to meet constantly evolving customer expectations and position ourselves as their strategic supplier. We do this by establishing strong links with customers, leveraging our vast experience on the Russian market and taking advantage of our geographic location near the large Urals and Volga industrial hubs.

Torgoviy Dom MMK (MMK Sales centre) was set up to boost sales in regional markets and expand our network of steel service centres. With professional staff, mature warehousing infrastructure, the widest possible range of products and sufficient inventory to ensure uninterrupted and rapid supply, Torgoviy Dom MMK works to meet demands even the most demanding customers.

We use e-mail, online questionnaires and surveys, as well as various events such as conferences, exhibitions and open days to collect feedback from customers. This gives us insight into rapidly evolving customer demands and changes in the industry, helping us constantly improve to better serve our clients.



MAGSTRONG steel brand

MMK launched MAGSTRONG in 2016, a new line of high-strength and wear-resistant steel products. We are particularly proud of this product line. MAGSTRONG rivals similar products offered by foreign manufacturers and has received numerous awards for its strength and resistance properties.

In 2019, Coal & Mining Russia 2019, an international mining technology exhibition held in Novokuznetsk, awarded MMK with a certificate and the gold medal for MAGSTRONG. Russian Coal & Mining is Russia's largest exhibition, bringing together companies from across the mining industry.

MAGSTRONG H500, a high-strength, wear-resistant grade, is the flagship MAGSTRONG line. Launched in 2018, MAGSTRONG H500 has enabled many large Russian companies to either completely replace imported analogues or switch from traditional steel products to more advanced materials.

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SUPPLY CHAIN MANAGEMENT

Our supply chain is designed to ensure maximum transparency. Procurement is managed by the Commercial Director, whose duties include category-based/operational procurement and logistics.

We generally use a category-based approach when purchasing the resources we need for production: raw materials, coal, ferroalloys, metal scrap, ferrous and non-ferrous metals, fuel and energy. Our procurements also include equipment, spare parts, tools, chemical products, building materials, furniture, stationery and food.

We adopted a Regulation on the Procurement Process and Supplier Ranking Procedure, which sets out the key supply chain management processes and requirements. We use the Oracle system to automate supplier base monitoring and management processes and upgraded to the latest version of Oracle e-Business Suite v.12 in 2018-2019. We are planning to scale up automation to minimise human error and enhance operational efficiency with the use of cutting-edge IT technology.

MMK regularly assesses suppliers for compliance with quality requirements. We have a standard that sets the maturity requirements and quality management systems we expect from our suppliers. We have identified which purchase items have a direct impact on product quality (ferroalloys, non-ferrous metal, emulsifiers, rolls and blades). Moreover, we do not buy from suppliers unless their quality

management system has been ISO 9001 certified by an accreditation body with the IAF MLA Mark (International Accreditation Forum (IAF); the Multilateral Recognition Arrangements (MLA)).

For other procurements, if all other conditions are equal, we always prefer to work with certified suppliers.

Supplier selection involves a risk assessment to ensure that product compliance and delivery match our needs. We also perform on-site assessments of potential suppliers to make sure that they have the required capabilities and qualified personnel, as well as the necessary materials, raw materials, equipment and process flow charts.



204-1

We are committed to contributing to local economies by purchasing from local suppliers. In 2019, Russian suppliers accounted for 75% of our purchases of which 37% were procured from suppliers registered in Chelyabinsk Region.

102-9

MMK uses a scoring method to assess supplier reliability based on criteria set by internal rules and regulations. Suppliers are selected based on a scoring assessment. Before entering into a contract, we look at whether a supplier has a complete set of corporate and legal documents, as well as the necessary qualifications, adequate and qualified staff, production capacities, equipment and any outstanding debt. Depending on the items being purchased, we may set additional qualification and assessment criteria. Subsequent assessments take place every two or three years, depending on the supplier category or the occurrence of significant changes. Group companies are granted perpetual approval in the supplier register, while manufacturers, trading houses and partners performing work or services are given three-year approval, and commercial companies have two-year approval.

The register of commercial suppliers also includes associations for people with impaired vision or hearing, the members of which may be given the opportunity to work with us as part of our social outreach schemes. For instance, OOO MAG SVET, which employs people with impaired vision, has been a packaging supplier for MMK since 2019.

We aspire to take an integrated approach to sustainable economic growth and improve our financial and operational performance every year while maintaining an unswerving focus on the continuous enhancement of business processes.

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「05」

HEALTH AND SAFETY



SMS
SIEMAG

СТАН 2000



ПОСТ №3

СОЗДАВАЯ БУДУЩЕЕ!



HEALTH AND SAFETY

Health and safety is a top priority at MMK. Improving how we identify and prevent risks to the health and safety of employees, suppliers and everyone at our production sites is our first and foremost responsibility.

We are committed to achieving zero fatalities and cementing our position as an industry leader in occupational health and safety (OHS). Safe Operations is a priority area in our 2025 Strategy.

0.89

lost-time-injury frequency rate (LTIFR), down 13% compared to 2018

16%

increase in the comprehensive labour safety index compared to 2018

1,972

employees underwent VR-based training at the MMK Safety School

Three-fold

reduction in the number of violations identified during inspections owing to measures taken to foster a safety culture

2,776

employees received medical treatment as part of targeted health promotion programs

7

cases of disease caused by harmful industrial factors

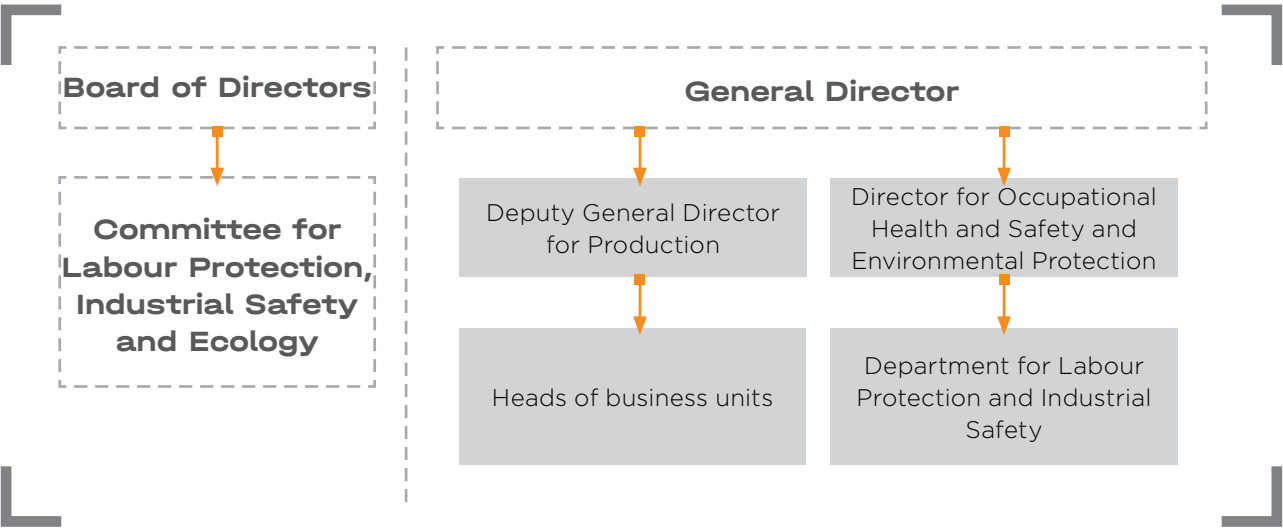
A new introduction video

was developed in 2019 for new hires

OHS GOVERNANCE

We ensure the health and safety of our employees by monitoring and effectively managing OHS issues through the following structure:

OHS GOVERNANCE STRUCTURE



Our OHS framework helps us take consistent approach to OHS and implement initiatives aimed at improving our safety performance, including:

- Building a safety culture where employees take responsibility for their own safety and the safety of their colleagues
- Upgrading equipment
- Deploying advanced technology and building facilities to make production processes safer
- Strictly adhering to the terms of the collective bargaining agreement brokered by management and the trade union committee (i.e. implementing occupational safety measures, preventing occupational diseases and ensuring timely engagement with employees on OHS matters)

The upper management tier consists of the Committee for Labour Protection, Industrial Safety and Ecology, which reports directly to the Board of Directors, the Deputy General Director for Production, and the Director for Occupational Health and Safety and Environmental Protection, who are subordinate to the General Director.

We also have a Department for Labour Protection and Industrial Safety, which is responsible for ensuring OHS compliance and updating corporate-wide internal rules and regulations. The heads of production business units oversee OHS compliance within their business units.

Our approach to OHS governance is underpinned by the following internal rules and regulations:

- The MMK Labour Protection and Industrial Safety Policy
- The Company Standard. The OHS Governance Framework. OHS Governance
- The Company Standard. The OHS Governance Framework. Exposure identification, risk assessments and risk control development
- The Company Standard. The OHS Governance Framework. Procedures for hazardous operations
- The Regulation on the Organisation and Performance of Special Assessments of Labour Conditions at MMK.
- The Group Standard on the Operation of the On-site Civil Protection System and the On-site Unit for the Russian System of Disaster Management
- The Regulation on the Preparedness for Incident and Accident Containment and Response at MMK Business Units.

OHS policy

We introduced an Occupational Health and Safety Policy (OHS Policy) in 2004 to ensure that safety is an integral component of every facet of production and the decision-making process. To this end, the key pillars of the OHS Policy are:

- Improving the safety awareness and competencies of employees
- Analysing the performance of the OHS Management System to define a systematic approach to minimising occupational injuries, accidents and diseases
- Ensuring that OHS performance indicators are transparent and easily accessible.

The OHS policy is reviewed annually or whenever necessary.

We embed our OHS Policy within MMK by building a strong OHS culture across management, regularly training all employees on emergency response measures and providing incentives for compliance with our rules and regulations.

OHS management system

MMK introduced an Occupational Health and Safety Management System (OHS Management System) in 2014, designed in line with OHSAS 18001:2007. We are planning to obtain ISO 45001 certification and adapt our OHS Management System in August 2020. The OHS Management System applies to employees, contractors and visitors to our production sites, covering both operational and administrative processes.

Each business unit appoints an officer responsible for the OHS Management System. As part of the implementation of the OHS Management System, a list of the key workplace risks and hazards that may affect MMK employees, contractors or visitors is defined and a brief description of the given. The divisions responsible for the OHS Management System draw up a list of the main hazards in the workplace and their root causes, and record the reasons for their occurrence under existing working conditions. The list of hazards does not only include risks directly related to the production process, but also any other potentially dangerous situations.

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OHS strategy and priorities

The Strategy 2025, available on the MMK [website](#), contains the approved OHS strategy for the period until 2025. The Strategy 2025 divides our mission, goals, objectives and principles into four action streams:

- Prevention of occupational injuries
- Improvement of workplace conditions and equipment safety
- Employee training
- Visualisation of hazards

We set ourselves the following OHS priorities for 2019:

1. Create a standardised performance assessment system for employees and department heads (combining the comprehensive labour safety index and the incentive scheme)
2. Further develop the behavioural safety audit (BSA) project for all employees and contractors and launch the related mobile application
3. Continue the roll-out of projects to improve OHS documentation and launch the ARM-Master module to automate the registration process for induction completion and PPE acceptance
4. Launch new initiatives to encourage contractors working at MMK sites to comply with OHS rules

5. Investigate accidents and minor injuries, develop and automatically monitor remedial actions using a unique AI-based root-cause identification system.
6. Scale up the Incident Management module and add the Minor Injury Investigation function
7. Launch a risk reduction program
8. Improve occupational health check-ups
9. Roll out remote and VR-based training at the Safety School
10. Implement initiatives to migrate MMK's OHS System to ISO 45001:2016
11. Hold the 2019 Occupational Safety Through The Eyes Of Children competition.

We successfully delivered 100% of our planned OHS objectives for the reporting period.

We also identified OHS priorities for 2020. These include initiatives such as the deployment of the Shop Floor Manager Electronic Notepad module, a pilot project to test the risk awareness of job applicants and new hires, and the roll-out of automated employee health monitoring, among others.

Program of technical measures to eliminate accidents

The program involves measures designed to boost occupational safety and includes the installation of fences, video surveillance, the creation of security zones and industrial cleaning of facades, internal spaces and control rooms.

We invested RUB 331 million of the RUB 414 million earmarked for the program in the reporting period, with the remaining RUB 83 million forming the budget for initiatives to be implemented in 2020.

403-2

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OHS risk identification

OHS hazards and risks are identified, recorded and assessed twice a year across all production processes, in line with ISO/IEC 31010:2011. All accidents, equipment replacements and changes to production process are followed up with risk and labour safety assessments. The findings are used to develop mitigation measures and set goals for improving the OHS governance framework.

Workplace hazards are analysed according to MMK's Regulation on the Organisation and Performance of Special Assessments of Labour Conditions at MMK. A specialist organisation, engaged under a civil law contract, is tasked with conducting targeted assessments of labour conditions to identify potential hazards and/or dangers.

To eliminate workplace hazards and minimise serious occupational injuries MMK:

- Develops organisational and technical initiatives, including equipment maintenance, repairs and replacements to minimise the risk of accidents
- Informs employees about the causes of injuries
- Provides extra training, inductions, and knowledge assessments

OHS risk identification and minimisation are one of the key ways we ensure the health and well-being of our employees.

Occupational injury risk minimisation

The following OHS activities help us identify and eliminate hazards, minimise risks and promote employee compliance:

- Electronic log for shift handovers
- Walkarounds by managers of all levels
- OHS meetings within each business unit
- Behavioural safety audits
- Various types of inductions
- Training sessions on safe working practices, knowledge assessments and emergency drills
- Employee communication on accidents that have occurred
- Pre- and post-shift medical check-ups
- Work permit system
- ID access cards
- Descriptions of safe working practices in OHS and technical guidelines

Electronic work permit system

We are planning to launch a pilot project for electronic work permits in the near future to boost work safety in high-risk areas. The system will monitor the validity of work permits to prevent the performance of unauthorised work or the issuance of permits retroactively.

We have daily working meetings and collect data on incidents of non-compliance. Managers are informed about all accidents.

Commission on Occupational Safety

We set up an Commission on Occupational Safety at the initiation of MMK, employees and their representative body (the trade union) to maintain a strong OHS dialogue between the employer and employees, and ensure an agile response to any emerging risks. The Commission on Occupational Safety has equal representation from MMK and the trade union. Both parties have one vote, regardless of how many representatives it has on the Commission. Meetings can be initiated by Commission Chairman or upon receipt of a motion that falls within the scope and remit of the Commission.

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Employees have the right to stop or suspend work if they believe continuing could result in injury or damage their health. This is regulated by the General Director's Address to Employees on the Need to Suspend Dangerous Work, which has been clearly communicated to all our employees. The Address is displayed on information boards at business units, and included in job profiles and occupational safety guidelines. Manager' job profiles, technical guidelines and OHS guidelines regulate how executive bodies and employees must treat those who have suspended work, including a non-retaliation policy.

Communication and feedback

We use a wide range of tools to communicate information on occupational safety and hazards to employees. This information is available on our mobile apps — BSA (Behavioural Safety Audits), Motivation, My MMK and OHS Education — and can be found on our internal and external websites, as well as in the corporate magazine. Rapid alerts are sent out to all employees whenever an accident occurs.

For more information, please refer to the ["Stakeholder Engagement"](#) section (page 32).

MMK conducts regular employee surveys to gain a clear picture of their awareness and understanding of OHS requirements, assess the effectiveness of the existing OHS framework, and obtain feedback on how to improve the workplace environment and personal protection equipment.

Employees can communicate workplace risks and OHS issues via:

- The hotline on the My MMK app, available on the OHSE (occupational health, safety and environment) page
- The ot@mmk.ru mailbox
- The Department for Labour Protection and Industrial Safety's hotline: +7 (3519) 24 48 88
- Suggestion Boxes located at OHS information boards in every business unit
- The Guestbook on www.profkom.mmk.ru, the website of the MMK Trade Union, which is MMK's primary trade union
- The My Trade Union mobile app.

We value our employees' commitment to safety and guarantee confidentiality and non-retaliation for any employee that raises a safety concern. Members of the Commission on Occupational Safety are also guided by these principles when preparing reports on incidents, hazards, risks and opportunities.

PREVENTING OCCUPATIONAL INJURIES AND DISEASES

Safe Operations is our key OHS goal and a priority area in our 2025 Strategy. This means that we must strive to provide our employees with a healthy and safe workplace environment.

The prevention of occupational injuries and diseases is integral to the achievement of this goal.

We purchased three mobile medical units to ensure emergency care for employees working the night shift. Night-duty paramedics are ready to administer first aid at any time and at any part of our production facilities.

We have examination rooms for pre- and post-shift check-ups, including alcohol testing. We have put a lot of effort into improving the quality of check-ups. There are currently 41 examination rooms, including 26 that are open 24/7.

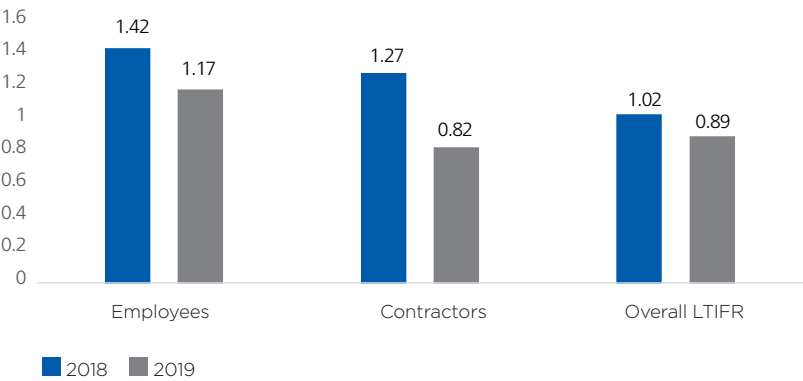
Prevention of occupational injuries

We have a zero tolerance policy for the concealment of occupational accidents. Business unit heads must immediately report any incidents to senior management and the Directorate for Occupational Health, Safety and Environmental Protection.

Key results

Our efforts to prevent occupational diseases are yielding results. The reporting period saw 38 accidents at MMK, down by 10 compared to 2018. It is with deep regret that we report five accidents resulting in serious injury, including three fatalities. Each accident has been subject to a rigorous investigation (please see the “Accident Investigation” section for more details).

LTIFR FOR MMK EMPLOYEES*, CONTRACTORS** AND OVERALL



* MMK employees. Per 1 million hours. Man-hours worked were 32,476,012 in 2019 (2018: 33,849,051).
** Contractor employees (LLC United Services Company). Per 1 million hours. Man-hours worked were 21,827,853 in 2019 (2018: 21,992,589).

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The lost-time-injury frequency rate per million hours worked (LTIFR) was 1.17, down by 17.6% on 2018 (1.42).

Please see the “Appendices” (page 160) section for more details on occupational injuries.

There were no occupational fatalities among employees of contractors. There were 18 accidents involving this type of worker in the reporting period, including two accidents with serious injuries. LTIFR for contractors was 0.82, down by 35.4% on 2018 (1.27).

Overall LTIFR for MMK was 0.89, a 13% decrease on 2018. Injuries were mainly due to falls from height, pinch points and contact with moving machinery.

Accident investigation

Each occupational accident is subject to a rigorous investigation to ensure that we are continuously improving our OHS management system. Each investigation involves a detailed root-cause analysis and recommendations for follow-up actions to prevent the reoccurrence of similar incidents in the future.

Accident investigation procedures

All accidents at MMK are investigated in line with Russian legislation and local rules and regulations. Investigations seek to establish the circumstances and causes of accidents, determine who was responsible, assess the scope of the damage and draw up preventive measures.

The findings of an investigation are entered into to the “Incident Management” module. Injured parties, their legal representatives or any other authorised representatives can take part in the accident investigation and access the findings.

We have the Regulation on the Preparedness for Incident and Accident Containment and Response at MMK Business Units and the Group Standard for the Operation of the On-site Civil Protection System and the On-site Unit for the Russian System of Disaster Management. Our emergency response guidelines give a detailed overview on how to respond in the event of an emergency and define the highest-risk areas. All business units store personal protection equipment in strictly designated locations.

We also use investigation findings of previous accidents to conduct an emergency and accident risk assessment. This involves filling out questionnaires, preparing a register of risks and hazards, and developing responses. The risk assessment includes:

- For accidents: the identification of both immediate and root causes, and the development of remedial actions to prevent similar accidents in the future.
- For incidents: the completion of questionnaires, the preparation of a register of risks and hazards, and the development of responses.

Prevention of occupational diseases

MMK takes the health of its employee incredibly seriously and is focused on preventing occupational diseases.

MMK has adopted the Promotion of Employees' Health strategic initiative. We run targeted programs to promote employee health aimed at minimising the risks of musculoskeletal, respiratory and liver diseases, preventing the negative health effects associated with exposure to heat and vibration, and reducing the risk of hearing problems.

All job candidates must pass a pre-employment medical screening to determine whether they are fit for the job and medical check-ups are carried out every year thereafter. Workplace recommendations for the candidate are drawn up based on the screening (e.g. wearing glasses at work, no night shifts, etc.) and passed on to MMK.

Targeted health programs

No Back Pain

We launched No Back Pain in 2009 to minimise risks of musculoskeletal disorders. The program provides consultations with physicians, neurologists and physiotherapists and offers access to electrocardiograms, physical therapy and traditional massage. The program was accessed by 636 people in 2019.

Lung Health

We launched Lung Health in 2017 to reduce the adverse effects of workplace respiratory hazards. The program lets employees see pulmonologists and physicians and undergo electrocardiograms, physical therapy and inhalation treatment. The program was accessed by 789 people in the reporting period.

Healthy Liver

This program offers consultations with physicians and access to physical therapy. Healthy Liver helped 570 people receive medical treatment in 2019.

Heat Doesn't Scare Us

The program is aimed at preventing the adverse health effects from exposure to heat. Heat Doesn't Scare Us offers consultations with physicians, neurologists and ophthalmologists

and provides access to electrocardiograms and physical therapy. The program was accessed by 452 people in 2019.



Prevent Health Risks From Vibration

This program has been designed to reduce the adverse health effects from vibration by providing employees with the opportunity to see physicians and neurologists and undergo electrocardiograms, physical therapy and therapeutic massage. The program was accessed by 21 people in 2019.

Healthy Hearing

The program provides employees with access to physicians and otolaryngologists and gives them the chance to undergo electrocardiograms and physical therapy. The program was accessed by 298 people last year.

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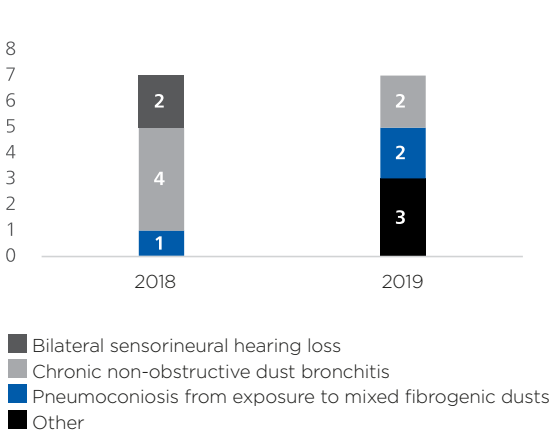
Key results

Seven instances of occupational diseases were identified among MMK employees in 2019. The occupational disease incidence rate per 1 million hours was 0.216, remaining generally unchanged from last year. The occupational disease incidence rate was 0.412 for contractor employees. No deaths caused by occupational diseases were registered during the period.

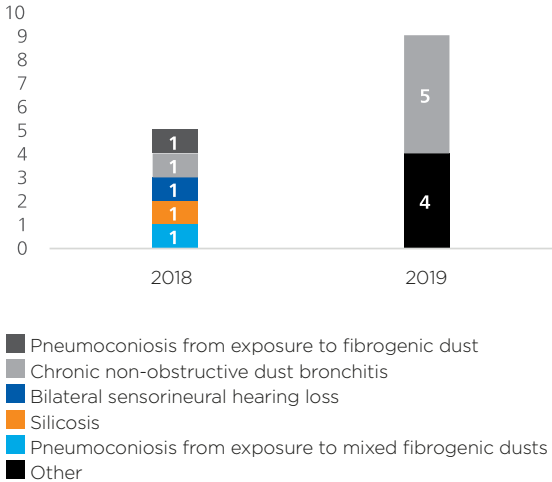
Occupational diseases from exposure to aerosols (mostly fibrogenic), carbon dust and chemical substances in the workplace were recorded in the reporting period.

To make sure we reduce exposure to workplace hazards, we provide each employee with personal protection equipment, inform them about potential adverse health effects and conduct surprise workplace inspections. These inspections have uncovered sources of occupational diseases and led to the development of preventative measures.

CASES OF OCCUPATIONAL DISEASE AMONG MMK EMPLOYEES



CASES OF OCCUPATIONAL DISEASE AMONG CONTRACTOR EMPLOYEES*



* Employees of the contractor (LLC United Services Company).

OHS TRAINING AND SAFETY CULTURE

We understand that it is impossible to achieve our vision of safe operations without educating employees about safe working practices and investing in a safety culture.

In addition to mandatory inductions, all employees must complete an advanced training program in which they learn about emergency management and first aid. Occupational safety requirements are firmly embedded into our incentive scheme, further encouraging employee compliance.

OHS training

We are currently running an extensive employee training program to promote safety culture and prevent accidents.

Safety School

Our Safety School is a specialised training centre that educates all our employees about the principles of occupational health and safety. The centre has an innovative and transparent testing and verification process, which includes facial recognition technology for employees taking tests on a computer.

All MMK employees must complete OHS training. Our training courses comply with Russian legislation and our internal standards, policies and guidelines.

Employee training programs are developed in five stages:

1. Assess risks and activities that could potentially result accidents
2. Analyse incidents for root causes
3. Develop measures to prevent future accidents
4. Develop a testing program and training videos to educate employees on safe working practices based on the findings of stages 1-3
5. Reinforce safety knowledge via commission-led inspections and workplace drills.

Education videos on safety are also intended for visitors to our production sites.

We are committed to continuously improving education standards by using cutting-edge methods and approaches such as virtual reality (VR) technology.

Please see the [OHS "Innovation" section \(page 80\)](#) below for more details on innovative approaches to occupational health and safety.



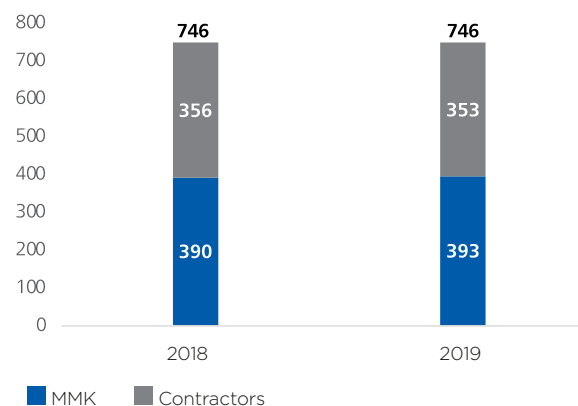
We developed and launched training videos for new hires in 2019, with 26 modules addressing key OHS requirements.



We are continuing to develop our behavioural safety audit (BSA) project, which also help us create the best possible employee training programs. The project involves preventative measures and the correction of dangerous behaviour (CDB).

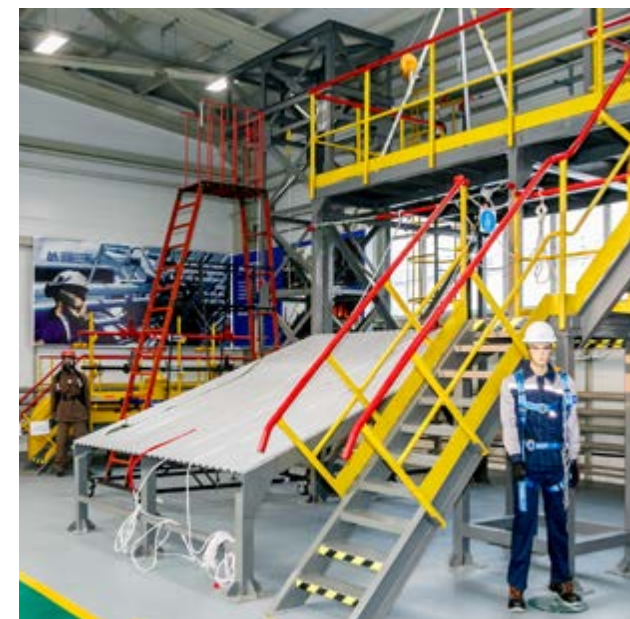
We also created a mobile application to automate the BSA process. If employee receives more than four CDBs (each CDB also triggers disciplinary actions and a conversation with superiors), this could be grounds for the termination of their employment contract.

OHS TRAINING FOR EMPLOYEES* AND CONTRACTORS**, '000 MAN-HOURS



* Employees of MMK

** Employees of contractor LLC United Services Company.



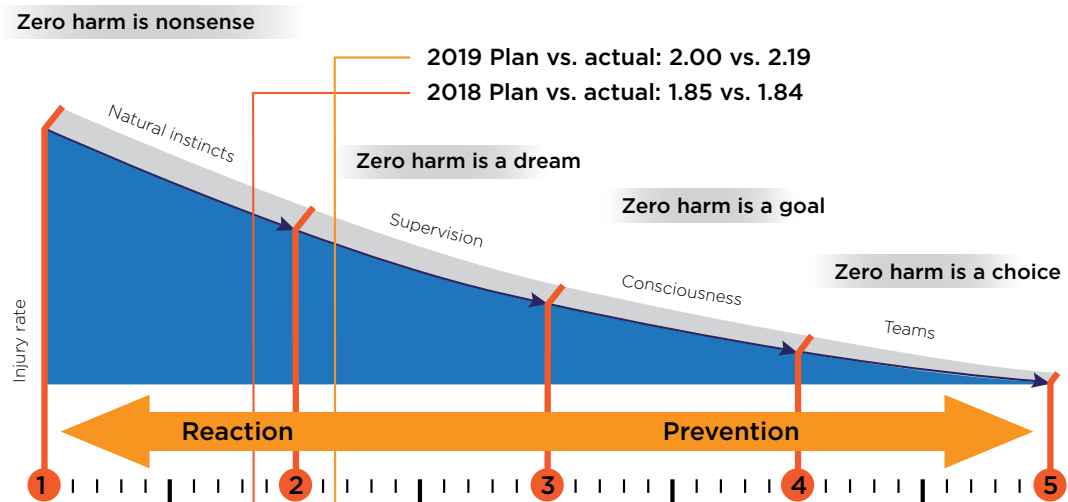
Safety culture

Our efforts to build a safety culture are guided by best international practices. We measure safety culture using the Bradley curve, which we assess using our comprehensive labour safety index (CLSI). CLSI enables a quantitative assessment of the safety performance of individual business units and MMK as a whole.

CLSI is measured at two levels. At level one, the head of a business unit conducts a walkabout with an assessment form, looking at five key assessment areas and evaluating the performance of managers and supervisors. At level two, HSE professionals use the same assessment form to conduct an evaluation of the business unit. A business unit or site's compliance with CLSI targets is assessed based on results of both assessments. Managerial remuneration is linked to the achievement of CLSI targets.

We successfully implemented our OHS priorities* in 2019, with CLSI increasing by 16% compared to 2018.

* For more details, please see the [“OHS strategy and priorities” section \(page 70\)](#).



In addition to CLSI assessments, we use the following approaches and tools to build a stronger safety culture:

1. OHS Motivation, a digital module that lets users record safety violations and add comments on the status of equipment, sites and devices during shift handover. The system can monitor the remediation process at production sites, set deadlines and ensure compliance with the tasks set.
2. Incentives in the form of monthly bonuses paid to site teams that demonstrate strict adherence to occupational safety rules.

Regular inspections by the Federal Service for Ecological, Technological and Nuclear Supervision (Rostekhnadzor) act as an external driver of a safety culture, encouraging management to take corrective actions in a timely and efficient manner. The number of violations identified during inspections fell by almost two thirds in 2019 compared to 2017 due to the remedial actions we have taken.

OHS INNOVATION

Our ambition goes beyond simply complying with OHS requirements. We are always looking for new, innovative ways of creating a safe working environment by employing cutting-edge technology and practices.

Exoskeleton

One such innovation is the Modular Passive Industrial Exoskeleton EXORISE. Developed by the R&D Centre of Magnitogorsk State Technical University and Exorise Ltd, EXORISE has been designed to support operators of the most demanding smelting processes, such as the doorways of coke batteries and the blast furnace shop.

Exoskeletons were created based on mathematical models of the person performing various operations. EXORISE, reinforced with elements of high-strength MAGSTRONG steel, can dramatically reduce the load on the knee, shoulder, hip, and elbow joints, as well as on the lower spine of operators. The exoskeleton models have been successfully tested at MMK and are set to be launched as a commercial product.

AI-based incident management solutiona

Another project to improve industrial safety is the introduction of an online incident management module powered by artificial intelligence.

Our AI-based incident management system harnesses the power of machine learning to perform automatic analyses of incident causes. Based on backtesting of incident data from the last ten years, the solution can identify the incident causes given in the initial investigation in 60-70% of cases using data alone.

Virtual reality (VR)

We have also been making wide use of VR for training applications to reproduce and simulate production site environments as part of video inductions. Training takes place at MMK’s Safety School. By reproducing the physical features of real-world facilities where accidents have occurred, virtual environments allow participants to think about how they would respond to particular hazards. VR inductions let employees practice identifying potential accident risks and unsafe behaviour.



This type of training is currently offered by Rolling Shop No. 11, the locomotive department and the coke shop. The latter has one of the highest exposures to injury risks and has been the site of one fatality. The Safety School trained 1,972 employees in 2019. We are planning to expand VR training to two other production sites.

「06」

EMPLOYEE ENGAGEMENT



HR POLICY AND RECRUITMENT

Our people are at the heart of our business. This is why recruiting and retaining qualified talent is of the utmost importance to us. In addition to providing a fair and supportive work environment, MMK promotes employee growth and development and strives to make sure that our people find their work rewarding. We also runs a vast array of social programs to support employees and their families.



HR management

We have a two-level HR management system. Level one is led by the HR Director, and is focused on the development and implementation of HR policies and strategies. The HR Department and the Personnel Management Department report to HR Director, who in turn reports to the General Director.

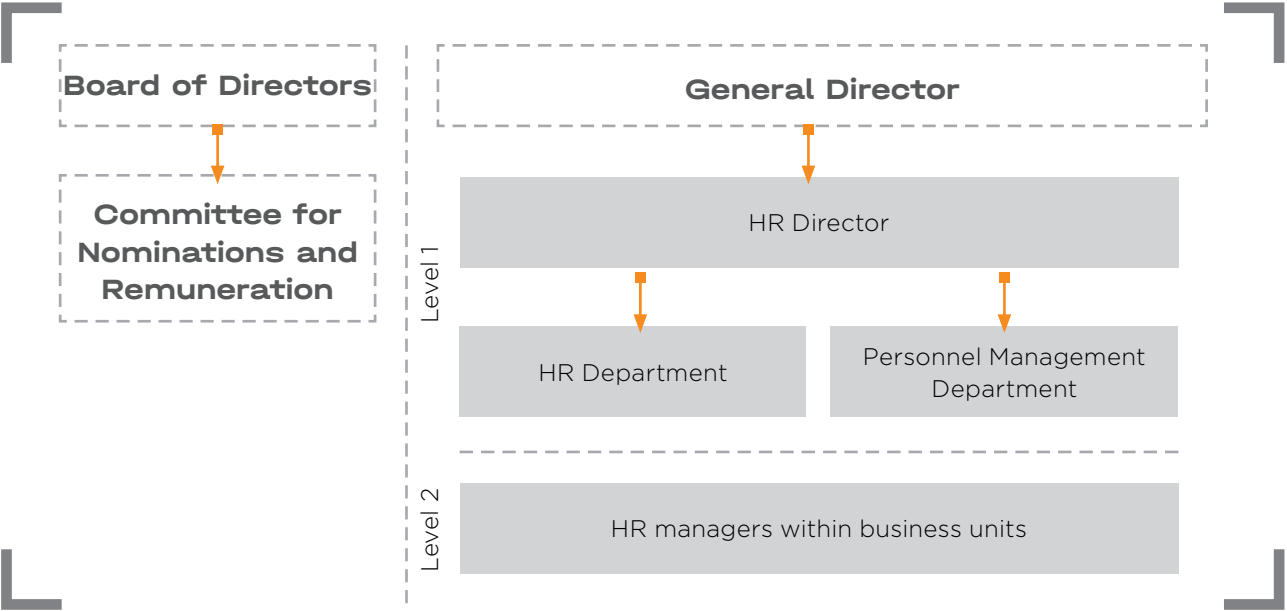
The HR Department is responsible for:

- Developing and implementing HR policies and strategies
- Planning future staffing requirements
- Supporting recruitment processes (hiring, onboarding, transfers, assessments, training, reskilling, advanced training and dismissals)
- Ensuring compliance with labour legislation.

The Personnel Management Department is responsible for:

- Developing the organisational structure of MMK
- Driving efficient workplace management and remuneration
- Developing strategies and coordinating HR functions within the business units
- Ensuring productivity, excellence and income growth through organisational improvement, output growth, employee incentive and motivation programs

HR MANAGEMENT STRUCTURE



- Developing methodologies and controls to ensure compliance with Russian pension rules and regulations.

Level two involves the management of personnel by HR managers within business units. HR managers have the authority to make decisions on role transfers, temporary transfers, position combinations and vacations. Their roles are defined in their job profiles and the relevant internal policies.

Our relationships with employees are founded on the principles of human rights, equality, freedom of choice, mutual respect and accountability.

HR processes are regulated by following internal rules and regulations:

- HR Policy
- Code of Corporate Governance
- Code of Business Ethics
- Collective Agreement for the metals and mining industry
- The Company Standard. Quality Management System Standard: Employee Remuneration Policy
- The Company Standard. Quality Management System Standard: Employee Bonus Policy
- The Company Standard. Quality Management System Standard: Surveys. Employee satisfaction monitoring

- The Company Standard. Quality Management System Standard: Planning, recruitment and staffing. General provisions
- The Company Standard. Quality Management System Standard: Policy on training MMK employees and individuals not employed by the Company
- Regulation on the Procedure for Employee Benefits for Business Unit Anniversaries, Important Events and Professional Holidays
- Regulation on Industry Placements for Vocational and Higher-education Students
- Regulation on Secondments.

All MMK employees are covered by the collective agreement, which is regularly updated to reflect the applicable legislation. The current collective agreement of December 2017 is valid for the period from 2018 through 2020.

HR policy

We employed 17,878 people in 2019, down by 2% from 2018. This minor decrease is due to the launch of the more productive Sinter Plant No. 5 and the transfer of some processes to subsidiaries. The workforce gender composition remained unchanged from 2018, with women accounting for 28.6% of our workforce, a high female participation rate for the metals industry. The majority of our employees (61.9%) are aged between 30 and 50.

We are committed to guaranteeing certainty and stability to our people, with a majority of personnel employed full-time (99.8%) and under permanent employment contracts (97.8%). We also offer flexible, part-time employment options to employees unable to take on full-time roles. In 2019, 30 employees requested and were granted the right to work part time.

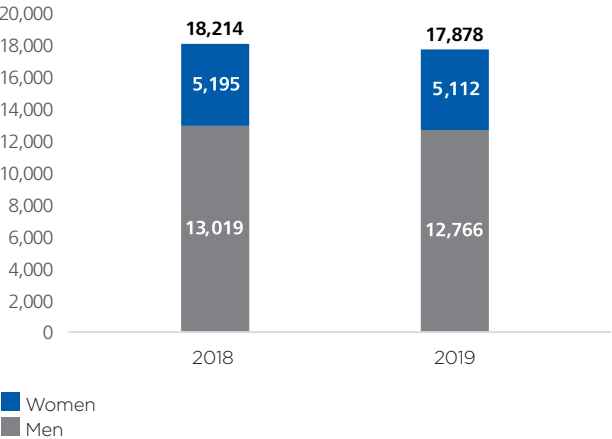
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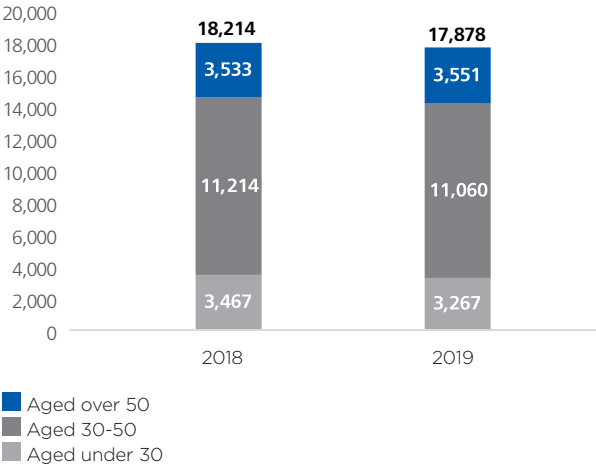
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EMPLOYMENT STRUCTURE BY GENDER

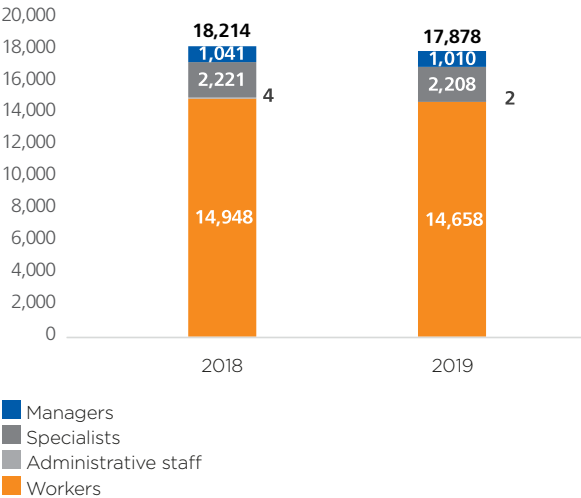


All MMK employees are based in Chelyabinsk region
For more information, please refer to the *“Appendices”* section (page 162).

EMPLOYMENT STRUCTURE BY AGE



EMPLOYMENT STRUCTURE BY POSITION



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Employee attraction

We have a stable turnover rate that is approximately in line with the industry average. The turnover rate was 8%, unchanged from 2018. Our low turnover rate is because our employer value proposition is unparalleled in Chelyabinsk Region. The average age of employees leaving MMK was 40.1.

Retiring employees and students finishing their industrial placement account for the highest turnover in the over-50s and under-30s groups respectively.

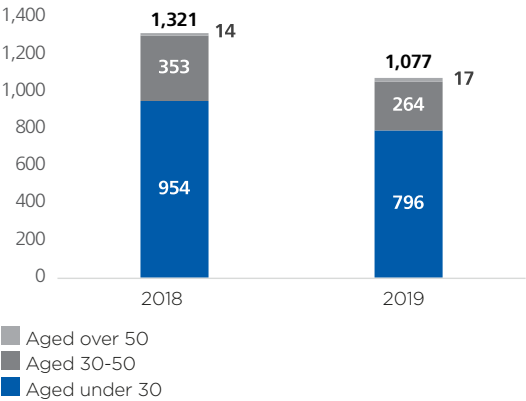
We manage turnover by attracting new employees, especially young talent. To achieve this, we have set up an industrial placement program and work

with educational institutions based in Magnitogorsk, including competitions, professional conferences and grants for young people.

We offer industrial placements for vocational and higher-education students every year. We offered industrial placements to 1,764 students in 2019, up from 1,534 in 2018. We are particularly

interested in hiring recent graduates. We employed 80 university graduates, 55 graduates from Magnitogorsk Multidiscipline College, 133 graduates from Magnitogorsk Polytechnic College and six graduates from other institutions. Job applicants were assessed based on their qualifications, average academic performance scores and knowledge of foreign languages.

NEW HIRES



For more details, please refer to the “Appendices” section (page 163).

We have strong ties with colleges and higher-education institutions and take on their students as interns:

- Magnitogorsk State Technical University (NMSTU)
- NMTSU Multidiscipline College
- Magnitogorsk Polytechnic College
- South Ural State University (Chelyabinsk)
- National University of Science and Technology MISIS (Moscow)
- St. Petersburg State University of Industrial Technologies and Design (Higher School of Technology and Energy)
- Ural State Mining University (Yekaterinburg)
- Ufa State Petroleum Technological University (Ufa).

Following the hiring procedure, all young specialists must complete the internship program to adapt, develop and consolidate the professional skills and knowledge they need to perform their day-to-day responsibilities, and learn about our OHS rules and

regulations. Young specialists are given a score and assessment of their ability to work independently by their line manager based on their performance during the internship program. New hires must also complete an induction workshop to gain an understanding MMK’s business, values, goals and mission. If there are no vacancies are available, promising students are put into the candidate pool and will be offered a position when a suitable role appears.

Recruitment Bot

As well as training graduates, we also recruit to meet the needs of our business units. The Recruitment Bot ensures a transparent and unbiased hiring process by focusing exclusively on the experience and skills of candidates.

The Recruitment Bot helps us reach candidates from further afield, accept electronic CV submissions, provide text- and voice-based chatbots assistants, which drives up the number of candidates and ensures equal opportunities for recent graduates from across the country. We publish job vacancies on our official website.

TALENT DEVELOPMENT, TRAINING AND MOTIVATION

We believe that people are the driving force behind our growth. This is why we are committed to building stronger employee engagement and providing ample opportunities for personal, professional and career development.

Training and development

We take a systematic approach to investing in employee development, training, upskilling and reskilling.

We send employees to be trained at the Corporate Employee Training Centre every year. The Centre offers more than 150 specialist courses across 20 specialisations, including: Technology and Production Processes, Leadership Development for the Succession Pool, Economics, Law, QMS, Environment, Russian Language, English Language, etc. We also provide external training opportunities, ranging from programs with higher-education institutions, through to specialist courses with leading manufacturers. We have a leadership school, High Level, led by the General Director. The High Level school provides leadership training programs for employees with management experience at their business units as they prepare for promotion. Program participants take MBA courses and develop leadership skills through projects and horizontal job rotation.

In addition to our in-house training centres, we offer employees the opportunity to study at Russian and international training centres. In 2019, our employees were given the chance to undergo training at Danieli & C Officine Meccaniche S.p.A., Sinosteel Equipment & Engineering Co., Ltd., the Stockholm School of Economics in Russia (St. Petersburg), the Professional Education Centre for Documentation Management, Information Technology and Archive Studies, the International Management Institute, Rosatom Technical Academy and more than 70 other education providers.

Corporate program with Stockholm School of Economics

The Stockholm School of Economics (SSE) is a business school with a global reputation. We have a long-standing partnership with SSE, sending two or three managers to SSE every year. While SSE provides world-class training, having ability to send only few managers per year was hampering business growth.

SSE sent staff to Magnitogorsk to teach a special course, tailored to our needs, on-site at MMK for the first time in 2019. This enabled us to enrol 30 employees on the course; exceeding the number of managers we have sent to SSE over the entire course of our partnership. The course was taken by workshop managers, senior foremen and shift foremen.

The course covered six learning modules and lasted four days. The final stage of the course asked participants to present proposals on innovative solutions to be implemented in MMK's business processes. The modules were taught by leading business coaches from Russia, Sweden, Italy and Latvia. The Course Examination Board was led by the General Director of MMK and the Rector of SSE in Russia and included other representatives from both MMK and SSE.

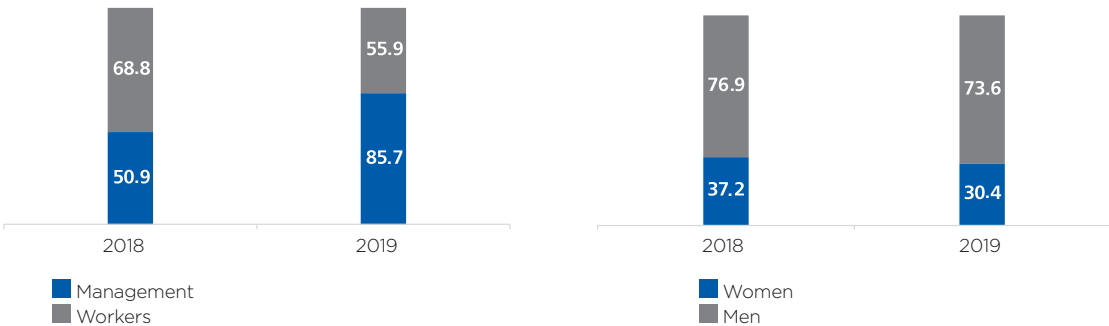
We are delighted with the impact the pilot course has had and will continue to partner with SSE in the future.

All employees who undergo training that will advance our interests and needs are entitled to paid leave, with related training costs reimbursed in full. All employees have equal access to further education in their specialist area regardless of age or gender.

We invested 61.3 man-hours per employee in training in 2019, placing a greater focus on the management team whose training time increased by 68%. The time invested in worker training was down by 18% due to our business needs in the reporting period and the successful completion of the worker training program in 2018.

If employees wish to enrol on a training program that is not part of MMK’s talent development program (e.g. if the program does not target skills we consider essential), employees are entitled to study leave and can return their job once they have completed their course.

AVERAGE TRAINING TIME PER EMPLOYEE, MAN-HOURS



Self-paced learning

We provide extensive opportunities for self-paced learning. Employees can find information about self-paced courses, including free courses, on the corporate portal publishes. Employees have access to a broad range of e-learning platforms:

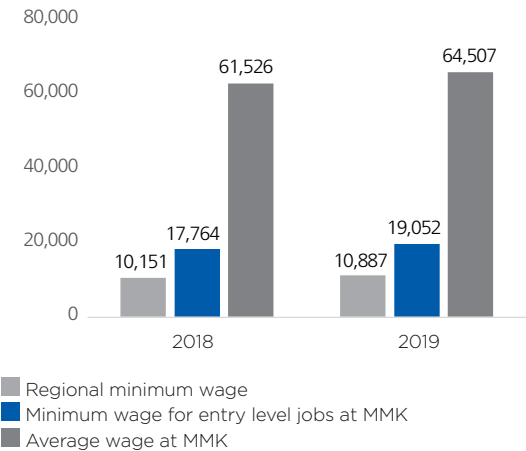
- Coursera
- Englishtown
- The National Open Education Platform (NOEP)
- Lektorium

- Universarium
- UNIWEB
- Microsoft Virtual Academy
- Online business education system “Alliance-Media”
- Stanford Online
- Magnitogorsk Institute for Further Education (MIFE).

Employee wages and benefits

We offer fair working conditions and competitive compensation. All employees, including those in entry-level jobs, are paid at above the regional minimum wage. The average salary at MMK is six times higher than the regional minimum wage, which was raised by 7.3% in 2019. Experience, qualifications, knowledge and performance determine an employee’s pay level, not age, race, gender or any other unrelated factors.

MINIMUM WAGE AND AVERAGE WAGE, RUB/MONTH



Employees have every opportunity to achieve their full career potential and receive regular feedback on their performance.

In addition to ensuring fair pay, we also run various employee motivation programs and events to raise the profile of the work we do at MMK. We organise

annual professional competitions for various employee groups (e.g. young professionals, senior specialists, etc.) that receive extensive coverage in corporate, city and regional media, increasing the visibility of our people.

Best Young Specialist

We hold an annual competition aimed at raising the appeal of working at MMK among young people. This year, 310 employees from 32 professions of the main plant shops entered, with 117 participants named winners and awarded the title of Best Young Worker in Profession along with a diploma and bonus. In addition, the competition awarded bonus payments to the 39 best mentors and 15 competition organisers.

MMK Science and Technology Conference for young professionals

A total of 210 participants presented innovative solutions to boost productivity at our Science & Technology Conference in 2019. Nine presenters won the MMK Best Young Specialist award and five won MMK Best Young Technician. Innovative

solutions from 27 participants were ranked as Category 1, 2 or 3 and awarded prizes in special categories: Business Impact (five winners), Creative Solution (five winners) and Best Research (five winners). All winners and conference organisers received a cash bonus, with the prize money totalling RUB 1,272,000.

MMK Engineer of the Year

We run the annual MMK Engineer of the Year competition to reward the best engineers among our experienced professionals and highlight their professional achievements and experience. The MMK Engineer of the Year award had one prize for first place, two for second and three for third. All winners received cash prizes and were nominated for the national Engineer of the Year competition.

We also have other bonuses, awards and titles that employees can compete for throughout the year. These include state and ministerial awards, and prizes from Chelyabinsk Region, Magnitogorsk and MMK.

All winners in professional competitions are put on MMK's roll of honour, available on our corporate internal portal.

Employee recognition in 2019

A total of 628 MMK employees were recognised with various awards in 2019, including:

- State awards (26 people): Medal of the Order "For Merit to the Fatherland" Class 1; Medal of the Order "For Merit to the Fatherland" Class 2; honorary titles: "Distinguished Metallurgist of the Russian Federation", "Distinguished Mechanical Engineer of the Russian Federation", "Distinguished Transport Worker of the Russian Federation", "Distinguished Energy Worker of the Russian Federation"
- Ministerial awards (127 people): Certificate of Merit from the Russian Ministry of Industry and Trade; Medal "For Labour Valour"
- Medal "For Services to Lawmaking" from the Chelyabinsk regional Legislative Assembly (1 person)
- Certificate of Merit from the Magnitogorsk City Government (44 people)
- Certificate of Merit from the Magnitogorsk City Deputy Assembly (39 people)
- Letter of appreciation from the Presidential Plenipotentiary Envoy in the Ural Federal District (2 people)
- Letter of appreciation from the Economic Policy Committee of the Federation Council (2 people)
- Certificate of Merit from the Governor of Chelyabinsk Region (32 people)
- Letter of appreciation from the Governor of Chelyabinsk Region (13 people)
- Certificate of Merit from MMK (111 people)
- Certificate of Commendation from MMK (51 people)
- Letter of appreciation from the General Director of MMK (169 people)
- "Distinguished Retiree of MMK" (11 people).

SOCIAL SECURITY AND EMPLOYEE WELL-BEING

We put our people first, ensuring the highest standard of social security. The MMK Trade Union is responsible for engaging with employees and representing their interests at MMK.

Key functions of the Trade Union

The Trade Union’s core function is to ensure that employees’ social and labour rights correspond with the Russian Labour Code and the collective agreement. The Trade Union also allocates benefits to eligible employees. The Trade Union is regulated by Federal Law No. 10 “On Trade Unions, their Rights and Guarantees for their Activities”, the Charter of the Trade Union and the MMK’s Charter. The MMK Trade Union conducts its activities via permanent trade union commissions:

Commission on Labour, Wages and Employment protects employees’ social and employment interests, the right of the union members and their families to recreation and healthcare. It is also responsible for the development and negotiation of collective agreements. The commission monitors wage and working hours and analyses any changes.

Commission on Legal Matters protects employee interests and their social and labour rights. It considers the legality of redundancy dismissals and whether disciplinary documentation has been prepared appropriately. The commission provides employees with legal advice on compliance with labour laws. It is also responsible for conducting regular reviews of the employer for compliance with labour laws.

Commission on Occupational Safety and the Environment is responsible for investigating accidents and occupational diseases, as well as for handling labour disputes related to occupational safety, safety knowledge assessments and personal protective equipment. The commission also monitors the condition and safety of the working environment, carrying out 68 audits in the reporting period, including 53 initiated by employees.

Commission on Sports and Youth Engagement designs a targeted program for younger members of staff to help them develop ethically, intellectually and professionally. The commission is also involved in organising professional competitions and conferences aimed at MMK’s young professionals. The commission also promotes healthy lifestyles among MMK employees.

Commission on Cultural Engagement and Family is primarily responsible for organising social events and helping employees achieve their full potential. A particular focus is placed on celebrating anniversaries at production units, the launch of new facilities and professional holidays. The commission works in conjunction with cultural institutions to help organise up to 1,500 events every year.



It is also responsible for working with the children of MMK's employees. Employee children can attend various amateur clubs at the Sergo Ordzhonikidze Metallurgist Palace of Culture.

Commission on Retiree Engagement engages with employees who have retired from MMK by organising various events to mark important dates such as New Year, Victory Day, Metallurgist Day, etc.

The commission runs a healthcare program for retirees, which includes financial assistance to cover the cost of food, complex medical treatments (dentistry and surgery) and hearing aids. All MMK retirees also receive financial aid every month and assistance paying for house repairs and utilities.

Mutual Assistance Fund is a public lending institution established by employees. The Fund is currently one of the most popular social initiatives as it helps employees manage their personal finances. Established in 1932, the fund has been operating without interruption ever since. The fund assists 21,967 people, most of whom are employed with MMK. In 2019, 17,363 people obtained loans totalling RUB 1.08 billion.

The Social Commission handles social matters such as improving housing, monitoring employee health initiatives (including treatment at health centres and resorts) and catering at work.

The Union Organisation Commission and the Budget Planning Commission supports the functioning of the Union by ensuring better organisational performance and budget planning.

The Communications Commission is responsible for communicating the activities of the Union.



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MMK's employees have access to various benefits* provided for by the Social Policy:

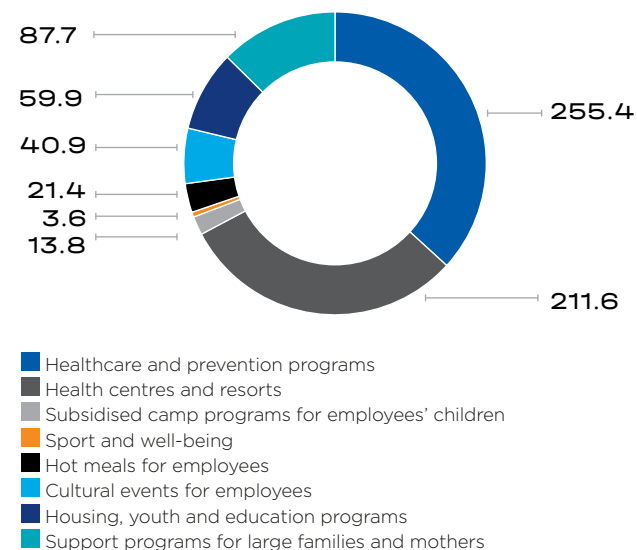
- Life and health insurance, medical treatment and healthcare services
- Health centres for employees and their families
- Countryside health retreats for employees' children
- Healthy lifestyle programs
- Large cultural events
- Opportunities for better housing
- Support for large families, mothers and parents
- Support for retirees and disabled people
- Provision of meals

- Support for people injured in workplace accidents; payment of compensation
- Funeral services.

In the reporting period, we invested RUB 694.4 million in social benefits for employees, with healthcare/prevention initiatives and recreational/healthcare-based programs accounting for the majority of the social investment made. The average social investment per employee is around RUB 40,000.

All funds were paid out as part of MMK's social program. Investments made under the social program, which focuses on employee social security, local community investment and charitable causes,** totalled RUB 1.8 billion in 2019.

SOCIAL INVESTMENT IN 2019 BY CATEGORY, RUB MILLION



* Benefits are available for all employees, including part-time employees.

** For details on social programs targeting the local community, please refer to the "Local communities and regional development" section (page 120) and "Appendices" (page 166)



Employee well-being

The well-being of our people is one of our key priorities. We believe that decent working conditions and safe production are not enough to ensure business growth and success. We also need to provide our employees with benefits and incentives aimed at improving their well-being. Well-being initiatives include healthcare provision via doctor’s surgeries at our production units and a factory health centre, as well as regular vaccinations, health centre/ resort-based healthcare, special food for employees exposed to hazardous working conditions, a clean workplace, healthy meals and sports events.

We understand that family vacations are essential. This is why our voluntary medical insurance policy covers employees’ family members when they are on vacation together. We introduced vacation package reimbursements (totalling 60-85% of the full cost of the trip) for family members in 2018, which is the same discount enjoyed by employees. Of the 8,250 people who vacationed at health centres and resorts in 2019, about 2,000 were family members. We place a particular focus on employees’ children. Children can spend the summer at the Ural Sunrise and Mountain Gorge health and education centres or the Skif sports camp. MMK and the Trade Union reimburse parents

Voluntary medical insurance

We are committed to the health of our employees and recognise our responsibility for their health and well-being. All of our employees are covered by a voluntary medical insurance program, which includes:

- Clinical treatment in Russia, including complex procedures such as bypass surgery, cardiac pacemakers, endoprosthesis, etc. at a list of approved clinics
- Dental care and prosthodontics
- Medical and diagnostic services provided by the Central Clinical Healthcare Unit
- Partial insurance coverage for treatment at MMK health centres.

Almost 20% of employees (3,410 people) accessed dental services in 2019, including 420 employees who received prosthodontic treatment, representing a 50% year-on-year increase.

We also provide monthly payments to permanently incapacitated employees for their entire lives. We made such payments to 46 people in 2019.

up to 55% of the cost of summer camp, while large families are entitled to full reimbursement. We provided a total of RUB 13.8 million in summer camp discounts in 2019.

Employees across all specialisations undergo medical examinations to prevent occupational diseases. We conducted over 920,000 screenings last year, including pre-shift and scheduled examinations, general and focused diagnostics. These check-ups inform employees on how they can prevent workplace diseases. In addition to regular medical screenings and disease prevention measures, we have also launched targeted health programs to address particular workplace processes that have a high impact on the musculoskeletal and respiratory systems, and to deal with the effects of vibration, heat and noise. We are currently running six programs, the most popular of which are No Back Pain and Lung Health. A total of 2,776 people took part in our programs in 2019, a 120% year-on-year increase.

We invested RUB 467 million in health and prevention programs in 2019.

For more information, please refer to the “Health and safety” section (page 66).

Healthy lifestyles

We are passionate about encouraging our employees and their families to get active. We hold annual summer and winter sports competitions for 21 types of sport, which attracted 2,659 participants in 2019. We also organise biannual sports days where managers compete in three sports, leading by example and promoting the importance of active lifestyles for well-being and successful careers.

We sponsored 130 sport events hosted by the Metallurg-Magnitogorsk sport club in 2019, bringing together about 4,500 employees. In winter, employees and their families can enjoy alpine skiing at the Abzakovo and Metallurg-Magnitogorsk resorts located near Lake Bannoye. We organise rafting tours in Bashkortostan in the summer. We also encourage employees to take part in the Ready for Labour and Defence (also called GTO) program, a nationwide physical training program. Over 400 employees have passed GTO challenges and 137 people were awarded with golden GTO badges.

We are planning to launch a new project, Health Leaders, in 2020 to help employees learn the basics of healthy living, sports and fitness. The program will train health leaders who will then go on to teach their assigned groups. We will also continue and extend the existing well-being programs.

Catering

Healthy, hot meals in during the working day are central to employee health. We strive to make sure that as many employees as possible eat well at our canteens.

We operate:

- Daytime canteens at production units
- Night-time canteen No. 17
- Six meal delivery points
- Six vending machines with lunch boxes
- Coffee shops.

In addition we commissioned an on-site food production plant and are in the process of creating a confectionary plant.

All our catering areas and vending machines offer an employee discount of RUB 57.7 on all food purchases over RUB 102 made with the MMK Plus card. We will increase the discount by 7.5% next year.

We spent RUB 21.4 million on providing our employees with quality, hot meals in 2019.

We invested RUB 3.6 million in targeted discounts and benefits to encourage regular employee exercise in 2019.

Support for mothers and large families

We are committed to the health of future generations by supporting mothers and creating a family-friendly workplace. MMK has been running a program to support expectant mothers and parents since 2004. Women are granted paid leave with average salary from the 13th week of pregnancy until they are entitled statutory maternity leave on the condition that they attend the Maternity centre (which provides medical and emotional support).

The program supported 167 expectant mothers in 2019. Eight fathers were granted paternity leave.

All employees who go on parental leave are guaranteed the right to return to their jobs, with 193 women and nine men returning to work in 2019. Most of them have continued with their successful careers, with a 100% return-to-work rate and a subsequent retention rate of 88%.

We launched our Support for Large Families program in 2008, which by 2019 was supporting about 550 families with three or more children aged below 18 (with 1,600 children in total). The program has

eleven support channels, including monthly financial aid, reimbursements for utilities, as well as free-of-charge trips to children’s camps, MMK health centres and resorts, and much more.

We unveiled a one-of-a-kind initiative to help families with five or more children purchase a family car in 2019. With a total investment of RUB 14.5 million, the initiative provided a financial support of RUB 90,000 per child and gave 28 families the opportunity to buy a car.

RUB 87.7 million was spent on initiatives aimed at supporting mothers and large families in 2019.

Support for young talent

We set up the Union of Young Metallurgists to engage with young employees. Since its establishment 1993, the Union has been the perfect platform for developing young talent in Magnitogorsk. The Union had 340 members aged under 30 at the end of 2019 and focuses on professional growth, sports, recreation, culture and community activism.

With professional growth as one of its key priorities, the Union supports MMK’s annual Science and Technology Conference for young professionals and the Best Young Specialist competition. The Union organised 60 sports and community events for young employees, their families and residents of Magnitogorsk in 2019.

Winning the Youth Outreach category at the XVI Metal and Mining Enterprises with Highly Effective CSR industry competition was a strong endorsement of the success of our youth engagement policy.

Better housing for employees

We partner with a housing developer, Klyuch (Key), to deliver the Affordable Housing for MMK Metallurgists program, aimed at improving housing for employees.

Each year the program accepts 10 employees, selected from the winners of professional competitions and conferences, as well as employees with families. Program participants receive a subsidy of RUB 250,000 to purchase a flat in a residential complex built by Klyuch in Magnitogorsk, with an asking price of 20-30% below market value.

We are proud of the impact our employee engagement initiatives have and will continue to develop them going forward. We strongly believe that investing in people is what powers productivity and our sustainable development. Well-being will therefore remain a core component of our employee engagement strategy.

We spent RUB 59.9 million on additional employees benefits in 2019, including our housing and youth programs, compensation for damages and funeral services.

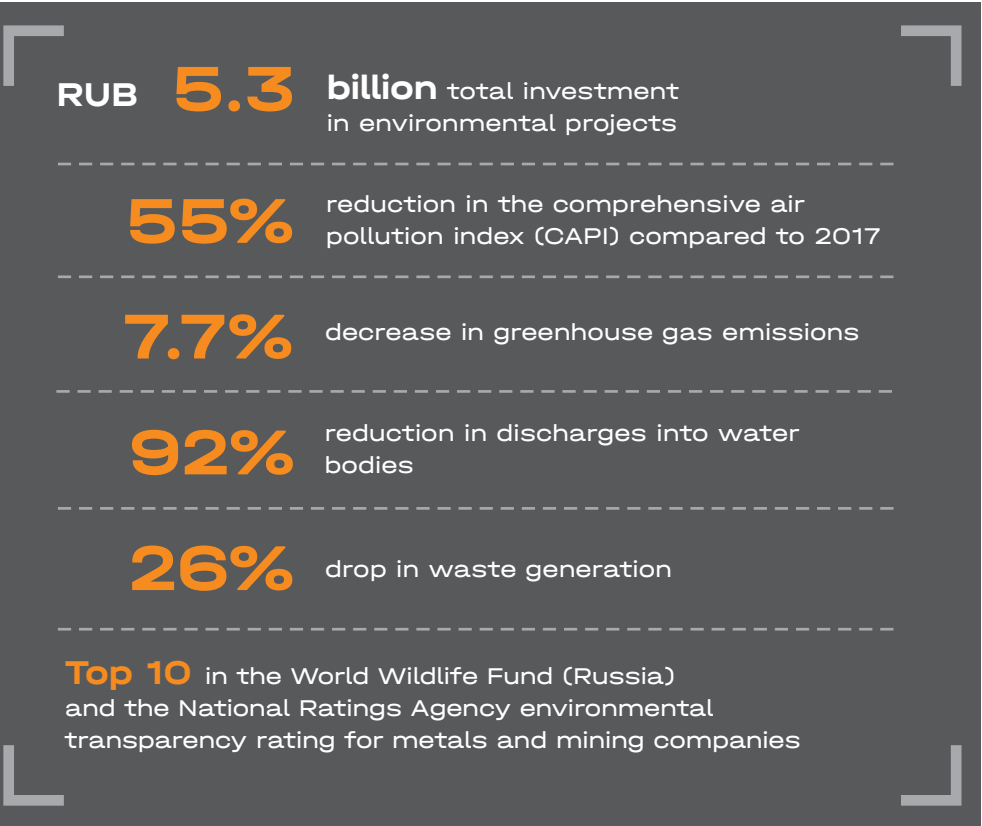
[07]

ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL RESPONSIBILITY

We believe that creating a healthy environment and safe working conditions on our region of operation is an indispensable investment in our future. One of our priority sustainability goals is to reduce our environmental footprint. We are increasing how much we spend on conservation, innovation and technology every year to increase the efficiency of production processes and reduce their environmental impacts.

The environmental programs we have delivered over the past several years (including as part of the federal Clean Air project) were the reason for Magnitogorsk’s removal from the list of Russian cities with high air pollution in 2019, which we consider a major achievement. However, we are not stopping there. Our goal is to reduce the comprehensive air pollution index (CAPI) to less than 5 points by 2025.



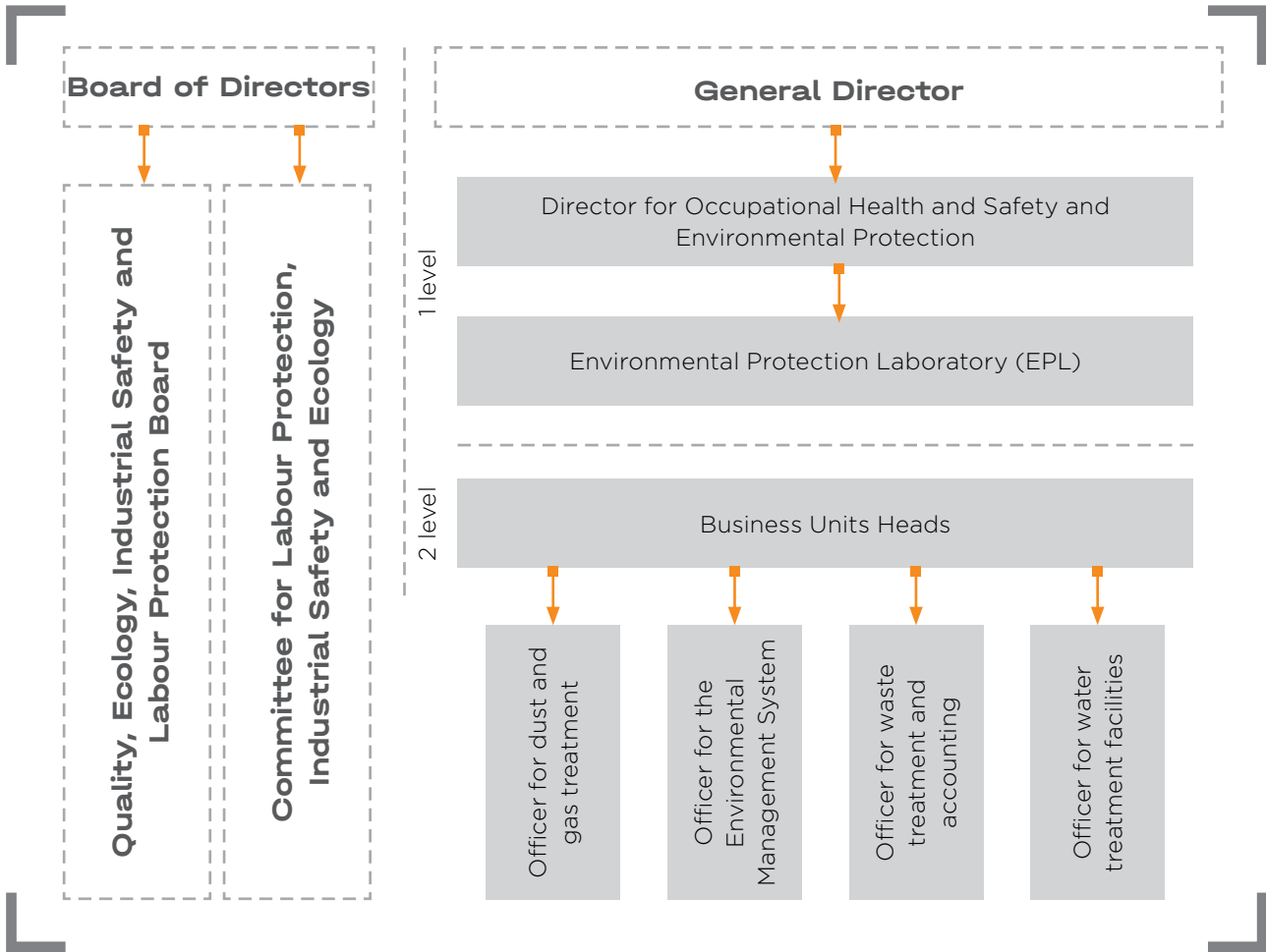
ENVIRONMENTAL MANAGEMENT

Responsibility for different areas of environmental management is entrusted to various subdivisions.

The top management tier is the Committee for Labour Protection, Industrial Safety and Ecology, consisting of four Board members. The Committee meets twice a year, and reviews data on air quality in Magnitogorsk every quarter. The CEO oversees the functioning of the entire environmental management system. The Director for Occupational Health and Safety and Environmental Protection, who reports directly to the General Director and sits on MMK’s Management Board, is in charge of our overall environmental strategy. We also have an Environmental Protection Laboratory (EPL), the head of which reports to the Director for Occupational Health and Safety and Environmental Protection. The EPL sets management system requirements at business units and monitors their environmental performance.

Business unit heads are responsible for environmental management within their business units.

ENVIRONMENTAL PROTECTION MANAGEMENT STRUCTURE



The Board of Directors helps guide MMK towards achieving its environmental performance goals. Board members review the environmental agenda and set new strategic targets every year. The Board of Directors is primarily interested in the realisation of MMK’s environmental policies and the delivery of ongoing and upcoming programs. The Board also considers the relevance of environmental policies and works to update them.

Our Environmental Policy is underpinned by goals to reduce and prevent environmental impacts. These goals focus on areas such as emissions, the implementation of best available technologies, compliance with best practices, the reduction of wastewater discharges, waste treatment and land reclamation. Our policy goals should be achieved by 2025. We plan to expand the policy in 2020 and add new provisions on climate strategy, responsible water consumption and biodiversity preservation.

We have set ourselves ambitious goals to reduce the environmental footprint caused by our industrial operations. These will form an integral part of our strategy over the next several years. The Director for Occupational Health and Safety and Environmental Protection submits annual performance reports to the Board of Directors, biannual reports to the Management Board and quarterly reports to the Committee for Labour Protection, Industrial Safety and Ecology. This Committee also reviews MMK’s environmental performance.

An officer has been assigned to oversee and manage the delivery of each environmental goal set out in our Environmental Policy. Officers must undergo training courses to equip them with the knowledge they need to effectively manage their area of responsibility. We also have employees who are responsible for preparing environmental reports and keeping a registry of reports submitted to state authorities.

We released a brochure for the general public about our environmental performance in 2018. The high quality of our environmental disclosures was recognised by WWF Russia, which has historically ranked MMK as either first or second in the Environmental Impact category of its Transparency Rating of Environmental Responsibility of Mining and Metals Companies. We are also ranked in the Interfax-ERA rating every year.

We introduced our Environmental Management System (EMS) in 2004 in accordance with ISO 14001:2015 (Environmental Management Systems). The General Director is responsible for the oversight, approval and implementation of the system

All industrial processes, including production and power generation, must be certified. We set up the Quality, Ecology, Industrial Safety and Labour Protection Board to review and approve a report on the performance of MMK’s EMS every year. The EMS framework also encompasses the identification of significant environmental

considerations for each business unit and the development of measures to mitigate their impact.

We conduct recertification audits on time and follow all auditor recommendations. We completed our last audit in August 2019, with no violations found. The audit was performed by an independent certification body that issued a new certificate for the Environmental Management System valid until 2022.

We also set individual environmental KPIs for entire the management team, from the General Director to plant and production shop managers.

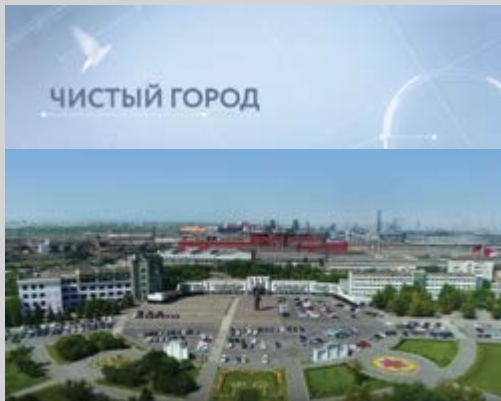
Our EMS is governed by 23 regulations, including standards and guidelines.

Clean City

We launched our Clean City strategic initiative to reduce our environmental footprint. The initiative comprises four key areas:

- Clean air
- Clean water
- Clean soil
- Favorable environment.

We have invested more than RUB 58 billion in our Clean City program since 2016.



Our key successes have included:

- Deployment of best available technologies throughout our production processes
 - We took a leading role in analysis, writing and data organisation for the 2017 Information and Technical Directory for Best Available Technologies (BAT) relating to steel, pig iron, and ferroalloy production (ITD 26-2017) and were involved in working group discussions. We have ensured full compliance with Russian Best Available Technology standards and plan to obtain Comprehensive Environmental Clearance by 2021
 - We presented examples of our best practices at the Best Available Technologies for Blast-Furnace Processes conference in 2019. We exhibited sinter plant No. 5, the most advanced facility of its kind in Russia, commissioned in June 2019 and the latest example of best available technologies in the metals industry. The launch of the sinter plant led to a significant increase in productivity (up to 5.5 million tonnes per year) and a substantial reduction in emissions owing to the installation

of 19 environment protection facilities at the plant. Each sintering machine at the new sinter plant is equipped with sulfur recovery units and a sinter gas recirculation system, which effectively treat off-gases. Sulfur recovery units can treat up to 2.5 million cubic meters of sinter gas per hour, removing 99% of dust and 98% sulfur dioxide. Eleven aspiration systems installed at the plant allow for over 99% cleaning efficiency, capturing production dust and feeding it back into in the sinter production process. The recycling unit processes all residue left by sulfur recovery units and produces marketable gypsum.

- Construction of new and upgrade of existing environmental facilities
- Upgrade of the first processing stage, decommissioning of outdated equipment.



Our key goals to be achieved by 2025 include:

- Reducing total atmospheric emissions by 26,600 tonnes
- Lowering CAPI* to 5 points, indicating “low” air pollution
- Achieving a 90% reduction in hazard class 1 and 2 waste (hazardous and very hazardous pollutants)

- Cutting pollutant discharges by 37,500 tonnes
- Recycling at least 2.3 million tonnes of production waste per year
- Reclaiming 20,000 square meters of abandoned pits per year
- Planting 11,000 saplings in Magnitogorsk.

We set annual targets to monitor progress towards the achievement of our 2025 goals. MMK fulfilled all its targets in 2019.

We deploy significant efforts and invest heavily to achieve these targets. We spent RUB 8.745 billion on environmental initiatives in 2019, including capex, investment in environmental protection measures, and operating expenses for environment protection facilities



*The CAPI is a comprehensive air pollution index calculated as a sum of five key pollutant indicators where absolute values are converted to maximum admissible concentration levels. The conversion of absolute values to CAPI enables full and realistic accounting of the environmental impact of various pollutants. The index calculation includes pollutants such as suspended particles, carbon oxide, carbon dioxide, formaldehyde, and benzo(a)pyrene.

In addition to corporate programs and initiatives, we are also contributing to the achievement of the federal [Clean Air program](#) by setting ourselves the target of a 20% reduction in emissions in Magnitogorsk by 2024.

We keep all our employees well informed about our environmental initiatives and achievements via the My MMK app, the corporate website, information billboards and the EPL intranet page. Every employee must read our policies, including the Environmental Policy, as part of the onboarding process and complete a dedicated training on the

EMS. Officers for gas and water treatment, waste management, and EMS implementation must undergo additional training. All managers take a course on environmental safety once they have been appointed.

We monitor compliance with environmental legislation and quickly respond to any identified violations. Total fines for non-compliance with environmental legislation and regulatory requirements amounted to RUB 2.1 million in 2019. We developed remedial measures based on a review of the breaches (most of which were related to incorrect environmental recordkeeping). We faced no non-financial sanctions and had no violations that required dispute resolution procedures in 2019.



Key environmental achievements in 2019

- One of our most important achievements, reducing air pollutant emissions, was exemplified by the exclusion of Magnitogorsk from the 2019 list of the cities with high air pollution, based on data from 2018, as CAPI decreased by 24% (from 9 to 7 points). This achievement was noted in the report published by the Federal Service for Hydrometeorology and Environmental Monitoring
- We launched our new sinter plant No. 5 in June 2019 with 19 environment protection facilities, including aspiration systems, sulfur recovery units, and water recirculation, replacing sinter plant No. 4 in October 2019



- We upgraded the gas exhaust line from sinter plant No. 3 in September 2019, significantly reducing the facility's environmental impact
- We completed the transition to closed-loop water recycling and eliminated all water discharge into Magnitogorsk reservoir in 2019
- We launched a new turbine unit equipped with a cogeneration turbine and generator at our Central Power Plant in May. The new turbine unit has a higher capacity than its predecessor and will save up to 15% of heat per kilowatt of electricity



- On June 5, Ecologist's Day, we held a roundtable in Chelyabinsk where we shared information about the environmental practices we have implemented and spoke on the progress of the Clean City initiative. This initiative is a key focus of our 2025 Strategy
- In late 2019, we were named one of the top 10 most environmentally responsible mining and metals companies in Russia in the rating compiled by the World Wildlife Fund (Russia) and the National Ratings Agency
- In August 2019, MMK was awarded a certificate by the United Nations Industrial Development Organisation (UNIDO) for its contribution to sustainable development and environmental initiatives in Chelyabinsk Region and the successful implementation of our Energy Management of Industrial Enterprises program.

RESOURCE EFFICIENCY AND WASTE MANAGEMENT

We take sustainable resource management very seriously, and despite the material-intensive nature of metallurgy, are continuously boosting resource efficiency.

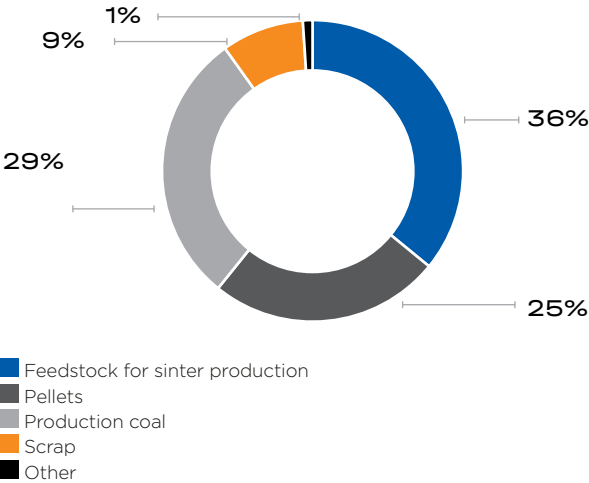
The key materials used in sinter production include iron ore, magnesium flux, and coke. Sinter is then used in pig iron production with flux and coke. Some pig iron is sold and the rest used in steel production.

Iron- and lime-containing waste from metal production stages is used in sinter production as a raw material, including mill scale, slag and dust from the sinter, blast furnace and converter processes, iron oxide (from the regeneration of acid dips) and metal particles produced during slag enrichment.

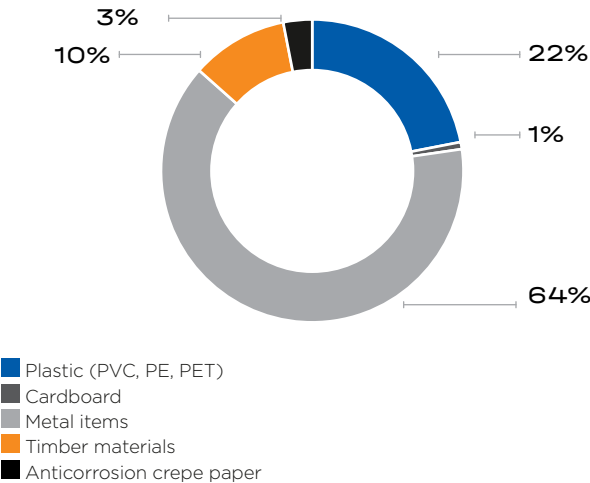
We used 24,025,000 tonnes of raw materials for production in 2019, almost unchanged compared to the previous reporting period. Similar to the previous year, the most consumed raw materials were sinter raw materials (36%), coals (29%), and pellets (25%). We used 36,000 tonnes of packing in 2019, most of which (64%) was made of metal items.

For more details on the use of renewable and non-renewable materials for production and packaging, please refer to the [“Appendices” section \(page 164\)](#).

MATERIALS FROM NON-RENEWABLE AND RENEWABLE SOURCES USED IN PRODUCTION IN 2019, %



MATERIALS FROM NON-RENEWABLE AND RENEWABLE SOURCES USED FOR PACKAGING IN 2019, %



301-1

We strive to reduce the amount of waste we generate and reuse as much as possible. This is our focus of our waste management activities. Our initiatives mean that we now reuse 100% of iron-containing waste instead of sending it to waste storage.

Hazard class 4 and 5 waste account for the vast majority of the waste we generate (43.5% and 56% respectively). Slag is the main category of production waste. All slag produced is sent to our slag enrichment plant to extract metals and

process it into granulated slag, crushed slug and stone sand mixture. In the reporting period, we achieved a significant (26%) decrease in waste generation due to lower volumes of class 5 waste. This was because we produced less raw materials and purchased more.

Class 1 and 2 waste accounts for a tiny percentage of the waste we generate (0.002%). Mercury lamps, used in equipment and batteries, are our only class 1 and 2 waste. They are sent to specialist organisations for detoxification and disposal.

The transportation of hazardous waste is outsourced to specialist organisations. We do not perform this operation ourselves.

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306-2

WASTE GENERATION AND PROCESSING, '000 TONNES

	Class 1 — Extremely hazardous waste		Class 2 — Highly hazardous waste		Class 3 — Moderately hazardous waste		Class 4 — Low-hazard waste		Class 5 — Virtually non- hazardous waste		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Total generated waste	0.013	0.015	0.069	0.088	68.3	59.7	6,982.0	6,914.4	14,278.4	8,911.6	21,328.8	15,885.8
Reuse	0	0	0	0	37.7	50.3	1,316.5	1,227.5	1,513.6	1,492.9	2,867.8	2,770.7
Disposal at MMK's waste storage facilities	0	0	0	0	0	0	56.7	29.3	12,749.5	7,407.2	12,806.1	7,436.5
Shipment for disposal or decontamination to third-party organisations	0.013	0.015	0.069	0.088	30.6	9.5	5,606.4	5,651.3	15.2	11.0	5,652.3	5,671.8
Shipment to third- party organisations for storage	0	0	0	0	0	0	2.4	6.3	0.1	0.4	2.5	6.7

Slag dump reclamation

Our main reclamation activities are the restoration of lands disturbed by industrial activity and return to economic use, and the improvement of the environment around Magnitogorsk through the creation of green zones.

Given the large amount of slag that has accumulated at MMK's dumps since the plant started operating (92.9 million tonnes in 1940-1990), we have decided to implement an extensive slag dump reclamation program. In 2020, we will complete the reclamation of slug dumps from stage 3 open-hearth furnace waste. These dumps held around 37.7 million tonnes of blast furnace slag at the end of 2019. The goal for 2025 is to reduce the size of slag dumps to just over 19 million tonnes.



We accumulate 5.5 million tonnes of metal slag every year. However, we recycle 100% of this through the extraction and use of metal fraction in the production process, the sale of fractionated and granulated slag and the use of slag to reclaim depleted iron ore pits.

We commissioned a sludge enrichment plant in 2019 to extract up to 40% of iron from long-accumulated slurry stored at the sludge depository. The extracted iron is fed into production while the remaining mineralised part, reduced in volume, is returned to the sludge depository.

We also clear roads and spillages of dust, feedstock and materials, and use of vacuum cleaners attached to specially designed vehicles. This makes it possible to increase the amount of dust that can be reused in production and significantly decrease average monthly concentrations of suspended solids and dust deposits at production sites. Next year, we are planning to introduce recycling for lubricants through separation. We will resell the produced oil fraction and re-use the treated water fraction.

We will start the construction of a landfill to store class 3, 4 and 5 waste in 2020.

AIR QUALITY

Reducing emissions of air pollutants is a key focus of our environmental agenda.

Recent initiatives have helped us significantly decrease our emissions, cutting specific and gross emissions by more than 90% in some cases.

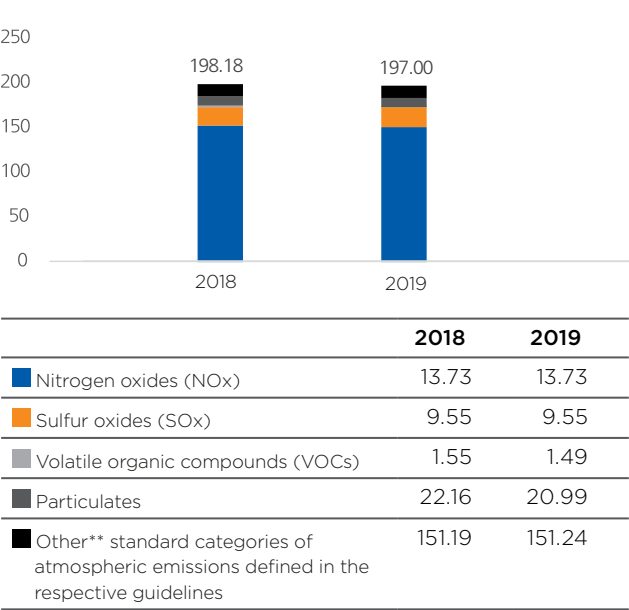
We have succeeded in decreasing the comprehensive air pollution index by 55% (8 points) in just the past two years.

Comprehensive air pollution index*:

	2017	2018	2019
CAPI	15	9	7

* Rounded to whole numbers

AIR EMISSIONS, 000' TONNES



**The 'Other' category comprises emissions containing iron, magnesium, sodium, tin, zinc, aluminium, titanium, copper, hydrocarbons, etc. For a complete list of the emissions included in the 'Other' category, please refer to the *"Appendices" section (page 165)*.

We are currently deploying an environmental control system with gas analysis equipment to automate the monitoring of industrial emissions at the plant. By 2021, we plan to have installed this system at all 123 industrial facilities that produce class 1 emissions (sinter plant, coke plant, blast furnace plant, oxygen-converter plant, electric arc furnace plant and all power plants). Presently, 70% of emission-producing facilities have been equipped with the automated monitoring system.

305-7

Reducing emissions of air pollutants

The key initiatives and programs we implemented to reduce our impact on the atmosphere in recent years have included the following:

- The launch of sinter plant No. 5, equipped with aspiration systems and sulfur recovery units, with the subsequent decommissioning of sinter plant No. 4 in October 2019
- The construction of aspiration systems with a total capacity of 7.2 million cubic meters/hour in the cast and stock houses of five (out of eight) blast furnaces (Nos. 1, 2, 6, 9, 10)
- The reconstruction of sulfur recovery units with a total capacity of 4.1 million cubic meters/hour at all sinter plants
- The reconstruction of a gas treatment unit in the two-hearth furnace (THF) with a fugitive emission recycling capacity of 1.245 million cubic meters/hour



In addition to the above-mentioned air quality protection initiatives, we are also aiming to upgrade the air quality monitoring system in Magnitogorsk. This initiative will increase the number of permanent monitoring stations in the city. We transferred two air quality monitoring stations to the Federal Service for Hydrometeorology and Environmental Monitoring in 2019 to enable them to better collect, process and analyse air quality data. We are planning to commission three more air quality monitoring stations in 2020. We also use three mobile air quality monitoring stations on the plant's premises and the sanitary protection zone. MMK monitors air quality on a daily basis.

Our short-term plans include the construction and launch of a new coke-oven battery (No. 12), allowing us to decommission five old coke-oven batteries.

We will also start upgrading gas treatment units in the electric arc furnace (EAF) and oxygen-converter (OCP) plants in 2020 to double capacity.

Dust control and suppression

We launched a special initiative to install a dust suppression system at all facilities that transport dust-forming materials.

In 2019, we installed dust suppression systems at the wagon dumper site and the crusher section of the second coal treatment unit, reducing the average dust concentration by 66% compared to pre-installation levels. The dust suppression system was also deployed at the second section of the sinter burden preparation plant, cutting dust concentration by 91% on average compared to pre-installation levels. We started equipping four wagon dumpers at the burden preparation plant with dust suppression systems and plan to complete installation next year.

We will install these systems in the crusher section of the first section in the coal treatment unit and the first section of the sinter burden preparation plant in 2021.

RESPONSIBLE WATER CONSUMPTION

A high degree of water purification and a reduction in water intake are our key water management goals.

303-1

We use water for production, as well as for drinking, technical needs, and other daily necessities. MMK has signed a contract with water supplier MP Trest Vodokanal, which pumps water from the Maly Kizil, Upper Kizil and Yangel springs, and from the Ural River, for water supply, discharge and treatment services. MMK also extracts water from the Maly Kuybas pit and Magnitogorsk reservoir on the Ural River. We transfer some of our industrial water intake (around 6%) to OAO MMK-Metiz Hardware and Sizing Plant.

We do not extract water from water-scare areas. All water intake sources and discharging facilities are included in our water impact assessment, based on water quality monitoring data. Our impact assessments are conducted at the same time as scheduled water quality tests taken as part of routine controls.

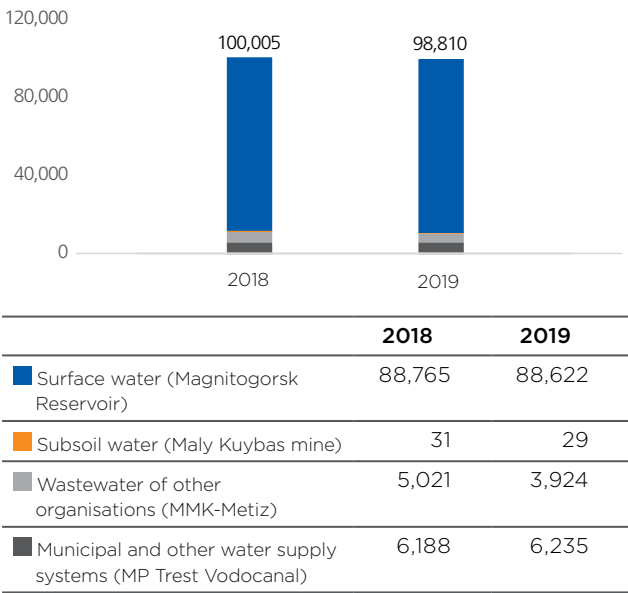
303-3

We consumed 98,800 megaliters of water in 2019, with 96% taken from the Magnitogorsk reservoir located on the Ural River*. We received 4% of consumed water from municipal sources and wastewater from other organisations. Year-on-year

water intake and consumption fell in 2019 due to equipment upgrades, and particularly, the switching of blast furnace No. 2 to a closed-loop cooling cycle and the upgrade of the “dirty” closed-loop cooling cycle of sheet rolling shop No. 4. All water intake was used for MMK’s own consumption.

Our water management goals are listed in our Environmental Policy, one of which is to completely eliminate discharges of industrial wastewater by 2025. We have been able to significantly reduce the volume of discharges and improve the quality of water disposed over the past several years thanks to the construction of a separation dam, which enabled us to launch a closed-loop water supply system. We reused 97% of the water in the closed-loop water supply system, cooling reservoir and local circulation systems. Our efforts to keep pollutant discharges to an absolute minimum have led to a 92% reduction in wastewater volumes and have halved the volume of water pollutant discharges compared to before the reconstruction of the closed-loop water supply system. We discharge quarry water due to water intrusion at our limestone and dolomite quarries.

TOTAL WATER INTAKE, MEGALITERS



* We do not extract or consume water in regions of water scarcity. MMK’s water intake does not have a significant impact on the environment and does not create water shortage risks.

303-3

We are also planning to upgrade the water discharge systems of mining facilities and eliminate the impact of repairs to the water treatment plant on the closed-loop water supply system. We started work on the advanced treatment and reuse of water from the dolomite quarry in 2019 and plan to complete this project in 2020.

Our efforts to reduce wastewater discharges, improve the quality of water treatment and use water responsibly have cumulated in the official recognition of Magnitogorsk reservoir as a fishing reservoir of the highest category, suitable for the breeding and production of important fish species.

The EPL monitors the quality of industrial and sanitary wastewater to check for compliance with the current requirements for permitted pollutant and bacteria content. We set these requirements in accordance with the Order of the Ministry for Natural Resources and Environmental Protection of the Russian Federation.

We understand the importance of engaging all our stakeholders and hold public hearings on any ongoing water intake projects and have a robust complaints procedure. MMK conducts research on the quality of water discharged by all its suppliers that have a significant impact on water resources.

Transition to the closed-loop water supply system

We achieved a significant reduction in discharges into water reservoirs owing to the launch of the separation dam and discharge facilities in 2018. We upgraded the closed-loop water supply system and expanded the cooling reservoir, thus decreasing discharge volumes by 90% and almost eliminating all discharges of industrial wastewater into Magnitogorsk reservoir.

The separation dam is a substantial hydraulic structure:

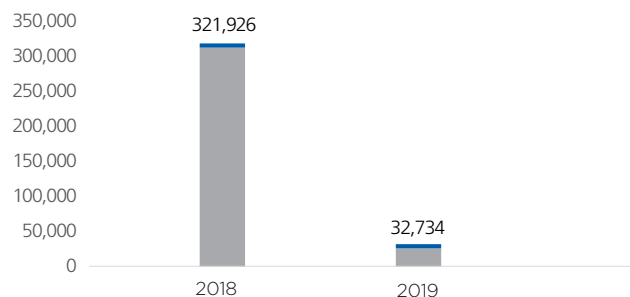
- Length — 2,552 m
- Average height — 7 m
- Average width (top edge) — 8.2 m
- Water cooling reservoir area — 1.3 million square meters
- Water cooling reservoir holding capacity — 9.5 million cubic meters.

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303-4

TOTAL WATER DISCHARGE, MEGALITERS



	2018	2019
Water supplied to other organisations	6,178	6,234
Discharges into surface waters	315,749	26,500

ENERGY EFFICIENCY AND CONSUMPTION

Boosting energy efficiency and cutting how much power we use are central to achieving our goal of sustainable development. We work to implement innovative solutions, establish close cooperation with R&D centres and keep up with best available technologies to drive down our consumption of energy and energy resources.

MMK’s Energy Complex is responsible for supplying energy resources.

Energy Complex

The Energy Complex’s core responsibility is to ensure the uninterrupted supply of energy resources for steel production.

We purchase the following resources:

- Coking coal
- Thermal coal
- Natural gas
- Electricity.

We generate the following energy resources:

- Electricity
- Heat
- Steam
- Compressed air and air separation products (ASP).

Our efforts to improve energy efficiency are underpinned by our Energy Policy, which aims to reduce energy production costs. Energy Policy measures are focused on boosting management efficiency, increasing staff motivation and involvement, introducing advanced technologies, improving the controls system and making use of secondary energy sources. We have also set efficiency targets for all energy resources (electricity, fuel, compressed air and ASP), which have been confirmed by a directive of the General Director.

MMK has an ISO 50001:2011 Energy Management System (EnMS). We first met the standard requirements in 2016. Compliance is confirmed by an independent accreditation body on a regular basis. We received a new certificate valid until 2021 following the most recent audit, performed in September 2019.

The Energy Management Platform and Energy Performance Register are elements of the EnMS and our key tools for reducing energy costs.

The Energy Management Platform is an online tool used to streamline the planning, monitoring and analysis of energy processes, the modelling and control of technology and energy processes, and manage the implementation of energy saving measures and efficiency proposals. The platform has the following subsystems:

Business process management for implementing ideas, measures, and projects is designed to ensure the seamless implementation of employees’ efficiency proposals and augment their effect by accelerating the review and approval process. One tool to speed up the implementation of new ideas is a mobile application that lets users propose an idea and track its review and approval. Ideas took 423 days to be fully implemented after initial review in 2015. We have now slashed this to an average of 79 days. We also use our employee incentive program to encourage new efficiency and safety proposals. Our employees are rewarded for each efficiency idea they submit and receive 2.5% of the cost benefit.

Energy efficiency monitoring displays the metrics of key equipment relative to their optimal operating levels, which helps users identify the least efficient equipment.

Analytics and reporting provides access to energy efficiency metrics to monitor compliance with the energy saving program, KPI fulfilment and performance tracking.

Modelling and optimisation can model potential energy savings and lets users plan repairs and energy production.

The platform has received multiple awards since its launch. In November 2016, the Energy Management Platform won the All-Russian competition for implemented energy saving and energy efficiency projects at ENES 2016, organised by the Russian Energy Ministry and the Moscow Government (in the Rational Energy Saving and Energy Efficiency Management at Industrial Enterprises category). MMK was awarded a prestigious international award for Outstanding Achievement in Energy Management at the Clean Energy Ministerial (CEM) held in Copenhagen in May 2018. We received a certificate from the Industrial Development Organisation (UNIDO) for this platform, our contribution to sustainable development in Chelyabinsk Region and the successful implementation of the Energy Management of Industrial Enterprises program.

Registry of Energy Performance is a list of measures designed to cut resource consumption. The registry is categorised by the business units where measures are planned, by the type of resource and the source of the idea (employees can submit ideas via the Idea module, a sub-feature of Idea Implementation Process Management of the Energy Management Platform). We set target KPIs for each measure and track them on the monthly basis.

Our total energy consumption of was 346,112,000 gigajoules (GJ) in 2019, almost unchanged compared to the previous year (growth of less than 1%).

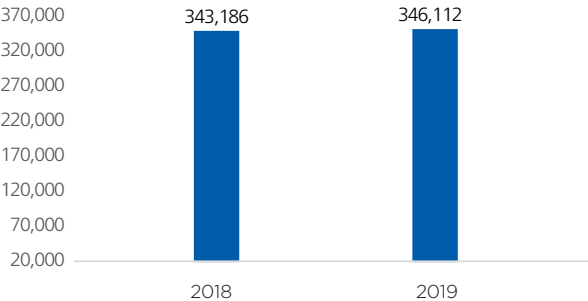
Energy intensity rose to 26.08 GJ/tonne from 25.4 GJ/tonne in 2018. Higher energy intensity was due to increased production of converter steel, the most profitable item in our product mix. The production of the converter steel is the most energy intensive process due to the use of around 80% pig iron in the charging material.

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MMK’S TOTAL ENERGY CONSUMPTION,
000’ GJ

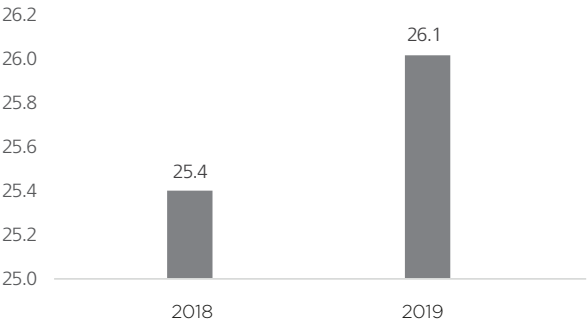


Note. Electricity consumption was calculated in accordance with GOST R 51750-2001, the Procedures for calculating energy intensity in sophisticated energy systems, PD SMK MMK NTTs-25-2019 the Regulation on procedures for interaction between business units (divisions) aimed at the calculation of the consolidated energy consumption balance and specific energy intensity of MMK’s products, Revision 1.

The main types of fuel we use to produce energy and carry out technical processes are coking coal and natural gas. Thermal coal accounts for a very small percentage of our energy balance (0.15%).

In addition to energy produced at our own power units, we also purchase energy for production purposes. This is due to insufficient generator capacity at MMK, which, in accordance with Russian law, can only use secondary resources. We purchased

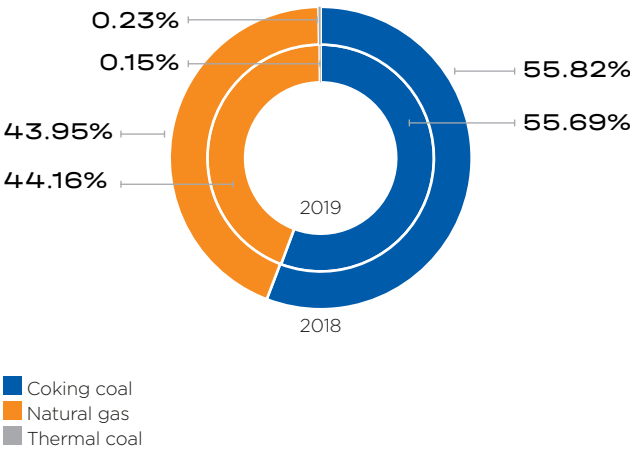
MMK’S ENERGY INTENSITY, GJ/TONNE



Note. The calculation factored in the following energy resources: coking coal, natural gas, thermal coal, coke, heat (steam and hot water), coke-oven gas, electricity, blast air, compressed air and air separation products, technical and fresh water, marketable pig iron. Only internal energy consumption was calculated. To calculate the energy intensity of MMK’s products, the Company used a scorecard reflecting the full quantitative ratio between the input and output of fuel and energy resources in production processes. Only internal consumption was taken into account in the calculation.

6% less energy in 2019. This was primarily due to the launch of a new 50 MW turbine unit in April 2019, replacing a 25 MWt turbine and resulting in increased electricity generation at MMK and a reduced need for purchases. We sell some of the electricity we generate to subsidiaries. We sold 8,533,000 GJ of electricity in 2019, down 4% compared to 2018.

NON-RENEWABLE FUEL CONSUMPTION IN
2018-2019, %

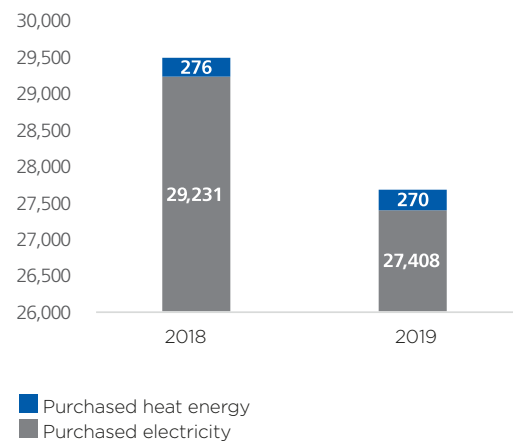


Our key energy efficiency initiative is the reuse of industrial gases at metal production facilities. The main production units that reuse blast furnace gas are the coke battery, blast furnace air heaters and 18 steam boilers at power stations. Coke gas is consumed by coke batteries, blast furnace air heaters, rolling plant heating furnaces, and 14 steam boilers at power stations. Some coke gas is sold to subsidiaries for further use.

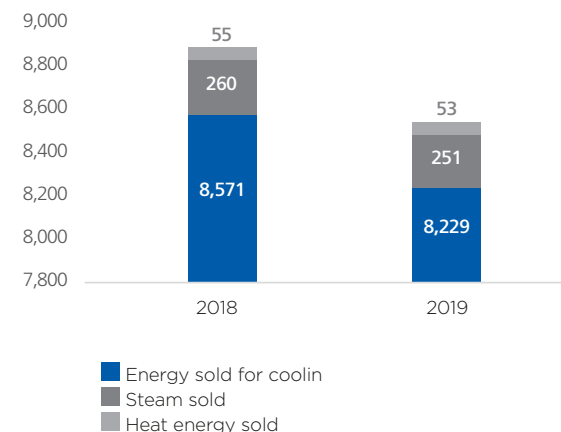
In the reporting period, the share of the recycled gas decreased due to upgrades of core equipment, and specifically the decommissioning of the obsolete sinter plant No. 4 and launch of the new sinter plant No. 5 (which runs on natural gas). However, natural gas is being gradually replaced by recycled gas at our power plants, resulting in overall lower consumption of energy resources.

We launched a new oxygen unit at the oxygen compressor shop in 2019 to cover the blast furnace shop's oxygen needs and intensify pig iron production. Boosting oxygen consumption in the blast furnace shop enabled a reduction in coke consumption and increased use of more environmentally friendly natural gas. Increased use of oxygen and natural gas in the blast furnace processes resulted in higher output of blast furnace gas.

CONSUMPTION OF PURCHASED ENERGY AT MMK, '000 GJ



SALE OF ELECTRICITY AND HEAT NOT USED BY MMK FOR INTERNAL PURPOSES, '000 GJ



SECONDARY GAS USE

		2018	2019
Blast furnace gas	Utility shops run by Chief Power Engineer service	55.6%	56.0%
	Steel-making shops	43.0%	42.0%
	Total	98.6%	98.0%
Coke gas	Utility shops run by Chief Power Engineer service	30.7%	32.8%
	Steel-making shops	64.0%	61.0%
	Sales to subsidiaries	4.0%	4.0%
	Total	98.7%	97.8%

Lower consumption of coal has a direct impact on the quantity of greenhouse gas emissions we generate due to the high carbon intensity of coal as a fossil fuel. The side effect of using less coal and more natural gas in production processes is increased output of blast furnace gas.

The only gas that cannot currently be reused is converter gas; however, we are planning to launch recycling capabilities in 2025.

We established the Centre for Energy-Saving Technologies (CEST) to develop new technologies, boost our energy efficiency performance and achieve the best results possible. CEST has produced the following implemented and planned inventions and innovations:

- Projects within the Industry 4.0 program:
 - Development of digital twins for turbine generators of the thermal power plant (TPP), Central Energy System (CES) and steam power plant (SPP) that can monitor and model operational parameters online using wireless data transfer technology

- Development and implementation of an automated information system (AIS) for in-depth modelling and optimisation of equipment repair programs at the TPP, CES and SPP based on IBM ILOG and IBM Planning Analytics
- Design of an automated regulation system for TPP steam boilers.
- Fuel-free energy projects: installation of two 20 MW turbine generators behind the coke dry-quenching (CDQ) boilers of coke oven battery No. 12.

We are also improving our energy efficiency by concluding energy service contracts. These contracts cover the rendering of energy-saving measures at the customer's facilities paid for by the contractor. The achieved economic effect is split between the contractor and the customer. Energy service contracts stipulate clear efficiency targets and implementation timelines.

Projects implemented at MMK under energy service contracts:

- Replacement of lighting units at MMK's steel rolling shop. This cut electricity consumption and complied with all health and safety requirements for lighting in industrial facilities. This measure saved us 68,912,000 kWh per year
- Implementation of an automated control system for electric extractor fans based on the frequency regulation systems in the oxygen converter shops. This project reduced the energy consumption of the converter gas recycling and removal system, saving us 30,393,000 kWh per year
- Creation of a frequency regulation system for electric raw water pumps, saving us 557,000 kWh per year.

Energy efficiency initiatives saved 3.25 million GJ* in 2019, a 36.6% increase on the previous year's result.

We are continuously striving to make further energy savings and increase our efficiency.

* The calculation included data for electricity, heat and natural gas.

COMBATING CLIMATE CHANGE

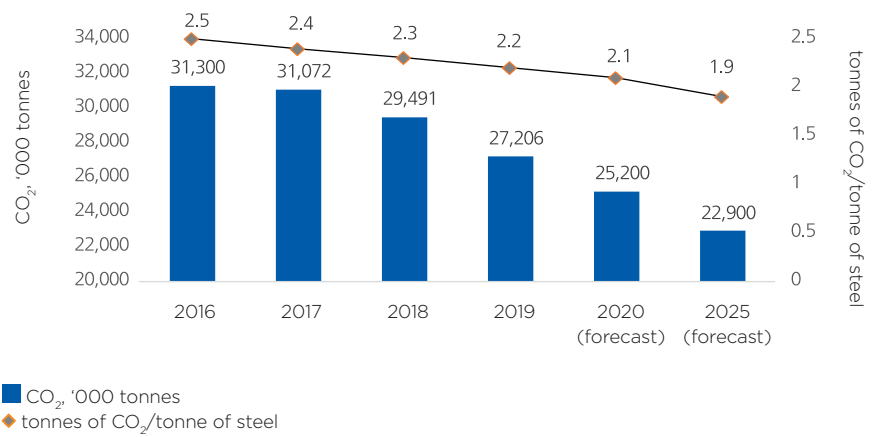
We recognise that climate change is a critical issue facing all of us and are doing everything we can to minimise our carbon footprint.

Our climate strategy, the modernisation of production facilities and energy efficiency initiatives have resulted in a tangible reduction in greenhouse gas (GHG) emissions, even at stable production levels. In 2020, we are planning to revise our Environmental Policy to include provisions on combating climate change and update our Strategy along these lines.

MMK has audited direct GHG emissions since 2016 and has set the ambitious goal of achieving a 20% reduction in specific GHG emissions (tonnes of CO₂ equivalent/tonne of steel) by 2025 compared to 2018. We are well on our way to achieving this goal, reducing both gross GHG emissions and the specific equivalent per tonne of steel every year.

Energy efficiency measures are the principle way we cut specific GHG emissions. We achieved our biggest reduction in GHG emissions by switching our TPP from coal to natural gas. We are also actively implementing other energy efficiency projects to drive down GHG emissions, an undertaking that will continue over the long-term, including a converter gas recycling project to be launched after 2025.

GROSS DIRECT* AND SPECIFIC** EMISSIONS OF GREENHOUSE GASES



* GHG emissions are calculated as per the methodology stipulated in Order No. 300 of the Russian Ministry of Natural Resources and Environment of 30 June 2015 "On approval of methodological directions and guidelines for quantitative calculation of GHG emissions by organisations engaged in business or other activity in the Russian Federation." The calculation comprises CO₂ emissions only. MMK's operations do not include burning or decomposition of biomass.

** The calculation of specific GHG emissions includes only direct CO₂ emissions

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305-4

BIODIVERSITY

304-1

We are aware of the critical importance of preserving flora and fauna and supporting biodiversity.

Although we do not have a direct impact on biodiversity and do not operate in or around designated conservation areas, areas of high biodiversity value or nature reserves, we are still committed to protecting and preserving biodiversity.

Our key biodiversity initiatives include planting trees in our region of operation, fish stocking in the Ural River and the biological re-cultivation of quarries.

We are stocking Magnitogorsk reservoir with wild carp fry. We plan to stock a 796,000 of fish fry hatched at the Aquaculture fishery near Magnitogorsk in 2018-2021 and released over 200,000 fish fry into water bodies in 2019.

In 2012-2017, we completed the first stage of biological recultivation at the decommissioned West Quarry near Mount Magnitnaya, where we planted 5,900 ash, birch and apple tree saplings and 6,700 acacia and rosehip bushes, covering 154,000 square metres. We will monitor how the reclaimed territory progresses over the next five years to increase the tree survival rate. In 2019, we performed the second phase of the West Quarry of recultivation and the technical stage was completed for 3.0 hectares.

We also helped landscape and beautify public spaces in Magnitogorsk by planting tree saplings and bushes. We plan to invest RUB 57 million to expand this initiative and plant 11,000 tree saplings in the city. Overall, we planted 4,530 tree saplings in 2019, including 1,630 in Magnitogorsk, 1,000 at the separation dam and 1,900 at our production facilities.

We intend to launch a biodiversity enhancement program at MMK resorts in 2020, which will involve the breeding and cultivation of certain species of flora and fauna, some of which are in the Russian government's Red Book of Endangered Species.

We are fully aware of the impact we have on our local environment and do everything in our power to minimise our footprint on and preserve a favourable environment in our regions of operation. Environmental safety is a top priority, fuelling a new wave of construction activity, such as our sinter plant, commissioned in 2019, equipped with a wide range of environment protection facilities and the upcoming launch of our new coke-oven battery No. 12 and blast furnace No. 11.



「08」

LOCAL COMMUNITIES AND REGIONAL DEVELOPMENT

COMMUNITY DEVELOPMENT AND INVESTMENT IN OUR REGION OF PRESENCE

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Engagement with local communities and investment in our region of presence are core tenants of our sustainability agenda.

As one of the largest employers in Magnitogorsk and Chelyabinsk Region, we are fully aware of the critical role we have to play in the development of this region and have initiated a wide array of social and infrastructure programs aimed at improving quality of life for local communities.

These programs aim to create favorable living conditions in the region by providing residents with everything they need to live rich, fulfilling lives: accessible and quality healthcare, ample opportunity for rest and recreation, better housing, cultural vitality and a safe environment.

203-1

We spent RUB 1.09 billion on charitable causes and regional development in 2019. All our contributions were made through MMK’s social program. In 2019, we invested RUB 1.8 billion on our three main social priorities: employee social security,* investment in our region of operation and charitable causes.

*For more information on social and well-being programs for employees and their families, please refer to the [“Social security and employee well-being” section \(page 91\)](#) and [“Appendices” section \(page 166\)](#)

RUB 1.09 billion

total investment in local development projects and charitable causes

10,500 saplings

will be planted by 2023 as part of an urban greening program

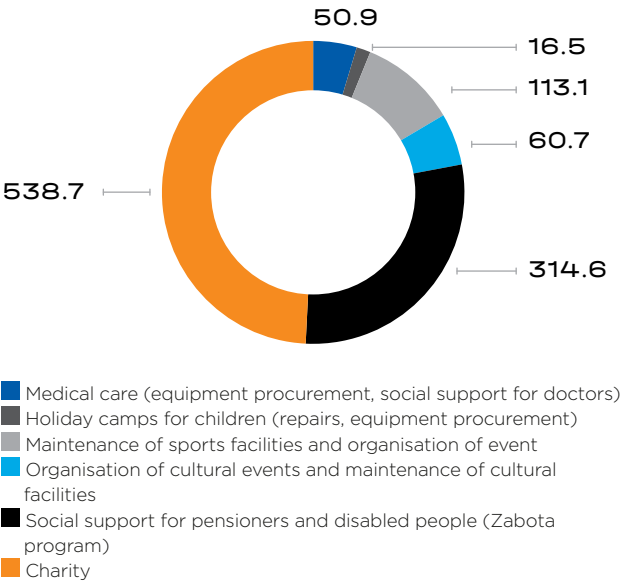
The Metallurg-Magnitogorsk Ski Centre hosted a stage of the

Snowboard World Cup

Two-fold increase

in visitor numbers to MMK production sites as part of our industrial tourism program

MMK’S SOCIAL INVESTMENTS 2019, RUB MILLION



MMK interacts with local when making decisions on the implementation of its social projects.

Any complaints and concerns from local communities or residents of Magnitogorsk are reviewed by the relevant department. MMK’s Social Program Group consider all issues related to our social projects and charitable activities. Final decisions are made based on the available information by the Group’s head or the General Director.

Investments in municipal infrastructure
We put a lot into developing Magnitogorsk’s infrastructure, as the city where both our plant is located and where our employees and their families live. For this reason, our contributions to the city’s development are directly linked to employee retention and satisfaction.

Attraction urban improvement project

We launched our Attraction project for the comprehensive development of urban space in Magnitogorsk, the only project of its kind in Russia. We completed of the preliminary stage in 2019, finalising the project design, obtaining construction approvals and selecting the general contractor. According to the plan, the construction of a park zone and all project facilities will start in 2020 and be completed in 2025, providing local communities with new opportunities for self-development, sports, creativity, education and well-being.

The Attraction project aims to improve infrastructure and quality of life in the region.

- The first stage of the project includes the construction of the following facilities:
- An educational complex with an interactive museum and learning centre for children, an incubator for social projects, a centre for industrial design and a coworking space
 - A sports and events cluster, including a swimming pool, covered ice-rink, sports ground, rental of sports equipment, athletics track and cycle paths
 - A multipurpose health centre offering primary and specialised medical assistance
 - A landscaped park, including promenades, playgrounds, a pond, theme park, skate park and a zone for public events.

The Attraction project is a demonstration of our aspiration to build a better living environment for the people of Magnitogorsk. The project will unlock the educational, scientific and technical potential of the city, and increase its attractiveness for business and tourism. Attraction will create new jobs and increase economic activity across the city.

We have teamed up with the Magnitogorsk city government to implement a major tree planting program in the city. We are planning to plant 10,500 tree saplings and bushes in 2018-2023 with a total investment from us of RUB 57 million.

The program is an integral part of MMK’s Clean City strategic initiative, which aims to reduce air pollution in Magnitogorsk to the level of “favorable environment.”

We have long prioritised environmental protection projects and are planning to invest over RUB 38 billion in environmental protection measures by 2025.

For more information about this initiative, please refer to the “Environmental Management” section (page 99).

Industrial tourism

As part of the Development of Magnitogorsk strategic initiative, we are creating an industrial tourism program at MMK. On 16 October 2018, our production sites opened their doors to anyone interested in finding out more about what we do.

We want to give tourists a reason to visit Magnitogorsk and MMK’s resorts and educate young people in Magnitogorsk about MMK and the metals industry. We offer tours to paying tourists and provide free-of-charge excursions (including special vehicles to transport them around the production site, a tour guide and insurance).

The industrial tourism program offers visitors four sightseeing experiences for children and adults: Tame the Flame, Steel Evolution, Visiting Steelmakers, Dad at Work. These tours include entry to production sites and the MMK museum.

All trips around the MMK site adhere to the strictest safety measures. Tourists are transported in special vehicles and children are not permitted to leave the tour bus.

We held 335 sightseeing tours for 4,700 visitors in 2019, double the number of tourists in 2018. The visitors included 1,300 students, 1,800 schoolchildren and 1,600 independent tourists. The number of paying tourists also more than doubled.

We participated in international tourist exhibitions and a roundtable in Yekaterinburg in April and October 2019.

We were a finalist for Tour of the Year at the Russian Tourism Awards. We were awarded first place for Best Children’s Tour and second place for Best Tour at Operating Production Site.

We are planning to create new tourist experiences in 2020: a tour of the long products shop and MMK-Metiz, and a tour of the sheet rolling shop, which produced tank armour, to mark the 75th Anniversary of the end of the Second World War. We also intend to develop virtual tour of our plant in cooperation with Quantorium children’s technology park and host a forum on industrial tourism in Magnitogorsk.

Supporting the healthcare system

We are firmly committed to supporting medical institutions as part of our wider efforts to improve the standard of living in our region of operation.

We provide financial support to outpatient clinics and purchase new equipment for them. Investment in the Central Clinic Healthcare Unit (CCHU) resulted in better quality medical services in the city and helped improve the health of Magnitogorsk residents. The CCHU was included in the top 100 best Russian medical institutions.

The CCHU provides services to both MMK employees and city residents under state and private medical insurance policies.

We invested RUB 50.9 million in medical projects in 2019, which ranged from offering social support for doctors to purchasing equipment, including the following items:

- Electrosurgical units (two endoscopy towers)
- State-of-the-art ultrasonic equipment
- Colonoscopes for a diagnostic centre and in-patient hospital.

As part of our program to retain specialist doctors, we purchased and donated four apartments to CCHU. This will help the hospital attract and retain specialists by offering them ownership of these apartments after ten years of service.

The Attraction project also, programs to develop pediatric medicine and the promotion of medicine service exports.

Active Ageing

We are particularly proud of our Active Ageing program, which includes a range of medical and preventive measures for retired persons and people soon-to-retire in Magnitogorsk.

The project aims to increase the live expectancy of retired persons by at least at 5% compared to the Russian Health Ministry's figure.



Education and support for young people

Our main sources of highly educated staff are Magnitogorsk State Technology University (a higher education institution, multi-disciplinary college) and Magnitogorsk Polytechnical College. We are always looking to develop our relationships with educational institutions to improve the quality of teaching for graduates as these are the next generation of MMK employees.

Students can take advantage of hands-on training at MMK's production units to acquire professional skills during their studies (introductory, production and pre-graduate) in MMK's production units.

We hire 500-600 university graduates and people completing military service every year.

For more information on MMK's collaboration with higher education institutions, please refer to the ["Employee engagement"](#) section (page 85)



Joint educational program

MMK has collaborated with Magnitogorsk State Technology University to create the 4+ Program. The program offers full-time undergraduates extra, specialist courses based on MMK’s current and future needs. The program aims to develop and train future personnel by teaching additional subjects in selected training areas, in-depth study of standard subjects and English.

We are also an industrial partner and general sponsor of the Quantorium children’s technology park and develop joint educational programs, including those incorporating new technologies (VR, 3D modelling, 3D printing, etc.).

We have a proud history of supporting young people. We put a huge effort into attracting, hiring and retaining our young specialists through our youth program, led by the Union of Young Metallurgists and MMK’s administration.

For more information about the Union of Young Metallurgists, please refer to the [“Support for young talent” section \(page 96\)](#).

Health and educational centres for children

Improving the well-being of the children of our employees is a key component of our social policy. Our employees’ children and residents of Magnitogorsk can attend children’s health and education centres (HEC) during the summer holidays.

MMK operates two children’s health and education centres: Mountain Gorge and Ural Sunrise.



- Mountain Gorge is located 45 km from Magnitogorsk at the base of a picturesque mountain range in the South Urals. In the summer, children and teenagers aged 7-15 years stay at the centre in four rotations (21 days each). The Mountain Gorge HEC is also home to the Skif sports camp for senior high school students (14-18 years old). The Skif camp offers kayak and rafting tours on the Belaya River from Uzyan village to the town of Belsky (around 60 km).
- Ural Sunrise is located near Lake Bannoye and is surrounded by pine and birch forests, as well as mountains. Ural Sunrise runs an all-season health camp for school pupils up to 15 years old. The camp launched the MMK Workshop interactive class for the children of MMK’s employees in 2019, which visualises production processes at the plant.

All residents of Magnitogorsk, Chelyabinsk Region and other Russian regions can visit and stay at these camps. We spent RUB 16.5 million on health programs for the children of our employees at HECs in 2019.

The Union of Young Metallurgists members set up the Stratagem Club in 2018 to develop management technologies and promote the idea of management as a competitive sport that can boost the skills of management specialists.

The ongoing work of our youth program helps us retain young talent and unlock their professional, sporting and creative potential.

Cultural activities

The Sergo Ordzhonikidze Metallurgist Palace of Culture was opened in 1979 and celebrated its 40th anniversary on 29 June 2019. The Metallurgist Palace of Culture hosts children's parties, cultural events, space for art studios and clubs.

People can take classes in dance, singing, acting, circus arts, fashion and design. We invest in staging various events, supporting creative clubs and providing other aid for the Palace of Culture.

MMK invested RUB 60.7 million in cultural activities and the maintenance of cultural facilities in 2019.

Sports and healthy lifestyles

MMK supports sports and encourages local residents to take part in sporting events. We believe that health is one of the most important things in life and therefore strive to empower everyone in Magnitogorsk to exercise their right to lead a healthy lifestyle.

The vast majority of sports activities take place at the Private Institution for Co-Curricular Education (PICE) Metallurg-Magnitogorsk Sports Club.

The Club provides MMK employees, their families and all city residents with facilities to practice various sports. The Club hosts a variety of sports activities for local schools, pre-schools and social institutions for children.

The most prominent example of our support for sports is our sponsorship of the Metallurg ice hockey club, one of the most decorated teams in Russian history. Metallurg's players have won numerous Russian and foreign championships, including Russia's domestic league (1999, 2001, 2007, 2014, 2016), the Gagarin Cup (2013/2014 and 2015/2016 seasons), the Euro Hockey League (1999, 2000), the Russia Cup (1998), the IIHF Super Cup (2000), the European Champions Cup (2008), and much more silverware over the years.

We invested RUB 113.1 million in the maintenance of sporting facilities and hosting matches in 2019.

203-1

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MMK Resort

Our employees can take advantage two mountain ski resorts, a health centre, a children's holiday camp and a sports club, all funded and maintained by MMK.

MMK's Metallurg Magnitogorsk Mountain Ski Resort at Lake Bannoye hosted a stage of the World Snowboard Cup in December 2019. The World Snowboard Cup is the third most important international event after the World Championships and Olympic Games.

MMK Resort built an Olympic-grade mobile stadium in preparation for the World Cup. Our efforts to put on a spectacular meet were praised by Denis Tikhmirov, Russian Snowboarding Federation President.

MMK also sponsored the Dream Ski Program, implemented at PICE Metallurg Magnitogorsk Sports Club. The Dream Ski Program is an innovative sports therapy initiative for adults and children with cerebral palsy, autism, impaired hearing and vision or other disabilities. We are committed to providing disabled people with equal access to our sporting facilities.



Charity programs

One focal point of our social investment are charity programs, including support for third-party organisations.

We collaborate with the following community organisations:

- The Union of Young Metallurgists
- Young Guard (Molodaya Gvardiya)
- The Public Chamber of Magnitogorsk
- The Public Youth Chamber of the Magnitogorsk Assembly of Deputies
- I Am A Woman Movement
- The Association for Protection of Consumer Rights in Magnitogorsk, committees for Public Territorial Self-Government of Magnitogorsk
- The Metallurg Charity Fund.

We created the City Public Policy Centre to coordinate our collaboration with community organisations and support them by providing them with premises and funding advertising campaigns.

413-1

As the main Trustee of the Metallurg Charity Fund, we assist in the implementation of two targeted charity programs:

- **Zabota (Care) Program** delivers holistic support to non-working retired and disabled people through financial assistance, medical treatment, social support, targeted charity support to selected categories of the residents.
- **21st Century to the Children of South Urals Program** provides social assistance to families who have lost their main breadwinner, low-income and large families, as well as to children, retired persons and disabled people.

203-1

We also donate to educational institutions in Magnitogorsk. We give schools RUB 2.6 million to conduct repair work and purchase learning equipment every year, supporting around 49 schools in Magnitogorsk. We also help organise the Teacher of Year contest.

We are undertaking a charitable program launched by our Chairman Victor Rashnikov — The Talented Kids of Magnitka — which aims to unlock the creative and intellectual potential of young people

in Magnitogorsk, develop their skills and self-confidence. The program helps to bring the talents of young people in science, arts and sports to light, and supports them as they hone and refine their capabilities. The initiative provides financial assistance to children from low-income families and funds their participation in academic, sports and cultural competitions, and supports the organisers of such contests.

Investment in charity programs (including support for veterans and orphanages, educational institutions, programs for children, etc.) totaled RUB 853.3 million in 2019.

Corporate volunteering

We actively encourage our employees to organise and get involved in traditional and intellectual volunteering.

Our employees, including members of The Union of Young Metallurgists, play a leading role in various activities across Magnitogorsk: planting saplings, presenting at schools and colleges, providing emergency assistance and taking part in many other types of volunteering.

In addition to traditional volunteering, our employees engage in pro bono activities (providing free-of-charge professional services). As part of the Legal Day Initiative, our lawyers offer free-of-charge consultations to anyone interested. MMK's specialists volunteer to assist in repair and renovation works in schools and other municipal institutions. We are constantly working to develop new intellectual and traditional volunteering initiatives to boost our impact on our local community and give our employees the opportunity to make a positive change in their city.



SUPPORTING SMALL AND MEDIUM BUSINESS IN MAGNITOGORSK

Support for SMEs in the region is central to the development of ‘one-company’ towns and is one of our strategic priorities. We are fully aware of how important entrepreneurship is to improving the socio-economic situation in the region and, therefore, we strive to create favorable environment where small and medium business can flourish.

One of our main tools for stimulating entrepreneurship in the region is the MMK Industrial Park. The Park’s site is ready-to-move-in and equipped with all essential engineering infrastructure and a railway connection. It is the perfect place to launch almost any type of new production. The Park offers security, accounting, legal support, insurance, staff training, catering, and equipment repair services.

The Park was accredited by the Russian Industry and Trade Ministry, which means that investors are eligible for tax relief such as a property tax waiver, reduced regional income tax (-3.5%) and a land tax waiver.

The site currently hosts 26 residents*, representing industries as diverse as ferrous and non-ferrous metallurgy, machine building, chemicals and petrochemicals, and wood processing. MMK Industrial Park posted a net profit of RUB 8.5 million in 2019.

With the goal of supporting SMEs and expanding production at the park, we launched a competition through which park residents can win co-financing for their projects. We co-finance up to 30% of the project cost up to RUB 15 million.

Residents of the Industrial Park received financial support to drive the expansion and localisation of production:

- Teplopribor Express Analiz (launched production of a single-use sensor to measure the temperature and chemical contend of liquid steel in March 2017. The sensors are used at all major metallurgic plants in Russia)
- Magnitogorsk Metalworking Plant (launched the production of high-resistance parts for railway cars at the Park in July 2019).

We view our social responsibility projects as long-term investments that provide a strong basis for sustainable development. We believe that all Magnitogorsk’s residents are entitled to medical treatment and good healthcare, social security, favorable living conditions, education, healthy lives and quality leisure activities, and therefore do our best to fulfill these rights.

The Information, Public Relations and Advertising department informs our stakeholders (including the MMK’s shareholders in Russia and abroad, the local and international investment community, market regulators, the general public, etc.) about our engagement with local communities and our efforts to improve our region of presence. The department’s goal is to enhance the business reputation of MMK and the Group as reliable partners and socially responsible enterprises.

* A Park resident is a legal entity or an individual entrepreneur using the movable and immovable property of the Research and Technology Park for its operations (production, research, development).

MMK Industrial Park named in investment attractiveness rating

Our Park was ranked the 30th in Expert Mediaholding's investment attractiveness rating of industrial parks and special economic zones.

MMK Industrial Park's score was upgraded from 'BB' (adequate but needing improved services and infrastructure) to 'A' (attractive and efficient park) based on six criteria:

- Management and services
- Location
- Cost of production resources
- Taxes and benefits
- Quality of services for residents
- Region of presence.

All calculations were based on publicly available data. The rating was expanded to cover 101 operating sites in 2018 compared to 84 in 2017.

The stated purpose of the department's professional activities is to shape an objective perception of MMK's role as the city's 'backbone' enterprise that has a major impact on socio-economic, public and political life at the local, regional and federal levels.

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APPENDICES



GRI INDEX TABLE

Number	Name of disclosure	Reference	Comment
GRI 102: General Disclosures 2016			
1. Organisational profile			
102-1	Name of the organisation	Our business at a glance	
102-2	Activities, brands, products, and services	Our business at a glance	
102-3	Location of headquarters	Our business at a glance	
102-4	Location of operations	Our business at a glance	The Company operates in the Russian Federation.
102-5	Ownership and legal form	Our business at a glance	
102-6	Markets served	Our business at a glance Financial and operational performance	
102-7	Scale of the organisation	Our business at a glance Financial and operational performance HR policy and recruitment	Please refer to the “Results for the Russian steel segment” section of the 2019 Annual Report (page 33) for more details on MMK’s financial performance in 2019.
102-8	Information on employees and other workers	HR policy and recruitment Appendices	
102-9	Supply chain	Supply chain management	
102-10	Significant changes to the organisation and its supply chain	Our business at a glance	No significant changes took place in the organisation's supply chain in 2019.
102-11	Precautionary Principle or approach	Risk management	
102-12	External initiatives	The UN Sustainable Development Goals	
102-13	Membership of associations	Membership of associations	

Number	Name of disclosure	Reference	Comment
2. Strategy			
102-14	Statement from senior decision-maker	Letter from the Chairman of the Board of Directors Victor Rashnikov	
102-15	Key impacts, risks, and opportunities	Risk management	Assessment of the opportunities arising from identified risks is not possible in the Company's risk management system.
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Mission and strategy Business ethics, anti-corruption and regulatory compliance	
102-17	Mechanisms for advice and concerns about ethics	Human rights Business ethics, anti-corruption and regulatory compliance	
4. Corporate governance			
102-18	Governance structure	Governance structure	
102-19	Delegating authority	Governance structure	
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance structure	
102-21	Consulting stakeholders on economic, environmental, and social topics	Governance structure	
102-22	Composition of the highest governance body and its committees	Appendices	
102-23	Chair of the highest governance body	Governance structure	
102-24	Nominating and selecting the highest governance body	Governance structure	Nomination and selection to the BoD is based on their independence and competences and is not gender-related.
102-25	Conflicts of interest	Governance structure	
102-26	Role of highest governance body in setting purpose, values,	Mission and strategy Governance structure	
102-27	Collective knowledge of highest governance body	Governance structure	
102-28	Evaluating the highest governance body's performance	Governance structure	

Number	Name of disclosure	Reference	Comment
102-29	Identifying and managing economic, environmental, and social impacts	Governance structure	
102-30	Effectiveness of risk management processes	Risk management	
102-31	Review of economic, environmental, and social topics	Governance structure Environmental management	
102-32	Highest governance body's role in sustainability reporting	About the Report	
102-36	Process for determining remuneration	-	For more detailed information about the remuneration of BoD members, please refer to the “Corporate Governance” section in our Annual Report (page 89)
5. Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder engagement	
102-41	Collective bargaining agreements	HR management	
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	
102-43	Approach to stakeholder engagement	Stakeholder Engagement Product quality Environmental management Water consumption Community development and investment in our region of presence	
102-44	Key topics and concerns raised	Stakeholder Engagement	
6. Preparation of reports			
102-45	Entities included in the consolidated financial statements	-	This Report contains information on PJSC MMK only and excludes other companies of the Group. The scope of this Report is identical to that of the RAS financial statements .
102-46	Defining report content and topic boundaries	Reporting principles Determining material topics	
102-47	The list of material topics	Determining material topics	



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Number	Name of disclosure	Reference	Comment
102-48	Restatements of information		2019 MMK Sustainability Report is the first of its kind published by the Company.
102-49	Changes in reporting		2019 MMK Sustainability Report is the first of its kind published by the Company.
102-50	Reporting period	About the Report	
102-51	Date of most recent report	About the Report	2019 MMK Sustainability Report is the first of its kind published by the Company.
102-52	Reporting cycle	About the Report	
102-53	Contact point for questions regarding the report	Contact information	Denis Vladimirovich Kornev E-mail: esg@mmk.ru
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	
102-55	GRI content index	Appendices. GRI Index Table	
102-56	External assurance	-	The Company does not use external assurance for the Report
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	Appendices. Management of material topics	
103-2	The management approach and its components	Appendices. Management of material topics	
103-3	Evaluation of the management approach	Appendices. Management of material topics	
GRI 200: Economic topics			
GRI 201: Economic indicators 2016			
201-1	Direct economic value generated and distributed	Financial and operational performance	

Number	Name of disclosure	Reference	Comment
201-4	Financial assistance received from government	Financial and operational performance	For more details on the shareholder capital structure, please refer to MMK's website
GRI 202: Market presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employee wages and benefits	Partial disclosure The Company does not currently analyse the ratio between wages for men and women. MMK plans to develop a Personnel System to track this matter. The minimum wage of contractor employees cannot be disclosed for confidentiality reasons.
GRI 203: Indirect economic impacts 2016			
203-1	Infrastructure investments and services supported	Supply chain management Community development and investment in our region of presence Appendices	Partial disclosure The Company does not assess the socio-economic impact of its operations in the regions of presence, but considers making such assessment part of its medium-term plans in the updated strategy.
GRI 204: Procurement practices 2016			
204-1	Proportion of spending on local suppliers	Supply chain management	
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	-	Business units were not assessed for corruption risks in 2019.

Number	Name of disclosure	Reference	Comment
205-2	Communication and training about anti-corruption policies and procedures	Business ethics, anti-corruption and regulatory compliance	Partial disclosure The Company has no system for gathering information on the number and percentage of employees and members of governance bodies who took anti-corruption training.
205-3	Confirmed incidents of corruption and actions taken	Business ethics, anti-corruption and regulatory compliance	
GRI 206: Anti-competitive behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Business ethics, anti-corruption and regulatory compliance	
GRI 300: Environmental topics			
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	Resource efficiency and waste management Appendices	
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	Energy efficiency and consumption	
302-3	Energy intensity	Energy efficiency and consumption	
302-4	Reduction of energy consumption	Energy efficiency and consumption	Partial disclosure The calculation methods of the overall decrease in energy consumption achieved as a result of energy saving initiatives has not been provided in the Report and is available on request.
GRI 303: Water and effluents 2018			
303-1	Interactions with water as a shared resource	Responsible water consumption	



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Number	Name of disclosure	Reference	Comment
303-2	Management of water discharge-related impacts	Responsible water consumption	The limits for wastewater discharges are established in accordance with Order No. 246 dated 2 June 2014 of the Russian Environment Resources Ministry and comprises the following stages: 1. Approvals for the use of water bodies are granted by the Property and Water Resources Ministry of Chelyabinsk Region in accordance with Resolution No. 844 dated 30 December 2006 of the Russian Government. 2. Approvals of substance and microorganism discharges (excluding radioactive substances) to water bodies are granted in accordance with Order No. 2 dated 9 January 2013 of the Russian Ministry of Natural Resource and the Environment.
303-3	Water withdrawal	Responsible water consumption Appendices	
303-4	Water discharge	Responsible water consumption	According to the updated GRI 303: Water and Effluents 2018, the information previously disclosed under GRI 306-1 is recommended for inclusion in GRI 303-4 disclosures.
GRI 304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity	

Number	Name of disclosure	Reference	Comment
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	Combating climate change	
305-4	GHG emissions intensity	Combating climate change	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Air quality Appendices	
GRI 306: Effluents and waste 2016			
306-2	Waste by type and disposal method	Resource efficiency and waste management	
306-3	Significant spills	-	No significant spills have been reported during the reporting period.
306-4	Transport of hazardous waste	Resource efficiency and waste management	
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	Environmental management	
GRI 400: Social topics			
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Employee attraction Appendices	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social security and employee well-being Appendices	
401-3	Parental leave	Support for mothers and large families	All employees are entitled to parental leave in accordance with Article 265 of the Labour Code of the Russian Federation.

Number	Name of disclosure	Reference	Comment
GRI 403: Occupational health and safety 2018			
403-1	Occupational health and safety management system	OHS governance	
403-2	Hazard identification, risk assessment, and incident investigation	OHS governance Preventing occupational injuries and diseases	
403-3	Occupational health services	OHS governance	
403-5	Worker training on occupational health and safety	OHS training and safety culture	
403-6	Promotion of worker health	Social security and employee well-being	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Preventing occupational injuries and diseases	
403-9	Work-related injuries	OHS governance Preventing occupational injuries and diseases Appendices	
403-10	Work-related ill health	Preventing occupational injuries and diseases	
GRI 404: Training and education 2016			
404-1	Average hours of training per year per employee	Talent development, training and motivation	
404-2	Programs for upgrading employee skills and transition assistance programs	Talent development, training and motivation	
404-3	Percentage of employees receiving regular performance and career development reviews	Talent development, training and motivation	
GRI 405: Diversity and equal opportunity 2016			
405-1	Diversity of governance bodies and employees	HR policy and recruitment Appendices	



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Number	Name of disclosure	Reference	Comment
GRI 408: Child labour 2016			
408-1	Operations and suppliers at significant risk for incidents of child labour	-	The Company does not use child labour
GRI 409: Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	-	The Company does not use forced or compulsory labour
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Community development and investment in our region of presence Supporting small and medium business in Magnitogorsk	Partial disclosure The Company does not assess the socio-economic impact of its operations in its regions of presence, but considers making such assessment part of its medium-term plans in the updated strategy.
GRI 419: Socioeconomic compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	Human rights	



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MANAGEMENT OF MATERIAL TOPICS

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
1. Business ethics, anti-corruption and regulatory compliance	The components of this material topic include mechanisms for preventing any form of illegal activities and unethical behaviour, methods for informing and training for these mechanisms, as well as instruments for reporting violations.	GRI 102-16 Values, principles, standards, and norms of behavior. GRI 102-17 Mechanisms for advice and concerns about ethics GRI 205-2 Communication and training about anti-corruption policies and procedures GRI 205-3 Confirmed incidents of corruption and actions taken GRI 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices GRI 307-1 Non-compliance with environmental laws and regulations	The matters relating to business ethics and compliance with legal requirements are addressed by the Internal Audit Department, the Security Department and the Company's Corporate General Council. Key provisions are covered in the following documents: • The Code of Business Ethics • The Anti-Corruption Policy.	The Company is regularly reviewed by government authorities with the aim of identifying incidents at environmentally sensitive sites. In addition, the Company undergoes state checks of compliance with antimonopoly and anti-corruption legislation. No violations were identified in 2019.
2. Economic performance	The components of this material topic include the financial and operating results of the Company.	GRI 102-9 Supply chain GRI 201-1 Direct economic value generated and distributed GRI 204-1 Proportion of spending on local suppliers	The Director for Economics is in charge of financial and economic matters. The Director for Economics is a member of the Board of Directors, the Committee for Strategic Planning (CSP) and the Financial Resources (FRD). The CSP and the FRD report to the General Director. The Economics Department, the Chief Information Technology Specialist and the Efficiency Planning and Management Group for MMK Group also report to the Director for Economics.	The efficiency of managing economic matters in the Company is measured by setting and tracking quantitative and qualitative KPIs for executives. In addition, the Company performs annual benchmarking to monitor its position in the industry. MMK views strong metrics as part of efficient management of the topic.

103-1

103-2

103-3

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
3. Effective corporate governance	The components of this material topic include the governance structure, transparency, and responsibility for sustainability-related decision-making	GRI 102-18 Governance structure GRI 102-19 Delegating authority GRI 102-20 Executive-level responsibility for economic, environmental, and social topics GRI 102-21 Consulting stakeholders on economic, environmental, and social topics GRI 102-22 Composition of the highest governance body and its committees GRI 102-23 Chair of the highest governance body GRI 102-24 Nominating and selecting the highest governance body GRI 102-25 Conflicts of interest GRI 102-26 Role of highest governance body in setting purpose, values, and strategy GRI 102-27 Collective knowledge of highest governance body GRI 102-28 Evaluating the highest governance body's performance GRI 102-29 Identifying and managing economic, environmental, and social impacts GRI 102-30 Effectiveness of risk management processes GRI 102-31 Review of economic, environmental, and social topics	Governance matters are regulated in accordance with Russian legislation. The Company has developed the following documents and guidelines to manage corporate governance: • Code of Corporate Governance • The Charter of PJSC MMK • The Corporate Code of Conduct • Regulations on the general shareholders' meeting • Regulations on the PJSC MMK Board of Directors • The Regulation on the Collective Executive Body - MMK's Management Board • The Regulation on the Sole Executive Body - MMK's General Director • The Regulation on the Procedures for Paying Remuneration and Compensation for Expenses of MMK's BoD members • The Regulation on the Corporate Secretary of PJSC MMK • Regulation on the Procedure of Settlement of MMK's Corporate Conflicts • Regulation on the PJSC MMK Board of Directors' Committees • The Code of Business Ethics. <i>For more details about our on Corporate Governance, please refer to the "Corporate Governance" section of MMK's Annual Report (page 89)</i>	To ensure independent assessment of its performance, the Board of Directors engages an external organisation (consultants) on a regular basis (at least once every three years). In addition, the Board of Directors performs self-examination on the regular basis.



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Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
4. Innovation and R&D	The components of this material topic include the use of innovative technologies aimed at increasing operational and energy efficiency, as well as enhancing occupational safety.	GRI Standards do not have disclosures that are directly related to innovation. The additional disclosures that are not GRI indicators have been made to describe the Company's activities within the topic: implementation of Industry 4.0 by the Company, fulfillment of digital transformation projects, workplace innovations, participation in external exhibitions and contests related to innovative industrial research.	The Company's innovative operations are led by the R&D Center for Energy Saving Technology, as well as MMK's Economics Department.	While the Company does not assess the management efficiency of the material topic, the Company's success in the area of innovative operations is confirmed by awards won at external contests. MMK took part in the 22nd Archimedes Moscow International Salon of Inventions and Innovative Technologies in March 2019, winning several medals and certificates including the gold medal for high-strength, cold-resistant steel MAGSTRONG developed by the Company.
5. Product quality and customer focus	The components of this material topic include product quality, development of new products, gaining market leadership and consumer relations.	GRI Standards do not have disclosures that are directly related to product quality. The additional disclosures that are not GRI indicators have been made to describe the Company's activities within the topic: implementation of the quality management system, compliance with voluntary industry standards, launch of a unique product mix, consumer communications.	The Company's policy with respect to the product quality is confirmed by implementation of the Quality Management System and voluntary compliance with the following standards: • ISO 9001:2000 (since 2002); currently, ISO 9001:2015; • ISO/TS 16949:2002 (since 2005); currently, IATF 16949:2016; • STO Gazprom 9001-2012 (since 2010); currently, STO Gazprom 9001-2018; The Company regulates the quality management system (QMS) based on the following documents: • The Quality Policy • The QMS Guidelines • The Scope of the QMS	The Company's efficiency with respect to managing the topic of Product Quality and Client Focus is confirmed by regular external reviews and recertification audits of compliance with the above-listed standards. Presently, MMK holds certificates of compliance with the above-listed standards valid until 2020-2021 inclusively.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
			• The Group Standard. Organisational roles, responsibilities and functions for the management systems (the QMS, the Environmental Management System, the Occupational Health and Management System, the Integrated Management System). The Regulations for the Quality, Environment, Industrial Safety and OHS Committee • QMS Policy Guidelines • The Group Standard. The goals for quality, environment, industrial safety and OHS, and for the Integrated Management System • The Group Standard. QMS assessments by senior management • The Group Standard. Corrective and preventive measures • The Group Standard. Internal audits of the QMS, the Environmental Management System, the Industrial Safety and OHS Management System, the Integrated Management System • The Group Standard. The Procedure for managing documented information of the Management Systems. General provisions • The Quality Management System. Product quality.	
6. Supply chain management	The components of this material topic include the description of the procurement process, vendor selection/assessment process, support for local (Russian) vendors.	GRI 102-9 Supply chain GRI 102-10 Significant changes to the organisation and its supply chain GRI 204-1 Proportion of spending on local suppliers	The Commercial Director manages procurement processes and is in charge of category-based and operational procurement, as well as logistics.	The efficiency of topic management is measured via contracting external consultants on the regular basis in order to improve and upgrade processes and procedures. In the past three years, MMK was among the winners of the All-Russia Contest “The Leader of Competitive Procurement.” In 2019, the Company was awarded in the nomination “Team Potential Development.”

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
7. Occupational health and safety	The components of this material topic include occupational health and safety, hazard identification, risk assessment, prevention work-related injuries, work-related injuries, and worker training on occupational health and safety.	GRI 403-1 Occupational health and safety management system GRI 403-2 Hazard identification, risk assessment, and incident investigation GRI 403-3 Occupational health services GRI 403-5 Worker training on occupational health and safety GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships GRI 403-9 Work-related injuries GRI 403-10 Work-related ill health	Management of occupational health and industrial safety is the responsibility of the Committee for Labour Protection, Industrial Safety and Ecology at the Board of Directors, the Deputy General Director for Labour Protection, Industrial Safety and Ecology and the Director for Labour Protection, Industrial Safety and Ecology reporting to the General Director. The Company also has the Department for Labour Protection and Industrial Safety responsible for ensuring OHS compliance and updating the internal rules and regulations at the corporate level. The heads of production business units are responsible for OHS compliance at their business units. OHS governance procedures are described in the following regulations of the Company: • The OHS Policy of PJSC MMK • The MMK Labour Protection and Industrial Safety Policy • The Company Standard. The OHS Governance Framework. OHS Governance • The Company Standard. The OHS Governance Framework. Exposure identification, risk assessments and risk control development • The Company Standard. The OHS Governance Framework. Procedures for hazardous operations • The Regulation on the Organisation and Performance of Special Assessments of Labour Conditions at MMK. • The Group Standard on the Operation of the On-site Civil Protection System and the On-site Unit for the Russian System of Disaster Management • The Regulation on the Preparedness for Incident and Accident Containment and Response at MMK Business Units.	The Company assesses the efficiency of topic management by setting OHS goals on the annual basis and controlling their fulfillment. All goals set in the reporting period have been fulfilled. The Company does not perform external audits of OHS system efficiency.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
			In 2004, MMK introduced an occupational health and safety system (OHS System) designed in line with OHSAS 18001:2007. The Company is making arrangements for ISO 45001 certification and adaptation in August 2020.	
8 Employee engagement	The components of this material topic include the personnel policy, gender structure, hiring, development, retention and employee motivation.	GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage GRI 401-1 New employee hires and employee turnover GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees GRI 401-3 Parental leave GRI 404-1 Average hours of training per year per employee GRI 404-2 Programs for upgrading employee skills and transition assistance programs GRI 404-3 Percentage of employees receiving regular performance and career development reviews GRI 405-1 Diversity of governance bodies and employees	Development and implementation of the HR policy and strategy in the Company is the responsibility of the HR Director. The HR Department and the Personnel Management Department report to the HR Director. HR Director reports to the General Director. Business unit leaders directly manage personnel at the level of their business units. HR processes are regulated as part of the following internal rules and regulations of the Company: • HR Policy • Corporate Code of Conduct • Code of Business Ethics • Collective Agreement for the metals and mining industry • The Company Standard. Quality Management System Standard: Employee Remuneration Policy • The Company Standard. Quality Management System Standard: Employee Bonus Policy • The Company Standard. Quality Management System Standard: Surveys. Employee satisfaction monitoring • The Company Standard. Quality Management System Standard: Planning, recruitment and staffing. General provisions • The Company Standard. Quality Management System Standard: Policy on training MMK employees and individuals not employed by the Company	The Company has a mechanism for receiving feedback from employees, which is used as a tool for evaluating efficiency. The Company regularly undergoes audits performed by state agencies, as well as review of compliance with voluntary obligations and management systems relating to work and personnel. The Company monitors employee satisfaction with work at the Company in accordance with the approved schedule. The HR Department analyses reasons for low employee satisfaction at the respective business units and develops measures based on the results of the employee satisfaction monitoring. In addition, the efficiency of topic management is confirmed by prizes and top nominations at external contests: • MMK won the Best Russian Award from Forbes in 2019 ranking the 10th in the list by the Education category, overtaking other metals and mining companies.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
			• Regulation on the Procedure for Employee Benefits for Business Unit Anniversaries, Important Events and Professional Holidays • Regulation on Industry Placements for Vocational and Higher-education Students • Regulation on Secondments.	• MMK was ranked the 4th in the Top 20 RAEX-600 rating of socially responsible companies in the personnel development category. • In 2019, MMK became a winner of the All-Russia contest “The Russian Business Leaders: Dynamics, Responsibility, Sustainability — 2019” based on the 2018 results in the category “For Development of the HR Potential” held by the Russian Union of Industrialists and Entrepreneurs on the annual basis.
9. Promotion of employee well-being	The components of this material topic include the promotion of healthy lifestyles, occupational health services.	GRI 403-6 Promotion of worker health	The Social Programs Group manages this topic using the infrastructure of the Central Clinical Healthcare Unit, the Metallurg-Magnitogorsk Sports Club, MMK recreation and rehabilitation centers. The initiatives for promoting healthy lifestyles are supported by catering operators providing hot meals at the industrial site, the Metallurg Charity Foundation, the Mountain Ski Centers of MMK and the Miracle Waterfall Waterpark.	The efficiency of topic management is assessed by setting goals for measures to be undertaken within the Worker Health Promotion initiative and monitoring implementation.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
10. Engagement with local communities	The components of this material topic include the implementation of diverse social programs, including support for education and health, as well as charity and corporate volunteering.	GRI 203-1 Infrastructure investments and services supported GRI 413-1 Operations with local community engagement, impact assessments, and development programs	The topic is managed by the Group for Social Programs via collaboration with charity foundations and public organisations. The business units responsible for the development and implementation of the local community programs are the Directorate for corporate matters and social programs, as well as the Information and Public Relations Department. The objectives of collaboration with local communities are defined in the Magnitka Social Strategy, which envisages the development and implementation of a coordinated corporate policy for collaboration with local communities to address municipal objectives.	In order to evaluate the efficiency of topic management, the Company holds regular public opinion polls to identify issues that are the most pressing for local communities. The results of the opinion polls in the past two years (2018-2019) show lower concerns of local communities with the state of environment in the city, the quality of the transport infrastructure, availability of space for leisure activities and sports.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
11. Human rights and gender equality	The components of this material topic include ensuring equal rights and opportunities for employees irrespective of their gender, age, national identity, social status and other discriminative criteria.	202-1 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation (indication that the wage is subject only to the work experience, qualifications, knowledge and employee performance irrespective of their age, gender, or race) GRI 408-1 Operations and suppliers at significant risk for incidents of child labour GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour The Company discloses information under the topic by providing data on corporate initiatives aimed at ensuring human rights and gender equality in this Report.	The Company does not have a dedicated business unit responsible for monitoring human rights. These matters are managed on a decentralised basis by many divisions and business units including the following: the HR Department, the Personnel Department, the Internal Audit Department, the Security Service, the Primary Trade Union Organisation of PJSC MMK.	The Company does not assess the efficiency of topic management but plans to implement a separate system for assessing topic management efficiency.
12. Investment in regional development and indirect economic impact	The components of this material topic include the Company's contribution to the development of the region of operations, investment in development of the municipal infrastructure and assistance in developing the regional SMB.	GRI 203-1 Infrastructure investments and services supported	Matters relating to social investments are managed by MMK's Social Programs Group. Final decisions based on the available information are made by the director of the function or by MMK's General Director. In addition, the Company appointed managers responsible for collaboration with the construction of the Attraction Park. The MMK Industrial Park company, whose mission is to develop SMB, is a subsidiary of MMK and is managed by the Director of this organisation. MMK collaborates closely with this organisation and provides all available support.	The efficiency of topic management is assessed by setting goals for the Strategic Initiative for Developing the City of Magnitogorsk and monitoring the achievement of these goals.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
13. Environmental management	The components of this material topic include implementation of strategic initiatives, goal setting and development of measures for mitigation and prevention of negative environmental impacts, the use of best available technologies and reconstruction of environmental sites.	GRI 102-31 Review of economic, environmental, and social topics by the highest governance body GRI 102-43 Approach to stakeholder engagement GRI 307-1 Non-compliance with environmental laws and regulations The Report also contains information on implementations of initiatives and environmental measures, the use of best available technologies and the system of environmental management.	Committee for Labour Protection, Industrial Safety and Ecology, as well as the Director for OHS who reports to the General Director. The Company also runs the Environment Protection Laboratory (EPL). The Head of the EPL reports directly to Director for Occupational Health and Safety and Environmental Protection and monitors production-related environmental matters in the Company's business units. The key goals and provisions observed by the Company in the area of environmental responsibility are stipulated in MMK's Environmental Policy. In addition, MMK introduced the Environmental Management System (EMS) in accordance with ISO 14001:2015 (Environmental management systems). The oversight, approval and implementation of the policy is the responsibility of the General Director.	The Company assesses the efficiency of topic management by establishing KPIs for top executives and monitoring their fulfillment. The Company undergoes a recertification audit of compliance with ISO 14001:2015 on the regular basis. The last audit was held in August 2019, no violations were found. The audit was performed by an independent certification authority that issued a new certificate of the Environmental Management System valid until 2022.
14. Water consumption and water discharge	The components of this material topic include responsible water management and related elements.	GRI 303-1 Interactions with water as a shared resource GRI 303-2 Management of water discharge-related impacts GRI 303-3 Water withdrawal GRI 303-4 Water discharge	In addition to managers responsible for addressing general environmental matters (see the topic on Environmental management); each business unit has a dedicated person or function responsible for water treatment facilities. Water withdrawal and consumption matters are managed by the Energy Department.	The efficiency of topic management is performed as part of the assessment for the management of the Environmental Management topic. The Company plans to implement a dedicated system for evaluating the efficiency of the water consumption management when updating its Strategy.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
15. Emissions and climate change	The components of this material topic include the Company's efforts aimed at reducing pollutant emissions to the atmosphere and the reduction of its own carbon footprint.	GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-4 GHG emissions intensity GRI 305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions As part of disclosures under this topic the Report contains data on the comprehensive air pollution index (CAPI) and MMK's efforts on decreasing the CAPI.	In addition to persons responsible for addressing general environmental matters (see the topic on Environmental management); each business unit has a dedicated person or function responsible for dust and gas treatment equipment.	The evaluation criteria for the Company by non-commercial organisations and rating agencies comprise the assessment of efficiency in preventing climate change. The Company plans to implement a special system for evaluating the efficiency of managing this topic when updating its Strategy.
16. Biodiversity conservation	The components of this material topic include support for biodiversity conservation in the region of presence including such initiatives as planting greenery, stocking the Ural River with fish, biological re-cultivation of quarries, supporting some categories of flora and fauna, including those in the Red Book of Endangered Species.	GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	General matters relating to Biodiversity conservation are managed by employees responsible for environmental management (see the topic on Environmental management). Some initiatives are led by managers of the projects for planting greenery, supporting fisheries, Attraction project programs including efforts for biodiversity conservation, etc.	The efficiency of topic management is performed as part of the assessment for the management of the Environmental Management topic. The Company plans to implement a dedicated system for evaluating the efficiency of managing this topic when updating its Strategy.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
17. Waste management	The components of this material topic include informing on technical waste generation and processing, classification of waste and waste processing activities.	GRI 306-2 Waste by type and disposal method GRI 306-3 Significant spills GRI 306-4 Transport of hazardous waste	In addition to persons responsible for addressing general environmental matters (see the topic on Environmental management); each business unit has a dedicated person or a function responsible for waste processing and accounting.	The efficiency of topic management is performed as part of the assessment for the management of the Environmental Management topic. The Company plans to implement a dedicated system for evaluating the efficiency of managing this topic when updating its Strategy.
18. Energy efficiency	The components of this material topic include information on generated and purchased energy, total energy consumption, measures aimed at efficient use of energy resources, energy saving, innovative solutions allowing for reduction of energy consumption and resources spent on the generation of energy.	GRI 302-1 Energy consumption within the organisation GRI 302-3 Energy intensity GRI 302-4 Reduction of energy consumption In addition, the Report provides information on the use of secondary gas (blast furnace and coke oven gases) within disclosures under this topic.	Matters related to increasing energy efficiency and reducing energy consumption including monitoring the performance of the Energy Management System are managed by the Chief Energy Director reporting to the Deputy General Director for Production. The Company's activities aimed at energy saving are regulated in the Energy Policy of PJSC MMK. In addition, MMK introduced the Energy Management System in accordance with ISO 50001:2011.	The Company assesses efficiency of the topic management by setting goals for energy saving on the annual basis and controlling their fulfillment. MMK's Energy Management System undergoes review of compliance with the ISO 50001:2011 requirements on the annual basis. Based on the results of the latest audit performed in September 2019 the Company received a new certificate valid until 2021. In addition, the Company's energy management platform wins regularly top awards at external contests.

Material topic	Explanation of the material topic	GRI indicators for the topic and additional metrics	Approach to managing the material topic	Evaluation of the management approach
19. Efficient resource use	The components of this material topic include disclosures on the use of resources and specifications of the used materials.	GRI 301-1 Materials used by weight or volume	Matters related to the efficient use of resources are managed by the head of the R&D Centre and the Economics Department. All MMK's production business units are involved in the monitoring and analysing of resource consumption ratios. This process is regulated in the internal documents: Corporate standards, technical manuals, letters, etc. The Company has certified the quality management system and has the updated Quality Policy (one of the objectives is reduction of metal consumption in rolled steel production).	Efficiency is assessed by comparing actual consumption of materials and resources by each production stage and each product category against the best possible corporate and industrial metrics. The Company assesses the efficiency of resource consumption: • by evaluating the fulfillment of quality management targets • by international producers of technical equipment to find optimal investment solutions. The Company plans to develop further methods for assessing the efficiency of managing the topic through implementing the elements of lean production when updating its Strategy.

GLOSSARY

Unit of measurement	
bln	Billion
CO ₂ e	CO ₂ equivalent, a unit of measurement used to compare emissions from various greenhouse gases
CO ₂ e/tonne of steel	CO ₂ equivalent per tonne of steel
GJ/tonne	Gigajoule per tonne of steel
kWh	Kilowatt-hour, a unit of generated energy
km	Kilometre
kt	Thousand tonnes
m	Metre
m ²	Square metre
m ³	Cubic metre
m ³ /h	Cubic metre per hour
man-hour	A man-hour is the amount of work performed by a worker in one hour
MW	Megawatt (1,000 kW)
megalitre	Million litres
ln	Million
mln tonnes	Million tonnes
RUB	Russian ruble
thousand GJ	Thousand gigajoules
thousand kWh	Thousand kilowatt-hour
tonnes of CO ₂ e	Tonnes of CO ₂ equivalent

Terms and abbreviations	
Additive technology	Additive technology produce various objects by adding a material layer by layer to
AI	Artificial Intelligence
AIS	Automated Information System
APCS	The Automated Process Control System
ASP	Air separation products
BAT	Best available technology
Big data	Tools and methods used for storing and processing huge amounts of data to solve real-world problems
BSA	Behavioural safety audit
CAPI	Comprehensive air pollution index
CCHU	The Central Clinical Healthcare Unit
CDB	Correction of dangerous behaviour
CDQ plant	Coke dry-quenching plant
CES	Central Energy System
CHP	Combined heat and power station
CLSI	Comprehensive Labor Safety Index
COVID-19	Novel coronavirus infection
CP	Control pulpit
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
ECG	Electrocardiogram
EM	Environmental management
EMS	Environmental Management System
EnMS	Energy Management System
EPL	Environment Protection Laboratory

Terms and abbreviations

ESG	A set of criteria for assessing a company on its performance across three key areas — Environment, Social and Governance
ESTC	Energy Saving Technology Centre
ETP	Electronic trading platform
FCF	Measure is a measure of the cash available to company owners and investors once the company has met its tax and capex obligations
FRD	Financial Resources Department
GHG	Greenhouse gases
GRI Standards	Global Reporting Initiative Standards
GTO fitness criteria	National fitness criteria established as part of the GTO (Ready for Labour and Defence) program aimed at improving physical shape and fitness of the Russian population
HEC	Health and Educational Centre
HVA	High value added
IAF MLA	The International Accreditation Forum - Multilateral Recognition Arrangements. The International Accreditation Forum is the world association of Conformity Assessment Accreditation Bodies
IATF 16949:2016	Global technical specification and quality management standard for the automotive industry
IIoT	Industrial internet of things
IMS	Integrated Management System
Industrial exoskeleton	Innovative robotic solution designed to protect the musculoskeletal system by reducing the load acting on an exoskeleton operator during lifting operations
Industry 4.0	Concept of an expected fourth industrial revolution involving the widespread implementation of information technology across business processes
IR	Investor Relations are a strategic communication activity aimed at building efficient relations with the investor community

Terms and abbreviations

ISO 14001:2015	ISO standard that specifies the requirements for an environment management system
ISO 45001:2016	ISO standard for management systems of occupational health and safety
ISO 50001:2011	ISO international standard that specifies the requirements for an energy management system
ISO 9001:2015	ISO international standard that specifies the requirements for an quality management system
ISO/IEC 31010:2011	Russian standard defining requirements for risk assessment methods
IT	Information Technology
LACR	The Legislative Assembly of Chelyabinsk Region
LC	The Labour Code of the Russian Federation
LTIFR	Lost Time Injury Frequency Rate
M&E	Materials and equipment
M&R	Maintenance and repairs
MCAD	The Magnitogorsk City Assembly of Deputies
MHI	Mandatory health insurance
MMK Group, the Group	MMK Group and its subsidiaries, including MMK-METIZ, Torgovy Dom MMK, MMK-Resource, MMK-Service, Mintha Holding Limited, MMK-Finance, MMK-Resort
Non-deal roadshow	Series of external events where company management meets both current and potential investors. Companies generally use non-deal roadshows to communicate their plans and developments to investors, which also includes Q&A sessions as a direct form of communicating with investors
NUIAC	National Union of Internal Auditors and Controllers
OHS	Occupational health and safety
OHS System	The Occupational Health and Safety system
OHSAS 18001:2007	International standard for management systems of occupational health and safety
OHSE	Occupational health, safety and environment

Terms and abbreviations	
Oracle OeBS	Oracle e-Business Suite is a software suite designed to automate core business processes, including finance, production, logistics, HR, sales, commerce, supply chain, etc.
PICE	Private institution for co-curricular education
PJSC MMK, Magnitogorsk Iron and Steel Works, MMK, the Company	The parent company of MMK Group
PNA	Protected natural area
PPE	Personal Protective Equipment
Precautionary principle	The precautionary principle says that where a threat of extensive or irreversible damages exists, the lack of extensive scientific knowledge on the matter should not be used as a pretext for pausing cost-efficient measures aimed at preventing environmental pollution
Professional	Professional work undertaken without payment to support charities, NGOs and not-for-profit organisations
QMS	Quality Management System
R&D	Research and development
R&D centre	Research & Development centre

Terms and abbreviations	
Resident	Legal entity or an individual entrepreneur using the movable and immovable property of the Research and Technology Park for the purposes of its operations (production, research, development)
RF	The Russian Federation
RPA	Robotic Process Automation is a form of business process automation technology based on software robots (bots)
Sinter plant	Part the smelting process. It produces sintering mixture for blast furnaces
SPIC	Special investment contract
SPP	Steam power plant
SSE	Stockholm School of Economics
STO Gazprom 9001-2018	Set of standards for Gazprom's suppliers to manage their quality management systems
SW	Software
The Strategy of PJSC MMK, the Strategy	The strategic development plan of the Group for the period until 2025
TSR	Total Shareholder Return
UCCUS	The Union of Construction Companies of the Urals and Siberia (UCCUS)

Terms and abbreviations	
UN SDGs	The Sustainable Development Goals by the UN for the period until 2030
UNIDO	The United Nations Industrial Development Organisation
VMI	Voluntary medical insurance
VR-based training	Training based on virtual reality technology
WSA	The World Steel Association is the international body for the iron and steel industry
WWF	World Wildlife Fund

TABLES AND ADDITIONAL MATERIALS

About the Report

Notes to the Materiality Matrix

Material Topic 2 “Economic performance” was selected as the most important for stakeholders. According to senior executives, this is also the area where the Company has the most impact. Based on the analysis, while the Company has the most influence over Topic 7 “Occupational health and safety”, stakeholders regard this topic as less important compared to the other topics such as Topic 2 “Economic performance”, Topic 5 “Product quality and customer focus”, Topic 15 “Emissions and climate change”, Topic 8 “Employee engagement”, Topic 17 “Waste management”, Topic 9 “Promotion of employee well-being”, Topic 13 “Environmental management”, Topic 3 “Effective corporate governance” and Topic 19 “Resource efficiency”. These topics are on the list of issues most important for stakeholders.

In addition to Topics 2 and 7, management notes that the Company has the highest impact on Topic 5 “Product quality and customer focus”, Topic 13 “Environmental management”, Topic 15 “Emissions and climate change”, Topic 18 “Energy efficiency” and Topic 19 “Resource efficiency”.

As regards stakeholders, the materiality analysis identified the topics that were most important to certain groups of stakeholders. These topics include:

- Topic 1 “Business ethics, anti-corruption and regulatory compliance” and Topic 11 “Human rights and gender equality” were named as the most relevant topics to the partners of the Company
- Topic 6 “Supply chain management” was rated as most important to investors
- Topic 4 “Innovation and R&D” is on the list of topics most important to stakeholders representing government authorities
- In addition, Topic 10 “Engagement with local communities” has been rated by both investors and the partners as one of the most important dimensions

The materiality analysis has helped to identify the most important topics reflected in the structure and the contents of this Report that takes a particular focus on disclosures related to these topics.

Corporate governance

As at 31 December 2019, the Board of Directors was:*

- **Victor Rashnikov**, Chairman of the Board of Directors, PJSC MMK; Chairman of the Committee for Strategic Planning. Board member since 1993
- **Andrey Eremin**, member of the Board of Directors, PJSC MMK; member of the Committee for Strategic Planning; Director for Economics. Member of the Board of Directors at PJSC MMK since 2019
- **Kirill Liovin**, Independent member on the Board of Directors, PJSC MMK; Chairman of the Audit Committee; member of the Nominations and Remuneration Committee. First Deputy Chairman of the Management Board of JSC RosSelkhozBank. Member of the Board of Directors at PJSC MMK since 2014
- **Valery Martsinovich**, Independent member on the Board of Directors, PJSC MMK; Chairman of the Nominations and Remuneration Committee; member of the Health, Safety and Environment Committee. Strategic Director of Well Developing Markets of Europe, Hay Group. Member of the Board of Directors at PJSC MMK since 2014. A Polish citizen

- **Tav Morgan**, Independent member of the Board of Directors, PJSC MMK; member of the Audit Committee; Chairman of the Health, Safety and Environment Committee. Director of the Department of Baring Vostok Capital Partners. Member of the Board of Directors at PJSC MMK since 2015 A U.S. citizen.
- **Nikolay Nikiforov**, Independent member of the Board of Directors, PJSC MMK; member of the Audit Committee and the Committee for Strategic Planning; Chairman of the Board of Directors at Diginavis LLC. Member of the Board of Directors at PJSC MMK since 2019
- **Olga Rashnikova**, Non-executive director at PJSC MMK; member of the Committee for Strategic Planning on the Board of Directors. Member of the Board of Directors at PJSC MMK since 2012
- **Zumrud Rustamova**, Non-executive director; member of the Nominations and Remuneration Committee, member of the Health, Safety and Environment Committee on the Board of Directors at PJSC MMK. Deputy General Director at JSC Polymetal Management Company. Member of the Board of Directors at PJSC MMK since 2006
- **Sergey Ushakov**, member of the Board of Directors at PJSC MMK; member of the Committee for Strategic Planning; member of the Health,

Safety and Environment Committee; Deputy General Director for Sales at PJSC MMK. Member of the Board of Directors at PJSC MMK since 2017. Mr. Ushakov holds an interest of 0.0014% in the Company

- **Pavel Shilyaev**, member of the Board of Directors at PJSC MMK; member of the Committee for Strategic Planning; Chairman of the Management Board; CEO of PJSC MMK. Member of the Board of Directors at PJSC MMK since 2014. Mr. Shilyaev holds an interest of 0.0032% in the Company.

For more detailed information about the members of the Board of Directors, please refer to the "Corporate Governance" section in our [Annual Report \(page 89\)](#).

* All members of the Board of Directors are Russian citizens except as specified otherwise. Members of the Board of Directors do not represent external stakeholders except where an alternative participation interest is specified. Members of the Board of Directors without shareholding interest specified do not have shares in PJSC MMK. The Board of Directors has eight men and two women. There are no representatives of social minority groups on the Board of Directors..



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Occupational health and safety

403-9

WORKPLACE INJURIES

	Indicator	Unit of measurement	Company employees		Contractor employees	
			2018	2019	2018	2019
Man-hours worked	-	Man-hours	33,849,051	32,476,012	21,992,589	21,827,853
Injury data						
Total work-related accidents, including:	-	Number of occurrences	48	38	28	18
Fatalities	-	Number of occurrences	1	3	2	0
Collective accidents	-	Number of occurrences	0	0	0	0
People injured, including:	-	Number of people	48	38	28	18
Fatalities	FA	Number of people	1	3	2	0
Severe injuries	-	Number of people	2	5	3	2
Minor injuries	-	Number of people	45	30	23	16
People injured in collective accidents, including:	-	Number of people	0	0	0	0
Fatalities	-	Number of people	0	0	0	0
Severe injuries	-	Number of people	0	0	0	0
Minor injuries	-	Number of people	0	0	0	0



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	Indicator	Unit of measurement	Company employees		Contractor employees	
			2018	2019	2018	2019
Work-related injuries that resulted in a temporary disability	LTI	Number of people	48	38	28	18
Injuries that resulted in a temporarily restricted ability (a transfer to a less strenuous job without reduction in performance ability)	RWC	Number of people	0	0	0	0
Injuries that required medical treatment without reduction in performance ability (minor injuries)	MTC	Number of people	155	90	84	61
Total work-related injuries registered	TRI	Number of occurrences	203	128	112	79
Fatality accident rate	FAR	Per 1 million hours	0.059	0.092	0.091	0
Total recordable injury frequency rate	TRIFR	Per 1 million hours	5.997	3.941	5.092	3.619
Lost time injury frequency rate	LTIFR	Per 1 million hours	1.42	1.17	1.27	0.82

Employee engagement

TOTAL EMPLOYEES BY EMPLOYMENT CONTRACT AND EMPLOYMENT TYPE

	2018	2019
Permanent employees	17,826	17,520
Women	4,881	4,841
Men	12,945	12,679
Fixed-term employees	388	358
Women	316	271
Men	72	87
Total	81,214	17,878
Full-time employees	18,193	17,848
Women	5,182	5,088
Men	13,011	12,760
Part-time employees on a reduced workday, based on an employee request	21	30
Women	15	24
Men	6	6
Total	18,214	17,878

TOTAL EMPLOYEES BY AGE AND GENDER

	Aged below 30		Aged 30–50		Aged above 50		Total	
	2018	2019	2018	2019	2018	2019	2018	2019
Total management staff (including managers, professionals and administrative stuff)	143	121	2,385	2,349	738	750	3,266	3,220
Women	52	50	770	783	248	256	1,070	1,089
Men	91	71	1,615	1,566	490	494	2,196	2,131
Managers	16	10	762	755	263	245	1,041	1,010
Women	0	0	23	29	16	14	39	43
Men	16	10	739	726	247	231	1,002	967

	Aged below 30		Aged 30–50		Aged above 50		Total	
Professionals	127	111	1,620	1,592	474	505	2,221	2,208
Women	52	50	744	752	231	242	1,027	1,044
Men	75	61	876	840	243	263	1,194	1,164
Administrative staff	0	0	3	2	1	0	4	2
Women	0	0	3	2	1	0	4	2
Men	0	0	0	0	0	0	0	0
Total workers	3,324	3,146	8,829	8,711	2,795	2,801	14,948	14,658
Women	614	591	2,698	2,578	813	854	4,125	4,023
Men	2,710	2,555	6,131	6,133	1,982	1,947	10,823	10,635
Total employees	3,467	3,267	11,214	11,060	3,533	3,551	18,214	17,878
Women	666	641	3,468	3,361	1,061	1,110	5,195	5,112
Men	2,801	2,626	7,746	7,699	2,472	2,441	13,019	12,766

NEW HIRES AND DISMISSALS

Total new hires for the reporting period, by age and gender

	Aged below 30		Aged 30–50		Aged above 50		Total managers	
	2018	2019	2018	2019	2018	2019	2018	2019
Total employees	954	796	353	264	14	17	56	58
Women	163	154	127	99	4	4	25	25
Men	791	642	226	165	10	13	31	33

Total dismissals for the reporting period, by age and gender

	Aged below 30		Aged 30–50		Aged above 50		Total employees	
	2018	2019	2018	2019	2018	2019	2018	2019
Total employees	565	495	343	450	514	468	1,422	1,413
Women	77	73	89	127	171	140	337	340
Men	488	422	254	323	341	328	1,085	1,073

Environmental responsibility

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TOTAL INPUT AND PACKAGING MATERIALS BY WEIGHT, TONNES

Non-renewable materials	2018	2019
Feedstock for sinter production	7,967,438	8,628,296
Pellets	6,070,789	5,979,593
Production coals	6,934,692	7,043,770
Ferroalloy	135,077	142,913
Aluminium	38,648	36,115
Tin	532	571
Zinc	59,397	57,755
Non-ferrous metals and alloys	2,983	2,796
Coating materials for the polymer coating plant	9,458	8,277
Plastic (PVC, PE and PET)	6,328	7,872
Anticorrosion crepe paper	840	1,104
Scrap	2,568,822	2,125,898
Total non-renewable materials	23,814,705	24,057,861
Renewable materials	2018	2019
Timber materials	3,911	3,719
Cardboard	257	270
Total renewable materials	4,168	3,989
Total materials consumed	23,818,873	24,061,850

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TOTAL WATER WITHDRAWAL, MILLION LITRES

	2018	2019
Surface water	88,765	88,622
Including fresh water	88,765	88,622
Including other water resources	0	0
Underground water	31	29
Including fresh water	31	29
Including other water resources	0	0
Water provided by third parties, including	11,210	10,159
Waste water from other entities (PJSC MMK-Metiz)	5,021	3,924
Including fresh water	0	0
Including other water resources (waste process water from PJSC MMK-Metiz)	5,021	3,924
Municipal and other water supply systems (water supplied by MP VodoKanal for drinking and domestic use)	6,188	6,235
Including fresh water	6,188	6,235
Including other water resources	0	0
Total water withdrawn	100,005	98,810
Including fresh water	94,983	94,886
Including other water resources	5,021	3,924

EMISSIONS (NITROGEN OXIDES, SULPHUR OXIDES AND OTHER SIGNIFICANT POLLUTANTS)

The list “Other standard emission categories defined by applicable rules and regulations” includes:

- Dialuminium trioxide (in terms of aluminium content)
- Titanium dioxide
- Iron(II) sulphate (in terms of iron content)
- Iron(III) chloride (in terms of iron content)
- Iron(III) oxide (in terms of iron content)
- Magnesium oxide
- Magnesium chlorate
- Copper sulphate (in terms of copper)
- Sodium hydroxide
- Sodium chloride
- Sodium carbonate
- Sodium sulphate
- Sodium sulphite
- Nickel oxide (in terms of nickel content)
- Tin oxide (in terms of tin content)
- Tin sulphate (in terms of tin content)
- Aluminium, soluble salts
- Zinc chloride (in terms of zinc content)
- Zinc oxide (in terms of zinc content)
- Trivalent chromium compounds (in terms of chromium 3+ content)
- Sodium sulphite
- Elemental sulphur
- Phosphorus pentoxide
- Slightly soluble fluorides
- Ammonium sulphate
- Mixture of saturated hydrocarbons C6-C10
- Ethanol
- Ethylene glycol
- Sulfamic acid
- Kerosene
- White spirit
- Saturated hydrocarbons C12-C19
- Cutting fluid OSM-A
- Emulsol
- Suspended solids
- Inorganic dust containing up to 20% of SiO₂
- Abrasive dust (white fused alumina, monocrystalline alumina)
- Textolite dust
- Ferroalloy dust
- Calcium carbonate
- Calcium chloride
- Trisodium phosphate
- Magnesium carbonate basic hydrate
- Mixture of naturally occurring mercaptans (Odorant SPM TU 51-81-88)
- Coal dust

Engagement with local communities

SOCIAL PROGRAM BY PJSC MMK, RUB MILLION

No	Social program	Funds invested	Investment by subcomponent	Subcomponent description
1	Healthcare and prevention programs	306.3	255.39	Employee benefits (healthcare and prevention programs)
			50.9	Investment in infrastructure (equipment, housing for health professionals, etc.)
2	Health centres and resorts	211.6	211.6	Employee benefits (health centre and resort benefits)
3	Subsidised camp programs for employees' children	30.3	13.8	Employee benefits (camp benefits)
			16.5	Investment in infrastructure (equipment, maintenance and repairs for children's camps)
4	Promotion of sports and healthy lifestyles; maintenance of sport facilities	116.7	3.6	Employee benefits (discounts for aquapark, recreation and sport activities)
			113.1	Investment in infrastructure (maintenance of sports clubs, the sports school for children and young people, sport competitions at various levels, sports days)
5	Hot meals for employees	21.4	21.4	Employee benefits (meal discounts)
6	Public events and maintenance of the Palace of Culture, a recreation centre	101.6	40.9	Employee benefits (concerts, tickets at a discount, Metallurgist Day)
			60.7	Investment in infrastructure (maintenance of the Sergo Ordzhonikidze Metallurgist Palace of Culture, clubs)
7	Housing, youth and educational programs, as well as other voluntary social commitments	59.9	59.9	Employee benefits (housing subsidies, moral damage compensations for employees injured in the workplace, events for the youth, funeral services)



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No	Social program	Funds invested	Investment by subcomponent	Subcomponent description
8	Initiatives aimed at increasing childbirth rates and supporting mothers and large families	87.7	87.7	Employee benefits (financial benefits for expectant mothers and large families, family recreation events and discounts, as well as medicines and children's camps at a reduced price)
9	Social program "Care" to support retired persons and disabled persons	314.6	314.6	Social benefits for retired persons Medical treatment, financial assistance, sanatoriums, etc. Assistance to people injured in the explosion on 31 December 2018 in Magnitogorsk
10	Charitable activities	538.7	538.7	Community investment (support for NGOs and charities) Support for orphanages and care homes. Joint projects involving the Magnitogorsk city government, including gardening initiatives Support for educations institutions, etc.
Total investment in social programs and charitable activities			1 789 RUB MILLION	

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